Workers' Compensation
Oversight
Commission

Investment Committee

Michael C. Koetters, Chairman
Retired Chief Investment Officer,
WellPoint Inc.

William E. Sopko
President,
STAMCO Industries

Edwin McCausland, CFA
President,
Investment Perspectives LLC

Denise M. Farkas, CFA
Senior Vice President,
Spero Smith Investment Advisers

The next WCOC
Investment Committee meeting is scheduled for:

Date: Jan. 25, 2007
Time: 8:45 a.m.
Location: William Green Building,
Second Floor, Room 2

INVESTMENT COMMITTEE

Agenda

Date: **Dec. 14, 2006**
Time: **9:00 am**
Location: **William Green Building, Second Floor, Room 1**

Opening remarks

Chairman's comments .... Mike Koetters

Old business

Approval of September 28, 2006 meeting minutes .... Mike Koetters

Approval of November 16, 2006 meeting minutes............. Mike Koetters

New business

1. Wilshire Oct. 2006 monthly performance flash report
.... Mark Brubaker

2. Manage portfolio transition to approved asset allocation:

   Transition Strategy overview
   Pert/Gant chart timelines
   Custodian transfer *(update)*.. Bruce Dunn

3. Passive Index Manager Recommendations:

   a. TIPS fixed income mandate, *vote to recommend approval to the WCOC* .... Bruce Dunn and Mark Brubaker

   b. Long Duration fixed income mandate, *vote to recommend approval to the WCOC* .... Bruce Dunn and Mark Brubaker

4. Calendar of Reports for Investment Committee .... Bruce Dunn

Report Updates

5. CIO report and compliance – November 2006 .... Bruce Dunn

6. Index Managers RFP... Bruce Dunn

7. Private Equity sale .... Bruce Dunn

8. Investment Division organization chart .... Bruce Dunn

Note: Written reports provided – *no prepared presentation*

JP Morgan October 2006 Monthly Performance Report
Investment expenses – manager and operational fees
Investment Division department budget
Investment Policy dated September 28, 2006

Adjourn .... Mike Koetters

WORKERS' COMPENSATION OVERSIGHT COMMISSION
INVESTMENT COMMITTEE

THURSDAY, SEPTEMBER 28, 2006, 10:00 A.M.
DAYTON CONVENTION CENTER
22 EAST FIFTH STREET, ROOM 305
DAYTON, OHIO 45402

Members Present: Michael Koetters, Chairman
Denise Farkas
Edwin McCausland
Bill Sopko

Other Oversight Commission Members Present:
Mary Beth Carroll
Charles Kranstuber
William Burga

Members Absent: None

Others in attendance at the invitation of the Committee:
William Mabe, Administrator
Cathy Moseley, Chief of Staff
Valarie Sansom-Davy, Administrative Assistant, Chief of Staff
Maurice Selekman, Administrative Assistant, Chief of Staff
Joe Bell, Chief Internal Auditor
Keith Elliott, Manager, Internal Audit
David Logan, Internal Audit
Tracy Valentino, Chief Financial Officer
Liz Bravender, Actuarial Director
Bruce Dunn, Chief Investment Officer
Lee Damsel, Director of Investments
Vincent Thomas, Investments
Douglas Walouke, Investments
Barb Young, Chief Human Resources Officer
Jeremy Jackson, Chief Marketing Officer
Nancy Smeltzer, Chief Spokesperson
John Williams, Esq., Assistant Attorney General
Ian Lanoff, Esq., Groom Law Group
Karen Huey, Esq., Liaison to the Governor's Office

James Barnes, Esq., Chief Legal Officer
Emily Hicks, Legislative Liaison
Tom Sico, Esq., Director of Legal Operations
Larry Rhodebeck, Esq., Legal Operations & Secretary for the meeting
Mark E. Brubaker, Wilshire Consulting
Michael Patalsky, Wilshire Consulting
Danielle London, Wilshire Consulting
Rich Hartzell, JPMorgan Chase

Public Meeting – Others in attendance not recorded

ROLL CALL

Mr. Koetters called the meeting to order and the roll call was taken.

OLD BUSINESS

MINUTES OF AUGUST 24, 2006

Ms. Farkas moved that the minutes of August 24, 2006, be approved. Mr. Sopko seconded and the minutes were approved by unanimous voice vote.

ACTUARIAL CONSULTANT

Mr. McCausland reported that he had prepared a proposal of items for reports from actuarial and other financial consultants. The proposal will be sent to the Chief Financial Officer after this meeting. Among other items, an actuarial study would compare the work of Mercer Oliver Wyman and Pinnacle Actuarial Services if significant differences were discovered.

INSURANCE COVERAGE – FIDUCIARY INSURANCE

James Barnes, Chief Legal Officer, reported that BWC met during the week of September 18 with two underwriters who had previously declined to provide fiduciary insurance coverage. Lloyds of London reconsidered its prior decision and agreed to provide coverage for $10 million limit. The deductible is being discussed (minimum of $75,000, maximum of $175,000) and the policy will cover all directors and officers. The vendor proposal will be presented to the Controlling Board on October 16. BWC and the underwriter have agreed, in principle, on coverage language and, upon receipt, BWC counsel and counsel for the Oversight Commission will review the carrier's final draft policy. Mr. Barnes emphasized that the deductible will be absorbed by BWC. Mr. Koetters thanked Mr. Barnes for a successful conclusion.

NEW BUSINESS

WILSHIRE JULY AND AUGUST 2006 MONTHLY FLASH PERFORMANCE REPORT

Mark Brubaker, Wilshire Consulting, presented the Monthly Flash Performance Reports for July and August. The August report adds "ex Alts" as a line-item. This enables the Oversight Commission to reconcile the Wilshire reports with those of JPMorgan Chase. Mr. McCausland thanked Mr. Brubaker for reconciliation of Wilshire and JPMorgan results.

ESTIMATED TIMELINES, INVESTMENT DIVISION REQUESTS FOR PROPOSAL

Bruce Dunn, Chief Investment Officer, reported on the Requests for Proposal (RFP) for new managers of the State Insurance Fund portfolio. Mr. Dunn reviewed a chart prepared by the Investment Division regarding the asset allocation process and timeline. He emphasized the overlap in RFPs, especially in November, December, and January 2007. Mr. Koetters requested that the chart showing timelines be updated as each action is completed.

Mr. McCausland urged BWC to make expeditious transfer of funds when managers have been selected. Mr. Dunn agreed with that strategy. He indicated that the transition manager will be engaged soon after the end of each RFP process when managers have been approved. However, transfer of funds should be timed to not cause losses. For example, BWC will be one of the largest investors in Treasury Inflation Protected Securities (TIPS) and individual transactions will affect the market price. Mr. Dunn also indicated that the process can be accelerated in an overlay strategy by the effective use of futures contracts. He would like guidance from the Investment Committee on utilization of futures contracts.

Mr. Brubaker indicated that derivatives provide for a fast, low cost transition. Mr. Koetters was concerned that the derivatives may appear as a loss in an overlay strategy, which the public may not understand. Mr. Dunn desired no counterparty risk, nor leverage. Mr. McCausland expressed a preference that no fixed income derivatives be utilized in any overlay strategy.

Mr. Koetters stated that derivatives are currently prohibited in the Investment Policy. In the event that the Oversight Commission is advised by Wilshire and others of the appropriateness of derivatives, then the policy could be changed to accommodate derivatives. Mr. Dunn added that in the opinion of Mr. Barnes, the Ohio Revised Code does not prohibit investment in derivatives by the BWC.

TRANSITION MANAGERS RECOMMENDATION

Mr. Brubaker presented a report from Wilshire on the selection of transition managers. He reviewed various items pertinent in the BWC's selection of a transition manager. For example, the manager's benchmark is to be the T-Standard, the cost free benchmark for a transition. The manager is also to have experience across all asset classes. Mr. Brubaker distinguished three different types of transition managers:

1. Broker/dealers that act as principals (for their own accounts) and/or agents (intermediaries). Broker/dealers provide more certainty with pre-determined quotes, but the quotes may be high.

2. Index fund managers provide cost effective, internal crossing opportunities.

3. Fiduciary managers act as asset managers.

Mr. Brubaker also reported that opportunity costs are difficult to predict, but can be up to 50% of the total cost of a transition. This is relevant with regard to the use of futures to reduce both opportunity and transaction costs.

Mr. Brubaker highly recommends the use of a transition manager for the BWC because of the large size of the BWC portfolio.

Mr. Dunn provided a detailed review of the RFP process in the selection of Barclays Global Investors, Russell Investment Group, and State Street Global Markets as the transition managers. He reported that the BWC received ten qualified responses. There were 44 questions weighted and evaluated in the RFP responses. Fees were considered, but were not the primary consideration. The quality of the firm was more important, especially in execution.

Mr. McCausland inquired about how fees are quoted. Mr. Dunn responded that both management and execution fees are quoted in basis points. Mr. Brubaker indicated that fees are based upon pre-trade price estimates and are typically executed within one standard deviation.

Mr. Dunn continued with a profile of each firm. The ten firms were narrowed to six firms after review and evaluation of RFP responses. The six firms were interviewed by the Evaluation Committee at BWC headquarters and were further narrowed to four finalists after these interviews. Site visits were conducted for the four finalists. After these site visits, three finalists (Barclays, Russell, and State Street) were recommended as BWC transition managers. Merrill Lynch was not recommended because of concerns regarding integration transition in its impending merger with BlackRock.

Michael Patalsky, Wilshire, reported on the role taken by Wilshire in the RFP process and reviewed the Wilshire RFP report.

Ms. Carroll requested that page 8 of the Wilshire RFP report be corrected to show that State Street does have a prior relationship with BWC.

Mr. McCausland moved that the Investment Committee of the Workers' Compensation Oversight Commission recommend to the Oversight Commission that it approve the selection of Barclays Global Investors, Russell Investment Group, and State Street Global Markets to serve as the transition managers for BWC assets, upon such terms as are set forth in the firms’ responses to the RFP issued June 30, 2006, and such other terms as are favorable to the Bureau, and that BWC investment staff have the discretion to selection among these managers for specific transition assignments. Ms. Farkas seconded and the motion was approved by unanimous roll call vote.

John Williams, Assistant Attorney General, advised that scoring documents not be entered into the public record prior to finalizing the contracts with the managers because it may be an invitation to litigation. Mr. Koetters and Mr. McCausland requested advice on the method of dissemination of the scoring documents. Mr. Koetters stated that he was concerned about criticism of the Oversight Commission in approving choices of BWC without complete information on the basis of its actions.

INVESTMENT POLICY RECOMMENDATION, BWC ANCILLARY PORTFOLIOS

Mr. Brubaker presented the Wilshire report on the Ancillary Funds Asset Allocation Recommendation.

Ms. Farkas moved that the Investment Committee of the Workers' Compensation Oversight Commission recommend to the Oversight Commission that it approve and adopt the Revised Asset Allocations for BWC's Ancillary Funds, including those for disabled workers, coal workers, public relief workers, marine industry workers, and workers for former self-insured employers, for the Bureau of Workers' Compensation Statement of Investment Policy and Guidelines, as set forth on the appendix to this motion, which is incorporated herein. Mr. McCausland seconded and the motion was approved by unanimous roll call vote.

SECURITIES LENDING ACTIVITY REPORT

Mr. Koetters reported that BWC had recommended changes to the policy because it is in violation. A decision to cease securities lending would disrupt the portfolio.

Mr. McCausland moved that the Investment Committee of the Workers' Compensation Oversight Commission recommend to the Oversight Commission that it approve and adopt an amendment to Section IV.C.vii. of the Bureau of Workers' Compensation Statement of Investment Policy and Guidelines for the purpose of changing the action date for the Commission's review of securities lending activities from "June 2006" to "January 2007." Mr. Sopko seconded and the motion was approved by unanimous roll call vote.

STATE STREET ROLES AND RESPONSIBILTIES: INVESTMENT MANAGER FOR OHIO PASSIVE BOND MARKET INDEX FUND

Mr. Koetters requested that the written opinions of Mr. Barnes and Tracy Valentino, Chief Financial Officer, on the commingling of BWC funds by State Street, be added to the meeting record. Mr. Koetters further acknowledged that he had received an email prior to the meeting from Mr. Barnes with his opinion.

TABLING OF AGENDA ITEMS

Mr. Koetters tabled agenda items on the Chief Investment Officer calendar for reports, CIO Monthly Report—August 2006, Investment Division Table of Organization, and the Index Manager RFP Report.

ADJOURNMENT

Ms. Farkas moved that the meeting be adjourned. Mr. Sopko seconded and Mr. Koetters adjourned the meeting.

Prepared by: Larry Rhodebeck, BWC Attorney
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November 30, 2006

WORKERS' COMPENSATION OVERSIGHT COMMISSION
INVESTMENT COMMITTEE

SEPTEMBER 28, 2006

SCHEDULE OF PROJECTS

1. Actuarial Consultant Request for Proposal
   Personnel Responsible: Tracy Valentino, Chief Financial Officer
   Date Assigned: September 28, 2006
   Status of Progress: Edwin McCausland prepared proposal of items for reports from actuarial and other financial consultants for submission to BWC. BWC is to prepare a Request for Proposal (RFP).

2. Fiduciary Insurance
   Personnel Responsible: James Barnes, Chief Legal Officer
   Date Assigned: September 28, 2006
   Status of Progress: Lloyd's of London has agreed to write the policy and has agreed to coverage limits. Final policy needs to be written and presented to BWC.

3. Investment Division Requests for Proposal (RFP)
   Personnel Responsible: Bruce Dunn, Chief Investment Officer
   Date Assigned: September 28, 2006
   Status of Progress: The Investment Division produced a chart regarding the asset allocation process and a timeline indicating anticipated completion dates for each item. The Investment Committee requested that the timeline chart be updated as each action is completed.

4. Disclosure of BWC RFP Scoring Documents to the Investment Committee
   Personnel Responsible: John Williams, Assistant Attorney General
   Date Assigned: September 28, 2006
   Status of Progress: The Investment Committee has requested that it receive the scoring documents used by BWC to evaluated responders to RFPs prior to approving the contracts. The Attorney General has advised that disclosure prior to finalizing contracts may invite litigation.

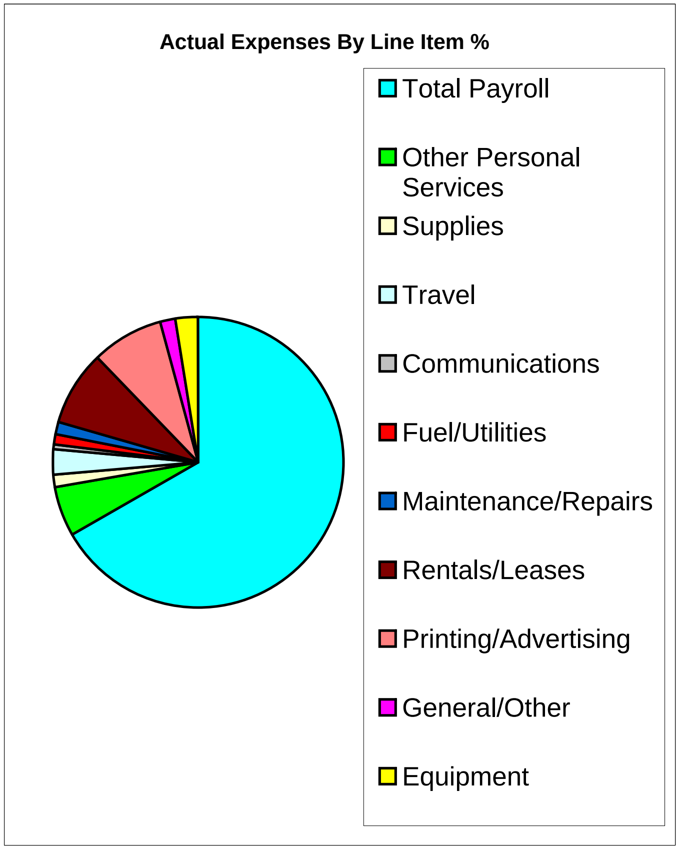
5. Funds Commingling by State Street Bank & Trust
   Personnel Responsible: James Barnes, Chief Legal Officer, and Tracy Valentino, Chief Finance Officer
   Date Assigned: September 28, 2006
   Status of Progress: The Investment Committee has requested that the written opinions of Mr. Barnes and Ms. Valentino be added to the meeting records. Michael Koetters acknowledged that he had received an email from Mr. Barnes with his opinion prior to the meeting.

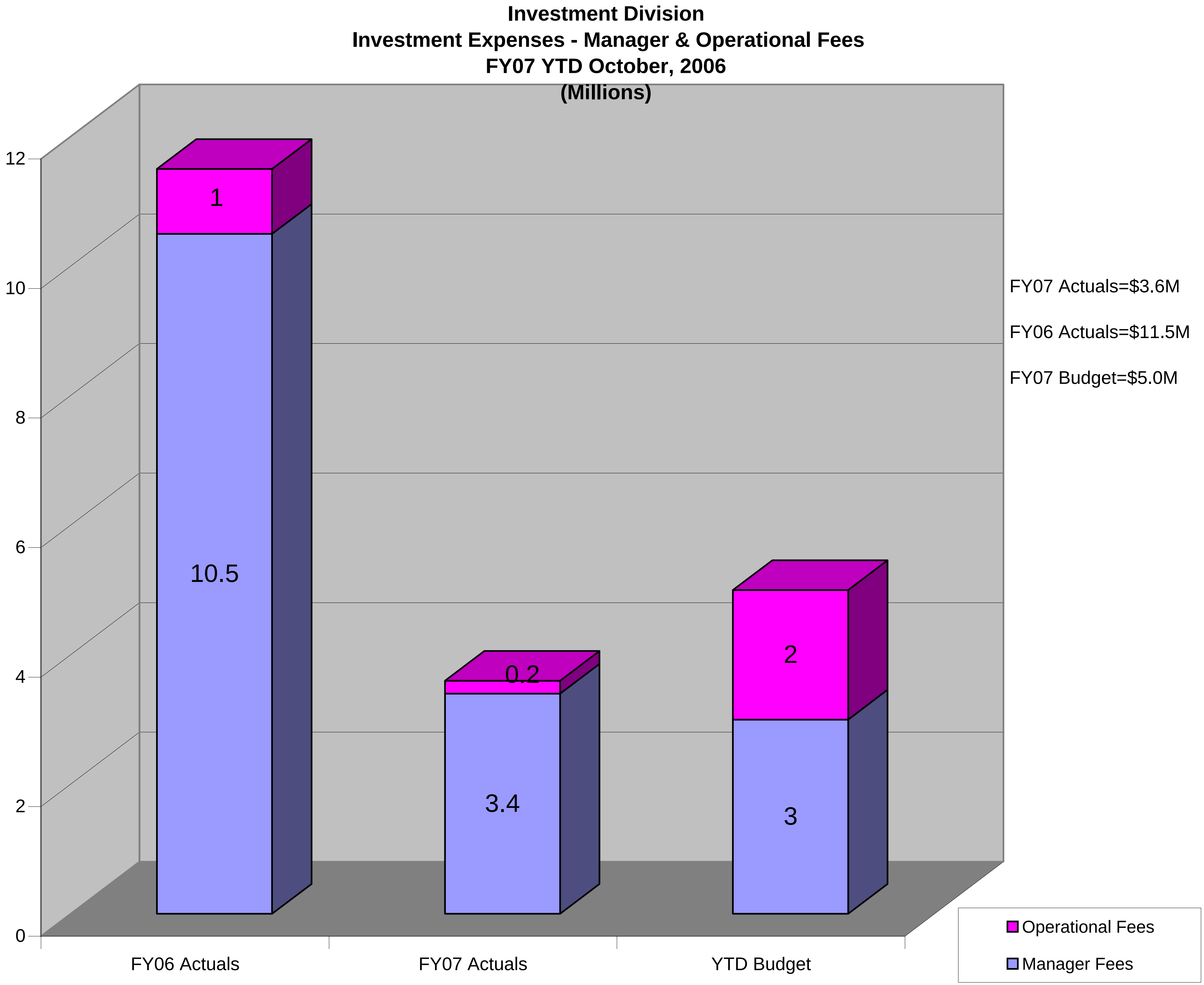
Investment Division - Departmental Budget
Budget and Expenses Summary for Fiscal Year 2007
As of October, 2006

	Year-to-Date			Total 2006		
	[2]	[3]	[4]	[6]	[7]	
Category	**Actual $**	**Budget $**	**Variance $**	**Forecast $**	**Annual Budget $**	**Variance $**
Personal Service (100)	320,253	338,640	18,387	1,064,667	1,110,550	45,883
Maintenance (200)	112,134	139,763	27,629	281,271	322,154	40,883
Equipment (300)	10,958	300,000	289,042	300,000	300,000	-
Total	443,345	778,403	335,058	1,645,938	1,732,704	86,766

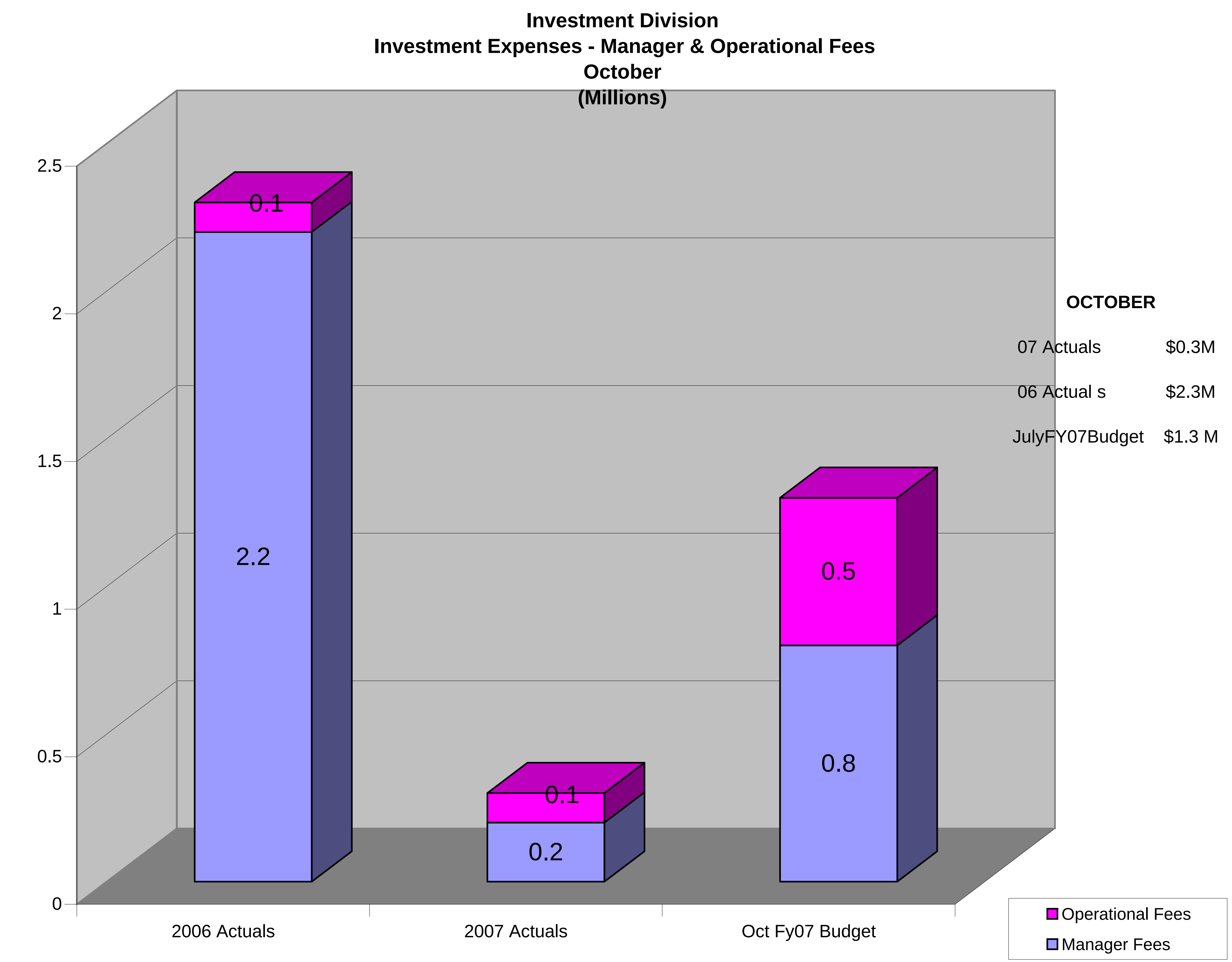
Actual vs Budget
YTD By Object Class

Object Class	**YTD Actual $**	**YTD Budget $**	**YTD Variance $**
Total Payroll (10)	295,036	295,036	-
Purchased Services (13)	23,677	39,872	16,195
Other Personal Services (15)	1,540	3,732	2,192
Total Personal Services	320,253	338,640	18,387
Supplies (21 +21I)	5,973	4,140	(1,833)
Travel (23)	12,104	15,420	3,316
Communications (24 + 24I)	2,645	2,224	(421)
Fuel/Utilities (25)	4,974	4,974	-
Maintenance/Repairs (26)	5,694	9,722	4,028
Rentals/Leases (27)	36,933	50,081	13,148
Printing/Advertising (28 +28I)	35,939	30,984	(4,955)
General/Other (22 +22i +29 + 29I)	7,872	22,218	14,346
Total Maintenance	112,134	139,763	27,629
			-
Office Equipment (31)	-	-	-
Communic. Equipment (34)	-	-	-
Data Process Equipment (37 + 37i)	10,958	-	(10,958)
Other Equipment (30+32+35+36+38+39)	-	300,000	300,000
Total Equipment	10,958	300,000	289,042
Grand Total	443,345	778,403	335,058

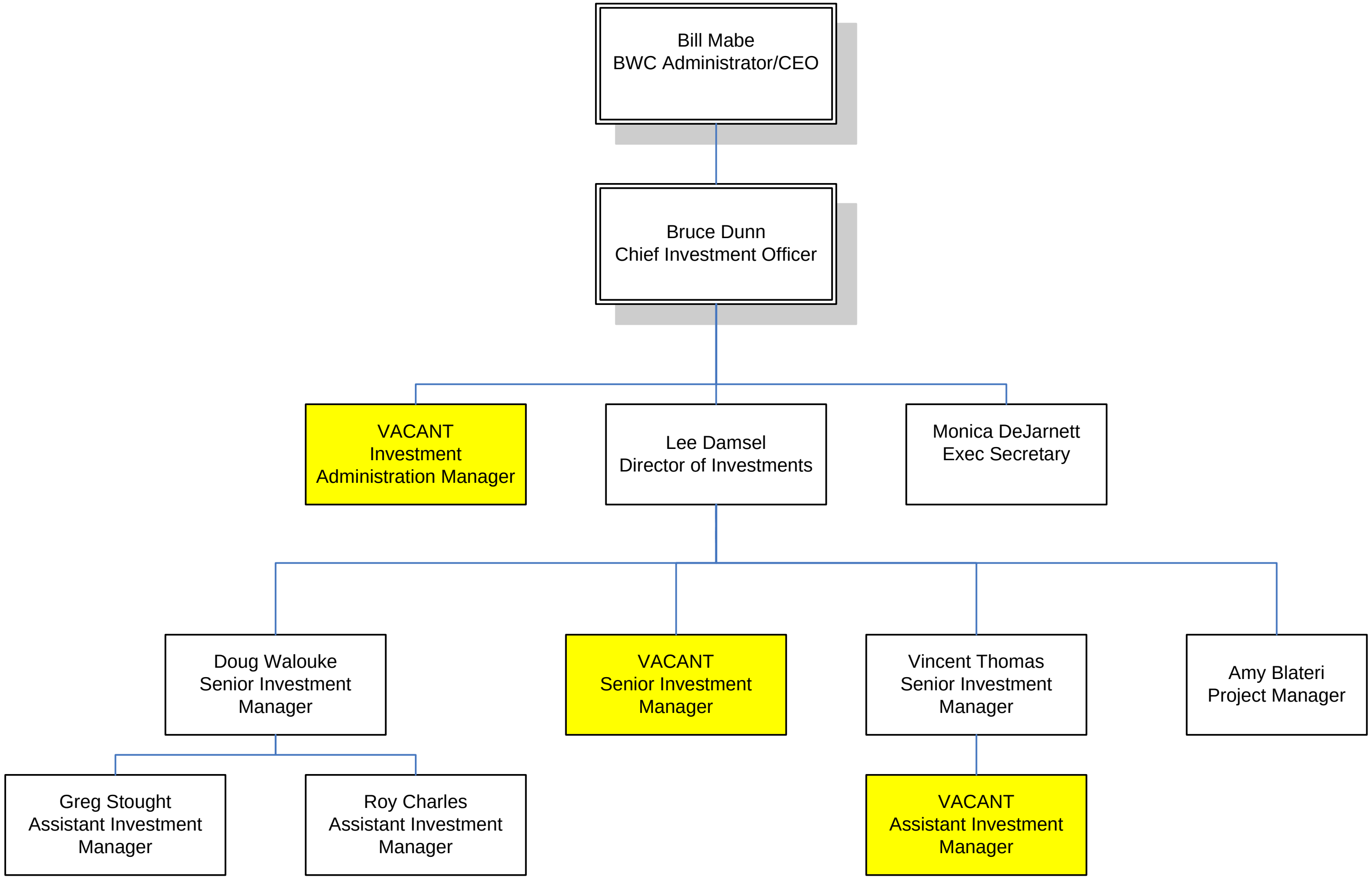




Investment Division
Investment Expenses - Manager & Operational Fees
FY07 YTD October, 2006
(Millions)
0
2
4
6
8
10
12
1
10.5
0.2
3.4
2
3
FY06 Actuals
FY07 Actuals
YTD Budget
FY07 Actuals=$3.6M
FY06 Actuals=$11.5M
FY07 Budget=$5.0M
Operational Fees
Manager Fees


Investment Division
Investment Expenses - Manager & Operational Fees
October
(Millions)
2.5
2
1.5
1
0.5
0
0.1
2.2
0.1
0.2
0.5
0.8
2006 Actuals
2007 Actuals
Oct Fy07 Budget
OCTOBER
07 Actuals $0.3M
06 Actual s $2.3M
JulyFY07Budget $1.3 M
Operational Fees
Manager Fees

BWC INVESTMENT DIVISION
Table of Organization
12/7/06



Ohio Bureau of Workers' Compensation

Private Equity Sale Update

December 14, 2006

Private Equity Sale Update

- WCOC approval for RFP to sell BWC's private equity interests March, 2006
- WCOC approval of the RFP Finalist - UBS Investment Bank August, 2006
- BWC interviews and selects legal counsel - Benesch Friedlander September/October, 2006
- UBS/Benesch Friedlander initiates due diligence
  October/November, 2006
- Project includes four phases:
  - ➢ Pre-Marketing - Completed
  - ➢ Marketing - Current Stage
  - ➢ Execution
  - ➢ Final Closing

Ohio Bureau of Workers' Compensation

Index Manager RFP

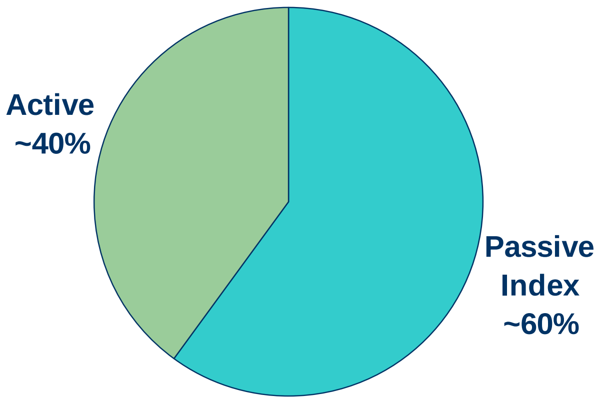
December 14, 2006

Index Manager RFP Mandates

The combined four passive manager transition portfolio mandates in the RFP represent approximately 60% of the BWC asset allocation

• Passive Long Duration U.S. Fixed Income	$4.4 Billion
• Passive Treasury Inflation Protection Securities (TIPS)	$3.3 Billion
• Passive Large Cap U.S. Equity	$1.9 Billion
• Passive Non-U.S. Equity	$0.2 Billion

BWC TRANSITION ASSETS
$16.2 billion



Qualified managers may respond to one, all or any combination of mandates.

Transition portfolios are the State Insurance Fund, Disabled Workers Fund and Coal Workers Fund accounts.

Index Manager RFP Timeline

RFP ACTION ITEM	TIMELINE
OVERSIGHT COMMISSION MEETING	***Aug. 24 – Complete***
Send RFP Advertisement to Newspapers/Journal	Aug. 28 – Complete
Issue RFP	Sept. 13 – Revised Sept. 18 – Complete
Open period for respondent's questions via email	Sept. 18 - 20 – Revised Sept. 20 - 26 – Complete
OVERSIGHT COMMISSION MEETING	***Sept. 28 – Complete***
Respond to questions via website	Sept. 25 - 27 – Revised Oct. 3 – Complete
DEADLINE FOR RFP PROPOSALS (2:00 PM)	**Oct. 3 – Revised Oct. 10** – Complete
BWC staff initial review of proposals	Oct. 4 - 9 – Revised Oct. 11 - 31 – Revised Oct. 11 - Nov. 14
WCOC MEETING PACKET DEADLINE	Nov. 8 – Complete
Evaluation Committee review / finalist candidates identified	Oct. 10 – Revised Nov. 1 – Revised Nov. 15 – Revised Nov. 21 -- Complete
OVERSIGHT COMMISSION MEETING	***Nov. 16 – Complete***
Finalist candidate Interviews / Re-grade finalist candidates / Notify finalist candidates	Oct. 18 - 19 – Revised Nov. 7 - 17 – Revised Nov. 27 - Dec. 7 – Revised Nov 27 - Dec 21 – Revised Nov 27 – Jan 12
WCOC MEETING PACKET DEADLINE	Dec. 6
On-Site visit of finalists (tentative)	Oct. 24 - Nov. 3 – Revised Dec. 8 - Dec. 21 – Revised Dec. 8 – Jan. 12
OVERSIGHT COMMISSION MEETING – WCOC Approval of Finalists	***Dec. 14***
Long Duration Fixed Income and US TIPS	
WCOC MEETING PACKET DEADLINE	Jan. 16
OVERSIGHT COMMISSION MEETING – WCOC Approval of Finalists	***Jan. 25***
Long Duration Fixed Income and Large Cap Equity	
OVERSIGHT COMMISSION MEETING – WCOC Approval of Finalist	***Jan. 25 or Feb. 22***
Non-US Equity	

INVESTMENT DIVISION

TO: Bill Mabe, Administrator/CEO
Mike Koetters, Chairman, Investment Committee
Denise Farkas, Investment Committee
Win McCausland, Investment Committee
Bill Sopko, Investment Committee

FROM: Bruce Dunn, Chief Investment Officer

DATE: December 6, 2006

SUBJECT: CIO Report for November, 2006

The Investment Division in November, 2006 continued to work on many important investment initiatives. This report summarizes some of these activities, issues, and action plans relating to the Ohio Bureau of Workers' Compensation Investment Division.

2006 Strategic Initiatives

The Investment Division has the following 2006/2007 goals:

1.	Transition the BWC portfolio to a fixed income allocation while increasing annual cash income by a stated goal of $100 million.	12/31/06	TRANSITION COMPLETED
2.	Establish a new BWC internal investment organization for restructured portfolio	3/31/07*	
3.	Create and implement a new monthly reporting system by outsourcing to custodian	3/31/06	COMPLETED
4.	Establish proper investment controls and procedures to protect the assets of the State Insurance Fund	12/31/06	
5.	Establish new investment accounting process for the restructured portfolio	2/15/07**	

*extended from 6/01/06
**advanced from 3/31/07

Strategic Initiative One- TRANSITION COMPLETED

The transition of BWC's actively managed portfolios to the State Street Lehman Aggregate passive fixed income index commenced on January 9, 2006, with State Street Global Markets (SSGM) managing the process on behalf of BWC. This transition has been completed with only a few clean-up assets still being retained. The final report detailing the $15.5 billion transition was included in the material for the April 27, 2006 WCOC/IC meeting. BWC's transition was completed on time with actual costs well below the anticipated estimates. Progress continued in November on the disposal of miscellaneous assets.

Annual cash income was anticipated to increase by a stated goal of an additional $100 million as a result of the restructured portfolio comprised of nearly 100% fixed income assets. The additional interest income earned calendar

2006 YTD ending October 31 was $205.6 million higher for 2006 versus 2005, thus achieving in the first ten months of calendar year 2006 a level significantly higher than the comparable period target for this entire calendar year.

Strategic Initiative Two

Training continues for the two newest senior and assistant investment managers of the Investment Division. Two other investment managers, with six and five years of tenure within the Investment Division, were reassigned to other Divisions within BWC effective May 30, 2006. These reassigned investment managers have now been replaced with the hiring of two new investment managers, Doug Walouke (Senior Investment Manager) and Greg Stought (Assistant Investment Manager), who both joined the Investment Division team on August 7, 2006. Further additions to staff are anticipated to occur by early 2007, as the Investment Division executes the new Investment Policy approved last month. The Investment Division has initiating job postings this month for the open positions of Investment Administration Manager (title changed from Senior Investment Administration Manager) and Assistant Investment Manager. These expected hires will reflect the next stage of the building of a team of experienced investment professionals dedicated to serving the needs of the BWC and its customers with the highest of integrity and competence.

Temporary personnel continues to focus on assisting in the organization of the private equity files and in fulfilling both internal and external requests for additional information on past investment and trading activities. The imaging of all the private equity files and documents is essentially completed for the process of supporting UBS towards the objective of selling the private equity funds.

Strategic Initiative Three – Previously COMPLETED (See March 2006 CIO report)

Strategic Initiative Four

The WCOC/IC approved a new Investment Policy at the April 27, 2006 meeting. This Investment Policy was amended at the July 20, 2006 meeting with respect to the State Insurance Fund, allowing for both active equity and passive equity managed investments as well as new fixed income asset sectors to be managed with a combination of active and passive managers. This Investment Policy was further amended at the September 28, 2006 meeting with respect to new asset allocation targets and passive/active managed investments for four of the five BWC ancillary portfolios (Disabled Workers, Coal Workers, Public Workers, Marine Workers). The Internal Audit Division is providing guidance and assistance in the further improvement of proper procedures and controls for the Investment Division. This will be important as the Investment Division selects and very closely monitors many new investment managers who will manage specific mandates reflected from the new Investment Policy approved.

The Investment Division continues to improve internal procedures for the management of the 68 private equity funds as well as the bond index fund, performance reporting, and other investment activities to support the new Investment Policy.

Strategic Initiative Five

Increased priority is now being given to the review and possible selection of a new investment accounting and reporting system. The higher importance of an improved investment accounting and reporting system is a result of the approval of the new Investment Policy at the July 20, 2006 meeting. The project plan for the possible selection and purchase of a new investment accounting and reporting system has been accelerated with two separate RFPs issued last month regarding the option of an enhanced vendor software platform and this month pertaining to a proven integrated outsourced package. The Investment Division will be involved with Financial Reporting/Accounting, IT and Internal Audit for the support and development of an enhanced accounting system.

It is the new goal to have a decision on a new investment accounting and reporting system made in January, 2007 with implementation largely completed by early 2Q2007. This timetable has been accelerated in part to have an improved accounting system available to BWC before the completion of the selection of active investment managers in satisfaction of the new BWC Investment Policy.

Compliance

The Ohio Passive Bond Market Index Fund (Ohio Fund) managed by State Street was in compliance on November 30, 2006 with both the BWC Investment Policy and with the Lehman Aggregate benchmark guidelines for the Ohio Fund, as per the Fund Declaration investment guidelines. At the November 16, 2006 Investment Committee meeting, the CIO discussed a conflict between the BWC Investment Policy (IPS) with respect to holdings in Foreign (non-US) Government related debt securities and the Ohio Fund benchmark index that State Street has a current fiduciary obligation to attempt to match the benchmark return. The IPS does not allow investments in Foreign Government related debt whereas Foreign Government related debt currently comprises approximately 3.7% of the benchmark index and was represented as investments in the Ohio Fund. The CIO discussed this situation with State Street as investment manager of the Ohio Fund subsequent to the November Investment Committee meeting. The CIO identified to State Street all securities held in the Ohio Fund that were determined to be Foreign Government related debt and directed State Street to dispose of all such issues. State Street was agreeable to this action and sold from the Ohio Fund all such identified Foreign Government issues late last month. Such sales raised total proceeds of approximately $368 million that were reinvested in other bond sectors represented in the benchmark index consistent with the IPS.

The Ohio Fund is anticipated to be transferred from a commingled account custodian structure at State Street to a separate account custodian structure at JP Morgan Chase by the end of 2006 or early 2007. Upon completion of such transfer, BWC will have the contractual ability to require State Street to manage the Ohio Fund to the IPS guidelines with a customized Lehman Aggregate benchmark. This will permit the IPS guidelines to take precedence over the benchmark guidelines where conflicts between the two are present.

Private Equity Sale Update

At the IC/WCOC meetings of August 24, 2006, UBS Securities LLC was approved to represent BWC as agent in the potential sale of some or all of its private equity funds. The contract of engagement was executed the day of approval. This contract had a commencement date of September 11, 2006. UBS has completed the transfer of BWC electronic files on all 68 private equity funds files to the UBS Electronic Data Room. A review of all partnership documents of all funds has now been completed by BWC outside counsel Benesch, Friedlander, Coplan & Aronoff (BCFA). This is a critical step achieved in the process of now obtaining signed consent agreements and confidentiality agreements from the general partner of each fund to permit the sale of the BWC partnership interest in each such fund. UBS is in the process of receiving back questionnaires offered to identified interested potential first round bidders.

Transition Manager Update

A pool of three Transition Managers (Barclays, Russell, State Street) were approved by the WCOC at its September 28, 2006 meeting. At the discretion of the BWC Investment Division, these transition managers will be selected to oversee and effectively manage one or more of the many specific asset class exchanges in fulfillment of the new BWC Investment Policy. The new Investment Policy was approved at the July 20, 2006 WCOC meeting for State Insurance Fund assets and at the September 28, 2006 WCOC meeting for the assets of the BWC ancillary portfolios. BWC is nearing completion of having all background checks performed on each of the individuals identified by each transition manager firm as key persons for any BWC specific engagement.

Index Manager RFP Update

The Index Manager RFP was completed and issued on September 18, 2006. This Index Manager RFP encompasses all four mandates involving passive index managers for Long Duration Fixed Income, U.S. TIPS, Large Cap U.S. Equity, and Non-U.S. Equity as per the new BWC Investment Policy. A total of seven qualified firms responded to the BWC Index Manager RFP. The BWC Index Manager Evaluation Committee has completed initial evaluations of these respondents. It is anticipated that interviews of finalists for each of the four passive index mandates will occur during this month and next month, with finalists presented for approval at IC/WCOC meetings scheduled in December 2006 and January-February 2007.

Declaratory Judgement Private Equity Action Update

The DJ action was scheduled for trial the week of September 14, 2006, but the case was continued because private equity fund defendants began to enter into settlement agreements with the Columbus Dispatch. Approximately 6-10 private equity funds are releasing Tabs 4 and 5 of the Ennis Knupp Report to the Columbus Dispatch with slight redactions. BWC is consenting to the settlements. The majority of the funds in the lawsuit (approximately 40) have one representation and are working on a draft settlement and entry to dismiss the action against these funds. The impact is that BWC and the WCOC members should not release to the public the full version of Tabs 4 and 5 from the final Ennis Knupp Report. For any future public records request, BWC will provide only the agreed upon version of those Tabs for the Funds.

Legislative Updates/HB66 Compliance

This legislature is expected to reconvene November 14, 2006. Both the Ohio House of Representatives and the Ohio Senate have scheduled legislative session throughout the months of November and December. The items below have been introduced during the 126th General Assembly. Each bill references the BWC investment program.

<u>SCR 21 (Dann)</u>
This resolution would require the return of all political contributions made by Thomas Noe.

This resolution has not been assigned to a committee

<u>SB 151 (Dann)</u>
This bill would require the Ohio Retirement Study Council to oversee investment of funds under the Workers' Compensation Law and approve contracts entered into concerning the investment of those funds, to change the investment authority of the Administrator of Workers' Compensation, to establish restrictions concerning contracts for the investment of those funds, to require that criminal records checks be conducted on persons involved with the investment of those funds, to prohibit the Administrator from awarding a contract for the investment of those funds to an investment manager or business entity who has made specified campaign contributions, and to prohibit certain state officials from soliciting or accepting campaign contributions from those investment managers or business entities.

Currently in Senate Insurance, Commerce & Labor Committee
No hearings scheduled at this time

<u>SB 282 (Fingerhut)</u>
This bill was introduced on March 7, 2006. This bill would require the WCOC to employ its own professional and clerical staff rather than use staff provided by the Administrator of Workers' Compensation, and to require the WCOC to adopt rules to establish the objectives, policies, and criteria for the investment program of the BWC.

Currently in Senate Insurance, Commerce & Labor Committee
No hearings scheduled at this time

HB 354 (Patton)
This bill would require that any state agency with the authority to invest state funds to report on those investments using the Global Investment Performance Standards established by the CFA Institute.

Currently in House State Government Committee
No hearings scheduled at this time

HB 376 (Patton)
This bill would create the Workers' Compensation Investment Board and would transfer the Workers' Compensation Oversight Commission's powers and duties regarding the investment program of the Bureau of Workers' Compensation to the Investment Board.

Currently in House State Government Committee
No hearings scheduled at this time

HCR 23 (Redfern)
This resolution would establish a committee to investigate BWC malfeasance.

Currently in House State Government Committee
No hearings scheduled at this time.

HB 66 Compliance
BWC has continued to work with all parties to ensure that HB 66 is fully implemented throughout BWC.

SB 7 (Cates)

SB 7 took effect June 30, 2006; however, half of the provisions are subject to the referendum effort spearheaded by the Committee to Protect Injured Workers, Widows and Orphans. On June 29, 2006, the Committee to Protect Injured Workers, Widows and Orphans filed signatures with the Secretary of State (SOS). This group did not attain the required amount of signatures and a 10 day time period was provided to gather the remaining signatures. The group filed 103,000 additional signatures on September 15. The 10th District Court of Appeals ruled that the petitioners did not have sufficient valid signatures for the referendum to be placed on the ballot. The petitioners appealed the decision to the Ohio Supreme Court. On October 20, The Ohio Supreme Court declined to hear the case and denied petitioner's request to appeal the Court of Appeals decision. Many ballots around the state have already been printed with Issue 1 but votes cast on Issue 1 will not be counted due to the Supreme Court's decision. BWC has implemented the other half of the provisions of SB 7 not subject to the rejected referendum.

Support continues in providing supporting documentation for the following legal/investigative activity:

Coin Liquidation
MDL
Private Equity Declaratory Judgement
AOL/Time Warner
Inspector General, et al

PROPOSED MONTHLY INVESTMENT COMMITTEE CALENDAR
(Revised December 12, 2006)

Monthly Reports

- CIO Report
    - Progress on Goals
    - Updates (RFPs, actions)
    - Compliance
    - Legislative
- JP Morgan Performance Reports
- Wilshire Flash Performance Reports

Quarterly Reports

- Quarterly and YTD Actual vs. Budget
    - Investment Division Budget
    - Investment Expenses – Manager and Operational Fees
- Investment Division Staffing
- Wilshire quarterly performance reports

July

- Annual BWC Investment Personnel Review
    - CIO Certification
    - Ethics/Conflict of Interest/Compliance
- Annual Review of Investment Manager benchmarks

August

- Quarterly Reports

PROPOSED MONTHLY INVESTMENT COMMITTEE CALENDAR
(Revised December 12, 2006)

September

- Annual Outside Investment Manager Review (Includes managers in reserve)
- Annual CIO Report (begin 2007)
  - Year in Review – portfolio performance
  - Asset Allocation
  - FY Goals
  - Environment
- WCOC Consultant Annual Report Card

October

- WCOC Consultant Renewal/RFP
- Investment Division Review (SWOT)

November

- Quarterly Reports

December

- Semi-annual economic and interest rate outlook (begin 2007)

January

- Administrator's Investment Agenda Goals

February

- Quarterly Reports

March

- Annual Custodial Review

PROPOSED MONTHLY INVESTMENT COMMITTEE CALENDAR
(Revised December 12, 2006)

April

- Investment Policy Review and Update

May

- Quarterly Reports
- Consultants ALM Study (Actuarial & Investment)

June

- Semi-annual economic and interest rate outlook
- Annual Budget for next fiscal year
    - Net Income
    - Cash Flow
    - Assets under management
    - Operational Expenses
        - Staff Expenses
        - Consultants
        - Custodian
        - Others
    - Capital Expenditures
    - Personnel staffing positions (additions/deductions)

C. Bruce Dunn, CFA
Chief Investment Officer
December 12, 2006

Appendix XV Report Revisions from CIO

Quarterly Reports to IC

- Review progress on Goals and Action Plan (*proposed* monthly in CIO report)
- Sarbanes-Oxley report **(DELETE)**
- CIO Certification (*proposed* annually in July)
- Economic Review (*proposed* semi-annually in June/December)

1st Quarter Reporting – July, August and September

- Auditor Report **(DELETE)**
  - Internal Auditor
  - External Auditor

- B-Team list – Manager in the wings (*proposed* include in annual outside Investment Manager review)

2nd Quarter Reporting – October, November and December

- Legal Review **(DELETE)**
- IT Review **(DELETE)**

3rd Quarter Reporting – January, February, March

- Review of investment duties and authorities of **(DELETE)**
  - WCOC, IC, CEO and CIO

4th Quarter Reporting – April, May and June

- Review of Internal and External Auditor **(DELETE)**
  - Pre-audit preparation on audit focus and review of prior audit

Appendix XV: Investment Committee – Financial and Operational Requirements

Model of infrastructure data to be provided to the IC

To: The Commissioners of the Investment Committee

The following is a model of portfolio and operational information that is needed by Investment Committee in order that the body can function effectively and comply with its fiduciary duties. The Chief Investment Office will be responsible for the delivery of such information.

Based upon my experiences, of being chairman, committee member and CIO of various insurance companies, pensions and foundations, these reports are standard and ordinary.

It is anticipated that the CIO may not be fully compliant with the first reporting, but that with the passage of a reporting cycle the reports will be compliant and will continue to improve over the ensuing years.

I will be bringing the following motion to the next Investment Committee:
I move that the Investment Committee direct the CIO report the following information. Such list can be modified to meet the needs of the organization, but the theme of full portfolio and operational disclosure is maintained.

Respectfully submitted,

Michael C. Koetters

Monthly Report to IC - 12 reports annually
- CIO written staff report - activities, issues, concerns and action plan
- Portfolio Performance vs. Benchmark by Asset Class by Manager
- Asset changes by manager - monthly, YTD

Quarterly Report to IC – 4 reports annually
- Review Progress on Goals and Action Plan
- Sarbanes-Oxley report – CIO Certification and report
- Economic Review
- Budget vs. Actual -
  - Qtr and YTD
  - For Cash Flow, Investment Income, Dept Expenses

1st Quarter Reporting - July, August and September

- Auditor Report
  - Internal auditor
  - External Auditor
- B-Team list – Managers in the wings

- CIO's Annual Report
    - Year in Review – portfolio performance
    - Environment
    - Outlook
    - Progress on last year's goals – outlook for next year's goals

2nd Quarter Reporting - October, November and December

- Annual Manager Review
- Annual Staff Personal Review
- Annual Fee and Performance Review
    - Managers, Consultants, Custodian vs. Benchmark
- Legal Review
- IT Review

3rd Quarter Reporting - January, February and March

- Review of investment duties and authorities of
    - WCOC, IC, CEO, and CIO
- Annual Economic and interest rate outlook
- Annual Review of customized benchmark for fixed income
    - Sensitivity analysis

4th Quarter Reporting - April, May and June

- Portfolio asset allocation review and recommendation
- Asset/Liability study review and recommendation
- Investment Policy and Mission statement review and recommendation
- Annual Goals and Action for next fiscal year
    - Need to support the mission of the BWC
- Annual Budget for next fiscal year
    - Net Income
    - Cash Flow
    - Assets under management
    - Operational Expenses
        - Staff expenses
        - Consultants
        - Custodian
        - Others
    - Capital Expenditures
    - Personnel staffing positions (additions/deductions)
- Review of Internal and External Auditor
    - Pre- audit preparation report on audit focus and review of prior audit
- Certification by Staff and CIO of no-conflict of interest

Ohio Bureau of Workers' Compensation

Passive Long Duration Fixed Income Manager Search

December 14, 2006

Mark Brubaker, CFA
Managing Director

Michael Patalsky, CFA
Senior Associate

Target Passive Long Duration Fixed Income Allocation is 27% of Total Assets

	Target Allocation		
Asset Class	**%**	**$ MM**	**Benchmark**
U.S. Equity	**15**	**2,481**	**Wilshire 5000**
Large Cap	*12*	*1,984*	*S&P 500*
Active	0	-	
Passive	12	1,984	
Small/Mid Cap	*3*	*496*	*Wilshire 4500/Russell 2500*
Active	3	496	
Passive	0	-	
Non-U.S. Equity	**5**	**827**	**MSCI EAFE**
Active	4	661	
Passsive	1	165	
Fixed Income - Long Duration	**54**	**8,930**	**Lehman Long Government/Credit**
Active	27	4,465	
Passive	27	4,465	
High Yield	**5**	**827**	**Merrill Lynch High Yield Master II**
Active	5	827	
Passive	0	-	
Inflation-Protected Securities	**20**	**3,307**	**Lehman U.S. TIPS**
Active	0	-	
Passive	20	3,307	
Cash Equivalents	**1**	**165**	**90-Day T-Bill**
Totals	**100**	**16,537**	

Assets based on 9/30/2006 Values

WILSHIRE CONSULTING

Manager Specifications

- Approximately $4.5 billion mandate
- Benchmarked to the Lehman Long Government/Credit Index
- Manager candidates responded to a public RFP which was issued on September 18, 2006
- 5 respondents to this search
  - State Street Global Advisors
  - Barclays Global
  - Northern Trust
  - Standish Mellon
  - Mellon Capital

Note: Bank of New York also responded but was not considered due to lack of assets managed in this asset class

Recommendation

- Wilshire's recommendation is to utilize two firms to manage the passive long duration fixed income allocation
  - Recommendation is for half the mandate to be managed by State Street Global Advisors
    - State Street has a long history managing passive investments across multiple asset classes
    - State Street has good experience managing passive long duration mandates, managing over $6.2 billion with a long track record (12/31/96 inception)
    - The fund's tracking error relative to the Lehman Long Government/Credit index has been 0.16% since inception, but approximately 0.02% over the past 3-year period
    - State Street's fee proposal is competitive
  - Second firm to manage half of mandate to be recommended at a later time

Product Summary

Manager	Firm AUM	Fixed Income AUM	Equity AUM	Long Duration Product AUM	Projected Ohio BWC AUM (% of Product AUM)[3]	Actual Fee (bps)	Estimated Fee in $
	Assets Managed ($MM)[2]					Fees Based On Half $2.2 B Mandate[1]	
Barclays Global Investors	$ 1,534,246	$ 650,685	$ 689,375	$ 7,385	23.2%	5.38	$ 1,200,593
Mellon Capital	$ 352,835	$ 54,694	$ 181,436	$ 520 [4]	81.1%	1.46	$ 325,872
Northern Trust	$ 148,861	$ 14,743	$ 82,297	$ 4,276	34.3%	0.80	$ 178,560
Standish Mellon	$ 146,321	$ 146,321	$ -	$ 519	81.1%	1.69	$ 377,208
State Street Global Advisors	$ 1,622,714	$ 273,523	$ 1,129,417	$ 6,259	26.3%	2.40	$ 534,801

[1]Fees are based on proposed fee schedule provided by the manager. These are estimated based on a proposed fee for a separate account without securities lending assuming a half mandate.

[2]Assets managed as of 6/30/2006.

[3]This value represents the percentage that BWC's investment would comprise of the total passive long duration fixed income assets being managed for each manager (taking into account the size of BWC's mandate).

[4]Value represents the amount MCM manages in total for passive long duration government and passive long duration credit

WILSHIRE CONSULTING

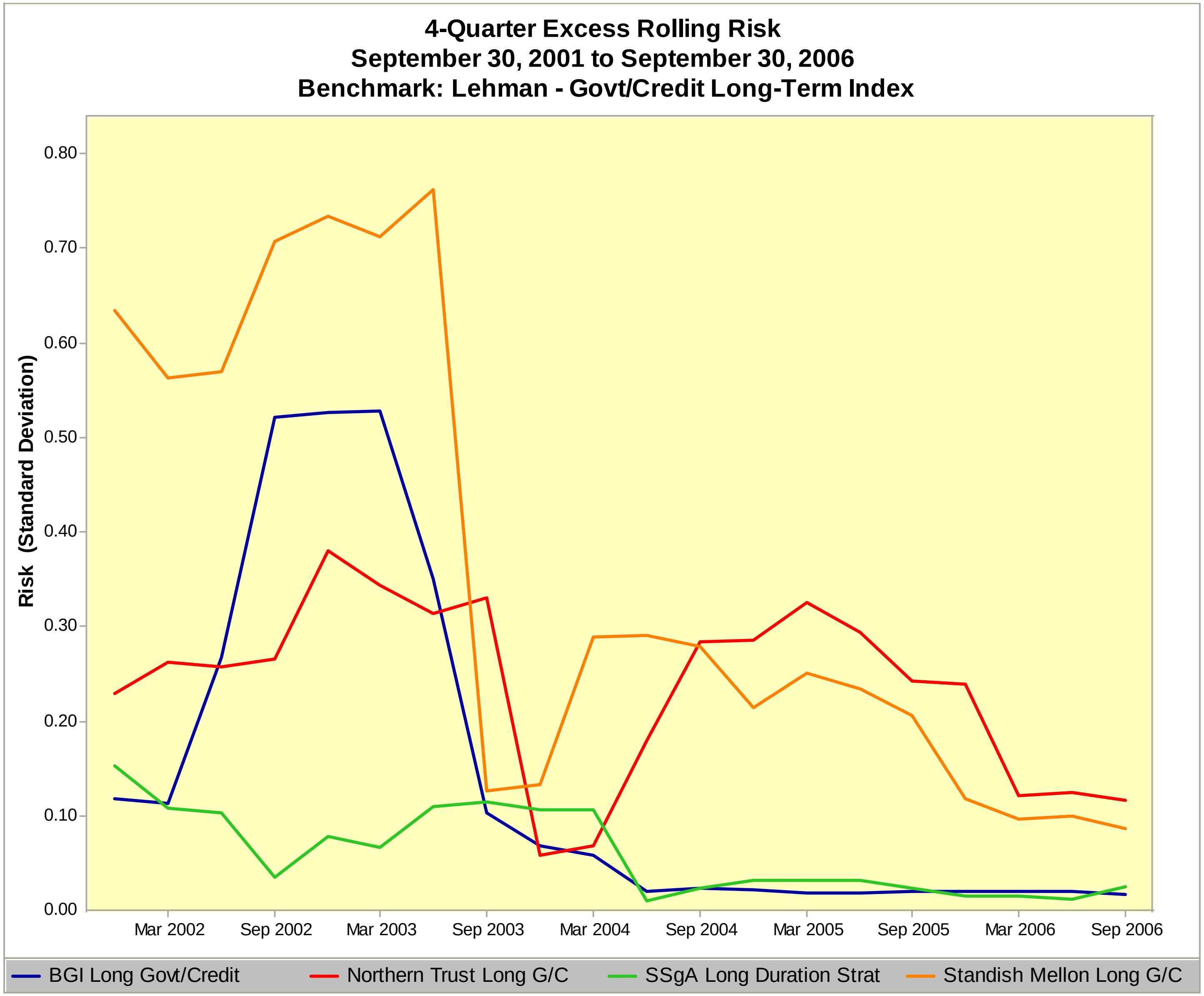
Annualized Returns as of 9/30/06

	Annualized Returns			
Manager	**YTD**	**1 Year**	**3 Year**	**5 Year**
Barclays Global Investors	1.67	2.64	5.09	7.17
Mellon Capital	1.65	2.59	5.06	7.14
Northern Trust	1.66	2.64	5.16	7.39
Standish Mellon	1.56	2.51	4.97	7.08
State Street Global Advisors	1.63	2.56	4.98	7.01
Lehman Long Govt/Credit Index	**1.65**	**2.60**	**5.04**	**7.14**
Mellon Capital Long Government	1.55	2.60	4.94	6.63
Lehman Long Government	**1.50**	**2.52**	**4.92**	**6.59**
Mellon Capital Long Credit	1.81	2.61	5.26	7.91
Lehman Long Credit	**1.86**	**2.70**	**5.24**	**7.95**

Annual Returns

Manager	Calendar Years 2005	2004	2003	2002	2001	2000
Barclays Global Investors	5.40	8.60	5.84	14.89	7.44	16.22
Northern Trust	5.50	8.68	6.03	15.47	7.69	16.36
Standish Mellon	5.54	8.46	5.14	15.46	6.94	16.58
State Street Global Advisors	5.26	8.48	5.69	14.57	6.98	16.25
Lehman Long Govt/Credit Index	**5.35**	**8.56**	**5.88**	**14.82**	**7.25**	**16.15**
Mellon Capital Long Government	6.67	8.00	2.55	17.08	4.53	20.57
Lehman Long Government	**6.60**	**7.96**	**2.61**	**16.99**	**4.33**	**20.29**
Mellon Capital Long Credit	3.88	9.39	10.11	11.80	12.02	9.96
Lehman Long Credit	**3.76**	**9.37**	**10.44**	**11.93**	**12.16**	**9.19**

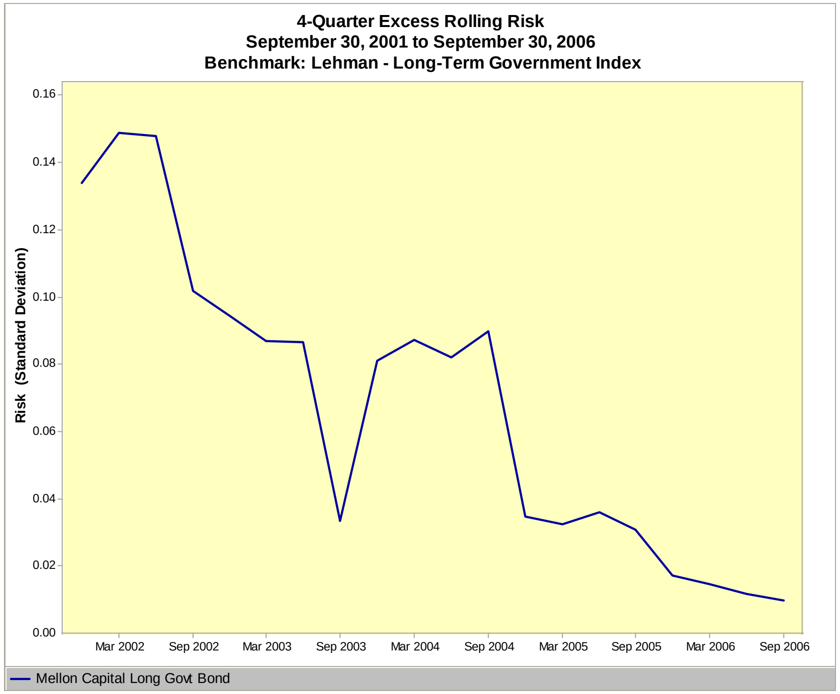
1 Year Rolling Tracking Error- Passive Lehman Long Government/Credit Index Composites



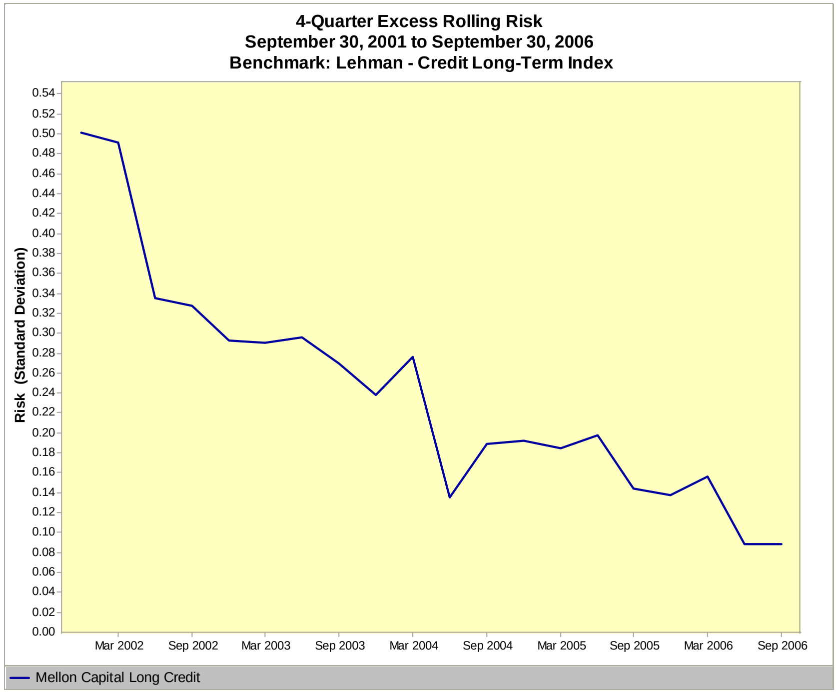
WILSHIRE CONSULTING

1 Year Rolling Tracking Error- Mellon Capital

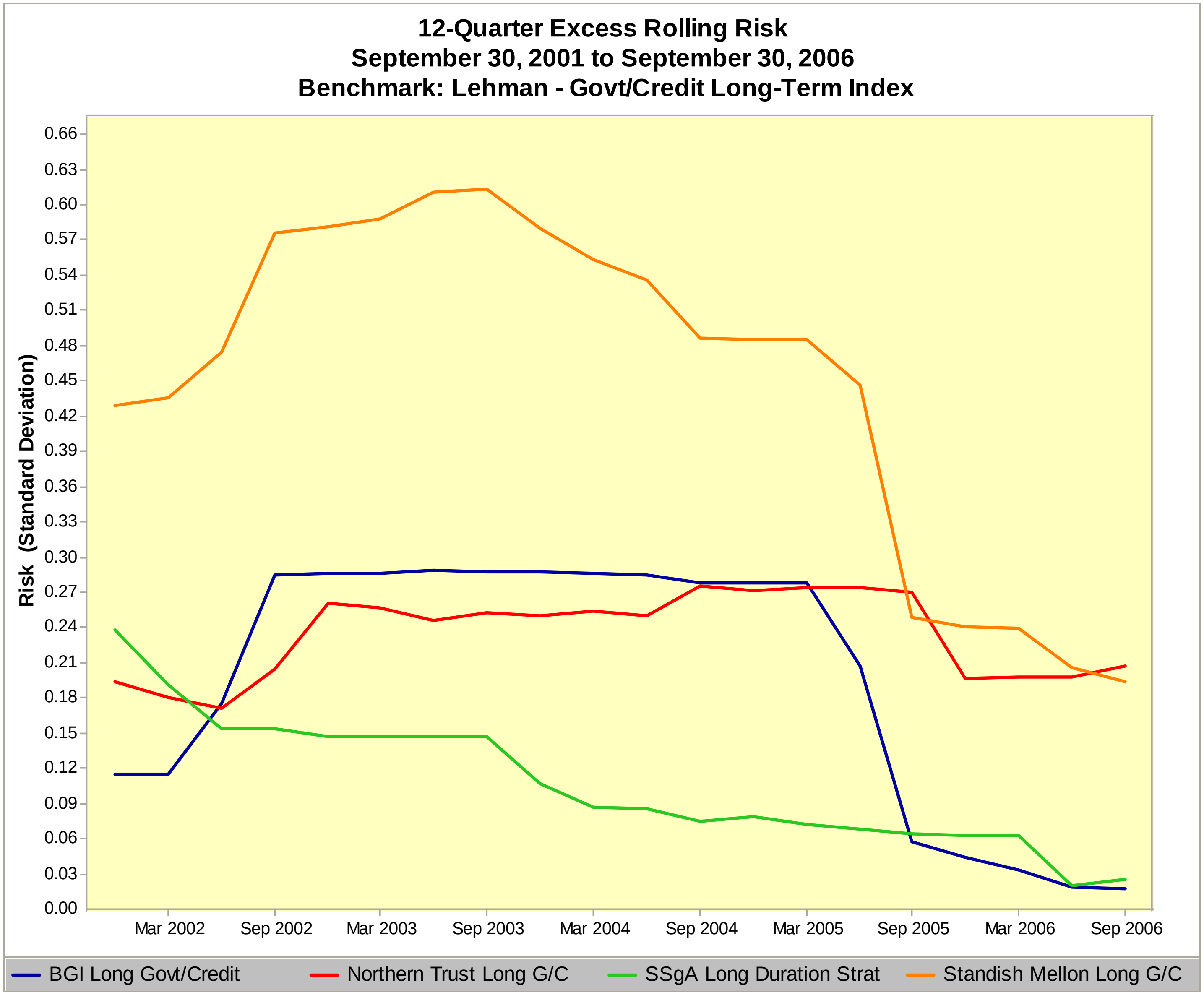
Mellon Capital Mgt Lehman Long Govt Composite



Mellon Capital Mgt. Lehman Long Credit Composite

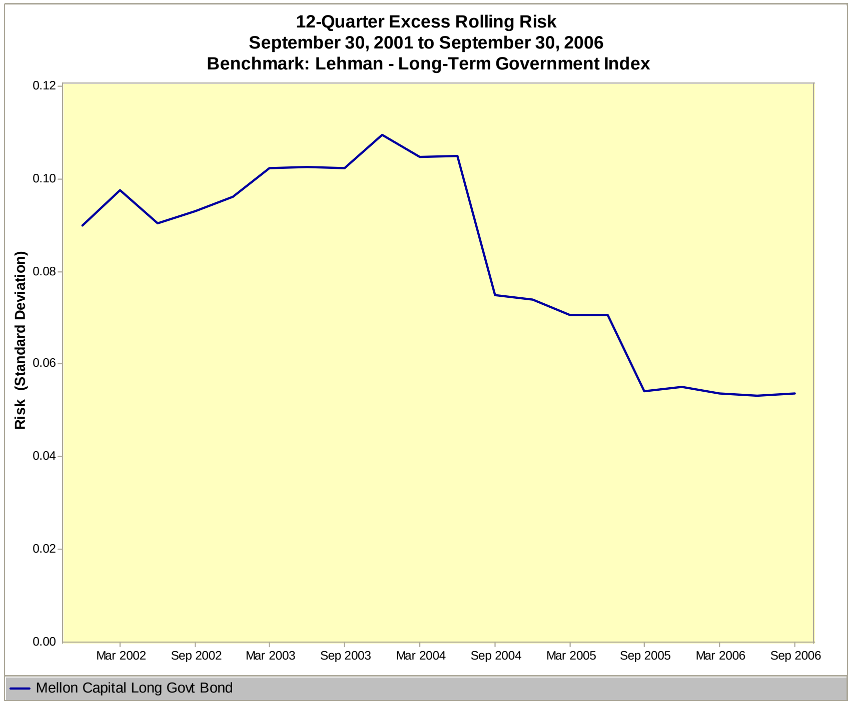


3 Year Rolling Tracking Error- Passive Lehman Long Government/Credit Index

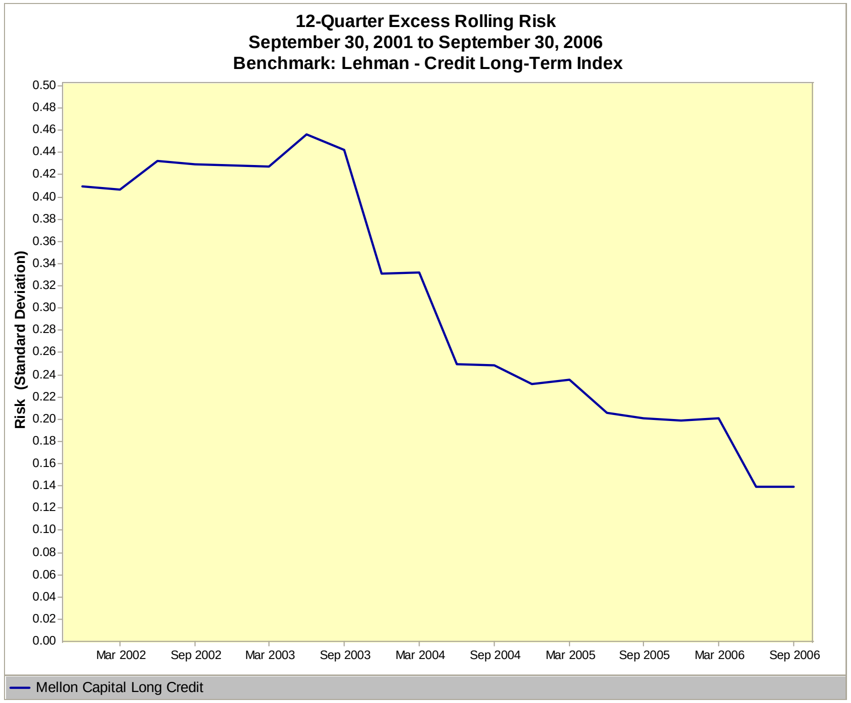


3 Year Rolling Tracking Error- Mellon Capital

Mellon Capital Mgt Lehman Long Govt Composite



Mellon Capital Mgt. Lehman Long Credit Composite



Barclays Global Investors

Organization Overview

- Barclays Global Investors was founded in 1922 and is headquartered in San Francisco. BGI is a majority-owned indirect subsidiary of Barclays Bank PLC. As of 6/30/06, the firm managed over $1.6 trillion for more than 2800 clients, including 65% of the world's 100 largest pension plans.

Experience

- BGI has managed index funds since 1971 and fixed income index funds since 1983. BGI's Global Index and Markets Group (GIMG), based in San Francisco, is engaged in ongoing research of investment strategies and portfolio rebalancing techniques. The four long duration portfolio managers who manage $7.4 billion in passive long duration mandates average 12 years of experience and 6 years with the firm. A little over half (50.1%) of the firm's passive long duration mandates are for public fund clients.

Philosophy/Investment Process

- BGI utilizes a stratified sampling process to create its passive index product. The process does not explicitly match the benchmark's average statistics, rather it matches the distribution of the statistics, to ensure that portfolio performance will track the index regardless of how the relationships among the various factors change.

Pros

- **Long history as an index provider**
- **Several team members have representation on various index committees**
- **Low turnover on fixed income team**
- **High assets under management relative to candidates for passive long duration ($7.4 billion)**

Cons

- **Highest fee amongst candidates (5.38 bps)**

State Street Global Advisors

Organization Overview

- SSgA is the investment management arm of State Street Corporation, and has been an institutional investment management provider since 1978. State Street Corporation is a publicly traded bank holding company. In 1995, all of State Street's investment related business units were reorganized under one umbrella, named State Street Global Advisors.

Experience

- SSgA has 6.3 billion in U.S. long duration fixed income AUM as of June 30, 2006. They currently handle 2.8 million in public fund clients. The five key personal that will be involved in the management of the portfolio average 16 years experience in the industry, and 8 years with the firm.

Philosophy and Process

- SSgA's goal is to match the returns of the index. The cornerstone to these strategies is stratified sampling executed under strict guidelines that eliminate active over/underweight positions. The Long U.S. Agency Index is purchased using predominately a sampling method since the market does not contain significant levels of default risk.

Pros:

- **Large amount of AUM in this space (6.3 billion in U.S. long duration fixed income), in which 45.9% is from public fund clients.**
- **More than 10 year performance history for their U.S. Fixed Income Passive Long Duration composite.**
- **Proposed Fee is reasonable**

Cons:

- **Product displayed higher levels of tracking error to the benchmark in earlier periods, however tracking error has tightened over time**

Mellon Capital

Organization Overview

- Mellon Capital Management was established in 1983. Mellon Capital is a wholly-owned subsidiary of Mellon Financial Corporation, a publicly traded company. Mellon offers global, quantitatively based investment strategies to corporate, government, and Trade Union retirement plans, endowments, foundations, and mutual fund distributors. As of June 30, 2006, Mellon Capital in $148.9 billion in AUM.

Experience

- Mellon Capital has $520 million in U.S. long duration fixed income AUM as of June 30, 2006. Mellon Capital has eight key personal that will be involved in the management of the portfolio. Their experience averages 16 years in the industry, and 12 years with the firm.

Philosophy and Process

- Mellon Capital's indexing strategies are disciplined and structured, with the objective of replicating the fundamental characteristics and performance of the respective index. Minimizing tracking error in portfolio construction is of primary importance, and they have processes in place designed to generate minimal tracking error. The portfolio is managed using replication and sampling strategies. The stratification process seeks to create bucket of securities that mirrors the performance characteristics of the comparable bucket of index securities. From a high level, the process begins by stratifying the index along the major parameters that drive performance: duration, quality/rating, sector, and convexity.

Pros:

- **Lower fee proposal as compared to competitors**
- **AUM for all passive fixed income mandates is sizable**
- **Experienced team of portfolio managers/researchers**

Cons:

- **Low amount of assets under management for passive Long Duration mandates**
- **BWC's assets would comprise a majority of MCM's passive long duration fixed income assets.**

Northern Trust

Organization Overview

- Northern Trust Corporation, found in 1889, has more than 116 years of experience. Northern Trust, based in Chicago, has a growing network of offices in 16 U.S. states and has international offices in 9 countries. As of June 30, 2006, Northern Trust had asset under investment management of $640 billion, assets under administration of $3.2 trillion and banking assets of more than $52 billion.

Experience

- Northern Trust has $4.3 billion in long duration passive indexed AUM as of June 30, 2006. They do not manage any long duration assets for public fund clients. There are eight key individuals that will be involved in the management of BWC portfolio, with an average of 18 years experience in the industry and 14 years with Northern Trust.

Philosophy and Process

- Northern Trust uses a process called Intelligent Indexing that is based on five key initiatives. They use a proprietary investment process that incorporates that maximization of liquidity in trade flows as the objective function of their portfolio construction. In addition they utilize multi-dimensional risk management that tightly constrains portfolios at the security, sector, and risk factor level. They also incorporate index change strategies that emphasize the elimination of wealth erosion. Lastly they utilize trading algorithms that employ technology to discover liquidity and thus minimize transactions costs.

Pros:

- **Lowest proposed fees as compared to the other candidates (.80 bps)**
- **Portfolio management team is very experienced and has been working together for a long time**
- **High long duration AUM compared to rest of candidates**
- **Have not lost any passive long duration clients over the last 3 ½ years**

Cons:

- **Do not manage any long duration assets for public fund clients**
- **Higher level of tracking error compared to other candidates**

Standish Mellon

Organization Overview

- Standish Mellon Asset Management's history dates back to 1933 when Standish, Ayer, & Wood was founded. In July 2001, Standish, Ayer & Wood become a wholly owned subsidiary of Mellon Financial Corporation and was renamed Standish Mellon Asset Management. Standish Mellon has three primary offices in Pittsburgh, Boston, and San Francisco. Their AUM as of June 30, 2006, is 146.3 billion in fixed income assets.

Experience

- Standish Mellon has $519 million in passive long duration indexed AUM as of June 30, 2006. They currently handle $210 million in public fund clients. Standish Mellon has six key personal that will be involved in the management of the portfolio. Their experience averages 21 years in the industry, and 14 years with the firm.

Philosophy and Process

- Standish Mellon uses a stratified sampling approach to index replication, which seeks to minimize the transaction cost and fees. The firm also seeks to add value by diversifying through security selection of the most attractive issues based on internal fundamental credit research and analysis. Standish Mellon also employs risk corridors that limit variance from the index.

Pros:

- **One of the oldest fixed income managers**
- **Low fee in comparison to other candidates**
- **Portfolio managers average over 21 years of experience**
- **High level of client retention**

Cons:

- **Lowest passive long duration AUM among candidates**
- **BWC's mandate would comprise most of Standish's AUM for this product**

Ohio Bureau of Workers' Compensation

Long Duration Fixed Income Passive Index Manager RFP Process

December 14, 2006

RFP Process

Long Duration Fixed Income Passive Index Manager

Steps in the RFP Process

- Drafting of the RFP
- Evaluation and review of the RFP responses
- Evaluation Committee discussion of RFP responses and preferences
- On site due-diligence with recommended Finalist
- Consultation with Wilshire throughout the RFP process

RFP Updated Timeline

Long Duration Fixed Income Passive Index Manager

RFP ACTION ITEM	TIMELINE
OVERSIGHT COMMISSION MEETING	***Aug. 24 – Complete***
Send RFP Advertisement to Newspapers/Journal	Aug. 28 – Complete
Issue RFP	Sept. 13 – Revised Sept. 18 – Complete
Open period for respondent’s questions via email	Sept. 18 - 20 – Revised Sept. 20 - 26 – Complete
OVERSIGHT COMMISSION MEETING	***Sept. 28 – Complete***
Respond to questions via website	Sept. 25 - 27 – Revised Oct. 3 – Complete
DEADLINE FOR RFP PROPOSALS (2:00 PM)	**Oct. 3 – Revised Oct. 10** – Complete
BWC staff initial review of proposals	Oct. 4 - 9 – Revised Oct. 11 - 31 – Revised Oct. 11 - Nov. 14
WCOC MEETING PACKET DEADLINE	Nov. 8 – Complete
Evaluation Committee review / Finalist candidates identified	Oct. 10 – Revised Nov. 1 – Revised Nov. 15 – Revised Nov. 21 -- Complete
OVERSIGHT COMMISSION MEETING	***Nov. 16 – Complete***
Finalist candidate Interviews / Re-grade Finalist candidates / Notify Finalist candidates	Oct. 18 - 19 – Revised Nov. 7 - 17 – Revised Nov. 27 - Dec. 8 – Revised Nov. 27 – Jan.12
WCOC MEETING PACKET DEADLINE	Dec. 6
On-Site visit of Finalist (tentative)	Oct. 24 - Nov. 3 – Revised Dec. 8 - Dec. 21 – Revised Dec 8 – Jan. 12
OVERSIGHT COMMISSION MEETING – WCOC Approval of First Finalist	***Dec. 14***
Long Duration Fixed Income	
WCOC MEETING PACKET DEADLINE	Jan. 16
OVERSIGHT COMMISSION MEETING – WCOC Approval of Second Finalist	***Jan. 25***
Long Duration Fixed Income	

RFP Respondents and Evaluation

Long Duration Fixed Income Passive Index Manager

Steps in the RFP Process

- A Request for Proposals (RFP) was publicly issued on September 18, 2006 for the services of a Passive Index Long Duration U.S. Fixed Income Manager(s)

- BWC received six responses (see Appendix for descriptions of qualified firms shown below):
  1) BNY Asset Management
  2) Barclays Global Investors
  3) Mellon Capital Management
  4) Northern Trust Investments
  5) Standish Mellon Asset Management
  6) State Street Global Advisors

- RFP respondents were scored by the Evaluation Committee (EC) comprised of the BWC CIO, BWC Director of Investments, two BWC Investment Staff members, and Wilshire Associates

- Respondents were scored on specific questions with BWC respective weightings established by the BWC CIO pertaining to:
  - Organization / Experience (30%)
  - Philosophy / Process (20%)
  - Performance / Fees (50%)

- Conference calls between EC members were held to discuss the scoring and to establish the best candidates for Finalist on-site interviews

RFP Respondents Summary Evaluation Comments

Long Duration Fixed Income Passive Index Manager

- **BNY Asset Management**
  - Currently does not manage a Long Duration Fixed Income (LDFI) passive portfolio
  - Performance results provided evaluated as below average relatively
  - Did not provide management fee for managed separate account without securities lending

- **Barclays Global Investors**
  - Managed $81 billion of passive indexed U.S. Fixed Income assets on 6/30/06
  - Managed $7.4 billion of passive indexed LDFI assets on 6/30/06
  - Performance results provided evaluated as above average relatively
  - Management fee proposed highest among all respondents
  - Employs stratified sampling approach for indexing strategy

- **Mellon Capital Management**
  - Managed $9 billion of passive indexed U.S. Fixed Income assets on 6/30/06
  - Managed only $550 million to Lehman Long Duration U.S. passive indices on 6/30/06
  - Performance results provided evaluated as average relatively
  - Management fee proposed competitive

RFP Respondents Summary Evaluation Comments

Long Duration Fixed Income Passive Index Manager

- **Northern Trust Global Investments**
  - Managed $29 billion of passive indexed U.S. Fixed Income assets on 6/30/06
  - Managed $4.3 billion of passive indexed LDFI assets on 6/30/06
  - Virtually no public government LDFI indexed clients represented
  - Performance results provided evaluated as above average relatively
  - Management fee proposed very competitive

- **Standish Mellon Asset Management**
  - Managed $11 billion of passive indexed U.S. Fixed Income assets on 6/30/06
  - Managed only $500 million of U.S. Fixed Income assets to a long duration indexed benchmark on 6/30/06
  - Performance results provided evaluated as below average relatively
  - Management fee proposed competitive

- **State Street Global Advisors**
  - Managed $69 billion of passive indexed U.S. Fixed Income assets on 6/30/06
  - Managed $6.3 billion of passive indexed LDFI assets on 6/30/06
  - Almost one-half of assets under management represent public government clients for this mandate
  - Performance results provided evaluated as average relatively
  - Management fee proposed competitive

Evaluation Committee Conclusions and Strategy

Long Duration Fixed Income Passive Index Manager

- Experience and amount of assets under management very important for LDFI mandate

- Passive LDFI index management much smaller and more specialized compared to short and medium-term fixed income sectors (between 5-15% of total fixed income assets under management for respondents under consideration)

- Two Finalists to be selected by BWC for this important and large mandate (27% of total assets or $4.4 billion currently)

- BWC total assets directed to LDFI passive mandate proportionally large for any one manager in terms of total passive fixed income assets under current management

- Two Finalists desired during temporary period when additional 27% of BWC assets ($4.4 billion), currently earmarked for **active LDFI manager**, are invested passively in order to rapidly achieve full 54% ($8.8 billion) target sector allocation by early 2007

- Evaluation Committee to recommend one Finalist at December 14, 2006 IC/WCOC meeting

- Further extensive due diligence required for second Finalist to be recommended at January 25, 2007 IC/WCOC meeting

Note: The LDFI RFP selection process for a second Finalist is anticipated to be concluded at the January 2007 IC/WCOC meeting. As a result, further comments pertaining to all respondents, except the Finalist recommended herein, will be deferred to the January 2007 IC/WCOC presentation/recommendation for the second Finalist.

Recommended Finalist

Long Duration Fixed Income Passive Index Manager

State Street Global Advisors (SSGA)

- Very large passive LDFI manager with $63 billion under management
- Experienced and proven fixed income management team known to BWC Investment Staff
- Consistently provided excellent asset management services and performance to BWC over past year
- Large existing public government client base for this specific mandate
- Receptive and accommodative to manage to a BWC customized benchmark index
- Strong culture of fiduciary responsibility and strict compliance controls
- Per annum management fee less than 2 bps for full mandate ($4.4 billion) and less than 2.5 bps for one-half of mandate ($2.2 billion)
- Recommendation of SSGA is for initial full mandate (currently $4.4 billion) with expectation that some portion would be reduced to fund active LDFI manager mandate by mid-2007
- Recommendation is subject to satisfactory on-site visit on December 8, 2006 by several members of the Evaluation Committee, including Wilshire Associates

Appendix

- **BNY Asset Management**

  Headquartered in New York. BNY Asset Management is the investment management division of The Bank of New York. This division currently manages over $116 billion in assets that includes both active and passive management of equities, fixed income, real estate funds and a fund of hedge funds. Assets under management are currently divided between $52 bln fixed income, $36 bln equities and $28 bln other. In a late breaking development, The Bank of New York announced on December 4 it will acquire Mellon Financial Corp and will be known as The Bank of New York Mellon Corp.

- **Barclays Global Investors**

  Headquartered in San Francisco. Barclays Global Investors (BGI) is one of the largest and most successful investment managers in the financial services industry, with more than $1.6 trillion in assets worldwide under management. Assets under management are currently $1.1 trillion equity, $275 bln fixed income and $220 bln other. Parent company of BGI is Barclays Bank, PLC, one of the largest banks in the world based in the United Kingdom. Introduced the first equity index fund in 1971 and the first bond index fund in 1983. Also the leader in issuing Exchange Traded Funds with over 100 different ETF strategies launched. BGI manages over 2,000 funds benchmarked to more than 250 indexes worldwide. Represented to be the largest manager of indexed U.S. equity and U.S. fixed income assets in the world.

- **Mellon Capital Management**

  Headquartered in San Francisco, Mellon Capital Management is a wholly-owned subsidiary of Mellon Financial Corp which is headquartered in Pittsburgh, PA. Mellon Financial has $870 billion of assets under management. Mellon Capital was established in 1983 by two individuals who are recognized as the originators of index fund management and value-based tactical asset allocation. Mellon Capital manages $149 billion in assets divided between $82 billion in equity, $15 billion in fixed income, and $52 billion in other assets. Approximately $9 billion of fixed income assets are passively managed. In a late breaking development, The Bank of New York announced on December 4 it will acquire Mellon Financial Corp and will be known as The Bank of New York Mellon Corp.

Appendix (continued)

- **Northern Trust Global Investments**

  Headquartered in Chicago. Northern Trust Corporation is a large bank, custodian and investment manager with $640 billion in assets under investment management and banking assets of more than $52 billion. Its investment management subsidiary, Northern Trust Global Investments, manages more than $350 billion in assets divided by $181 bln equity, $55 bln fixed income and $117 bln other. Northern Trust is a recognized prominent index manager for both equities and fixed income assets. Almost two-thirds ($114 bln) of equity assets under management and over one-half ($29 bln) of fixed income assets under management are passively managed.

- **Standish Mellon Asset Management**

  Headquartered in Boston. Standish Mellon Asset Management is a wholly-owned subsidiary of Mellon Financial Corp. headquartered in Pittsburgh. The firm was founded in 1933 and independently owned under a prior name until being acquired by Mellon in 2001. Standish Mellon is a prominent institutional investment manager specializing in the management of fixed income assets. The firm currently manages $146 billion in fixed income assets, of which less than 10% or $11.7 billion are passively managed to indexed fixed income strategies. In a late breaking development, The Bank of New York announced on December 4 it will acquire Mellon Financial Corp and will be known as The Bank of New York Mellon Corp.

- **State Street Global Advisors**

  Headquartered in Boston. State Street Global Advisors (SSGA) is a subsidiary of State Street Bank and Trust which in turn is a subsidiary of State Street Corporation. SSGA is the largest institutional fund management company in the world with over $1.5 trillion in assets under management. The firm is one of the world’s largest managers of both U.S. and non-U.S. indexed assets with over $570 billion in indexed equity assets and over $130 billion in indexed fixed income assets.

Ohio Bureau of Workers' Compensation

TIPS Index Manager Search

December 14, 2006

Mark Brubaker, CFA
Managing Director

Michael Patalsky, CFA
Senior Associate

Target TIPS Allocation is 20% of Total Assets, All Passively Managed

	Target Allocation		
Asset Class	**%**	**$ MM**	**Benchmark**
U.S. Equity	**15**	**2,481**	**Wilshire 5000**
Large Cap	*12*	*1,984*	*S&P 500*
Active	0	-	
Passive	12	1,984	
Small/Mid Cap	*3*	*496*	*Wilshire 4500/Russell 2500*
Active	3	496	
Passive	0	-	
Non-U.S. Equity	**5**	**827**	**MSCI EAFE**
Active	4	661	
Passsive	1	165	
Fixed Income - Long Duration	**54**	**8,930**	**Lehman Long Government/Credit**
Active	27	4,465	
Passive	27	4,465	
High Yield	**5**	**827**	**Merrill Lynch High Yield Master II**
Active	5	827	
Passive	0	-	
Inflation-Protected Securities	**20**	**3,307**	**Lehman U.S. TIPS**
Active	0	-	
Passive	20	3,307	
Cash Equivalents	**1**	**165**	**90-Day T-Bill**
Totals	**100**	**16,537**	

Assets based on 9/30/2006 Values

WILSHIRE CONSULTING

Manager Search Specifications

- Approximately $3.3 billion mandate
- Benchmarked to the Lehman U.S. TIPS Index
- Manager candidates responded to a public RFP which was issued on September 18, 2006
- 4 respondents to this search
  - State Street Global Advisors
  - Barclays Global
  - Northern Trust
  - Standish Mellon

Note: Bank of New York also responded but was not considered due to lack of assets managed in this asset class

Recommendation

- Wilshire's recommendation is to utilize one firm to manage the entire TIPS allocation – State Street Global Advisors

  - State Street has a long history managing passive investments across multiple asset classes
  - State Street has the longest TIPS track record - SSgA manages over $5.1 billion in mandates with a 5 year track record
  - The fund's tracking error relative to the Lehman U.S. TIPS index has been 0.4% since inception, but approximately 0.1% over the past 3-year period
  - State Street's fee proposal for passive TIPS is very competitive

Product Summary

Manager		Assets Managed ($MM)[2]						Fees Based On Full $3.3 B Mandate[1]	
	Firm AUM	Total Fixed Income AUM	% of Total AUM	Total Equity AUM	% of Total AUM	TIPS Passive AUM	Ohio BWC % of TIPS AUM[3]	Actual Fee (bps)	Estimated Fee in $
Barclays Global Investors	$ 1,622,714	$ 273,523	17%	$ 1,129,417	70%	$ 8,867	27.1%	4.77	$ 1,575,678
Northern Trust	$ 352,835	$ 54,694	16%	$ 181,436	51%	$ 871	79.1%	0.80	$ 264,320
Standish Mellon	$ 146,321	$ 146,321	100%	$ -	0%	$ 121	96.5%	1.39	$ 457,604
State Street Global Advisors	$ 1,534,246	$ 650,685	42%	$ 689,375	45%	$ 5,133	39.2%	0.94	$ 310,242

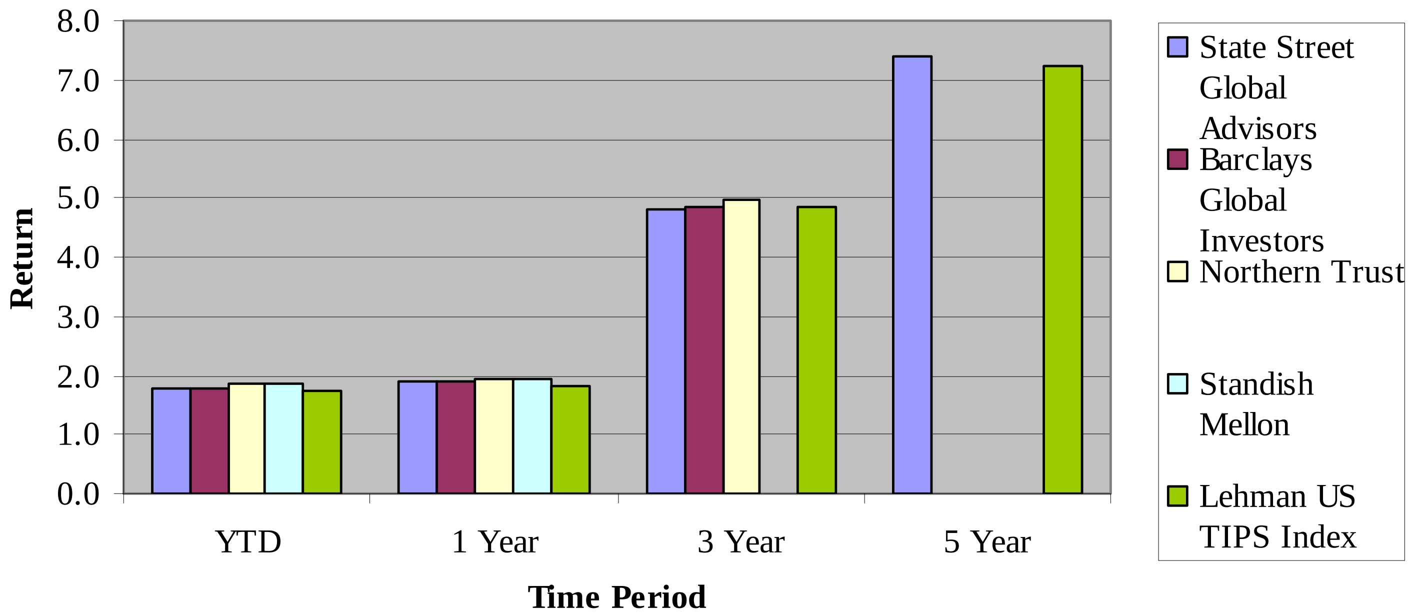
[1]Fees are based on proposed fee schedule provided by the manager. These are estimated
based on a proposed fee for a separate account without securities lending.

[2]Assets managed as of 6/30/2006

[3]This value represents the percentage that BWC's investment would comprise of the total TIPS assets being managed for each manager (taking into account the size of BWC's mandate).

Annualized Returns as of 9/30/06

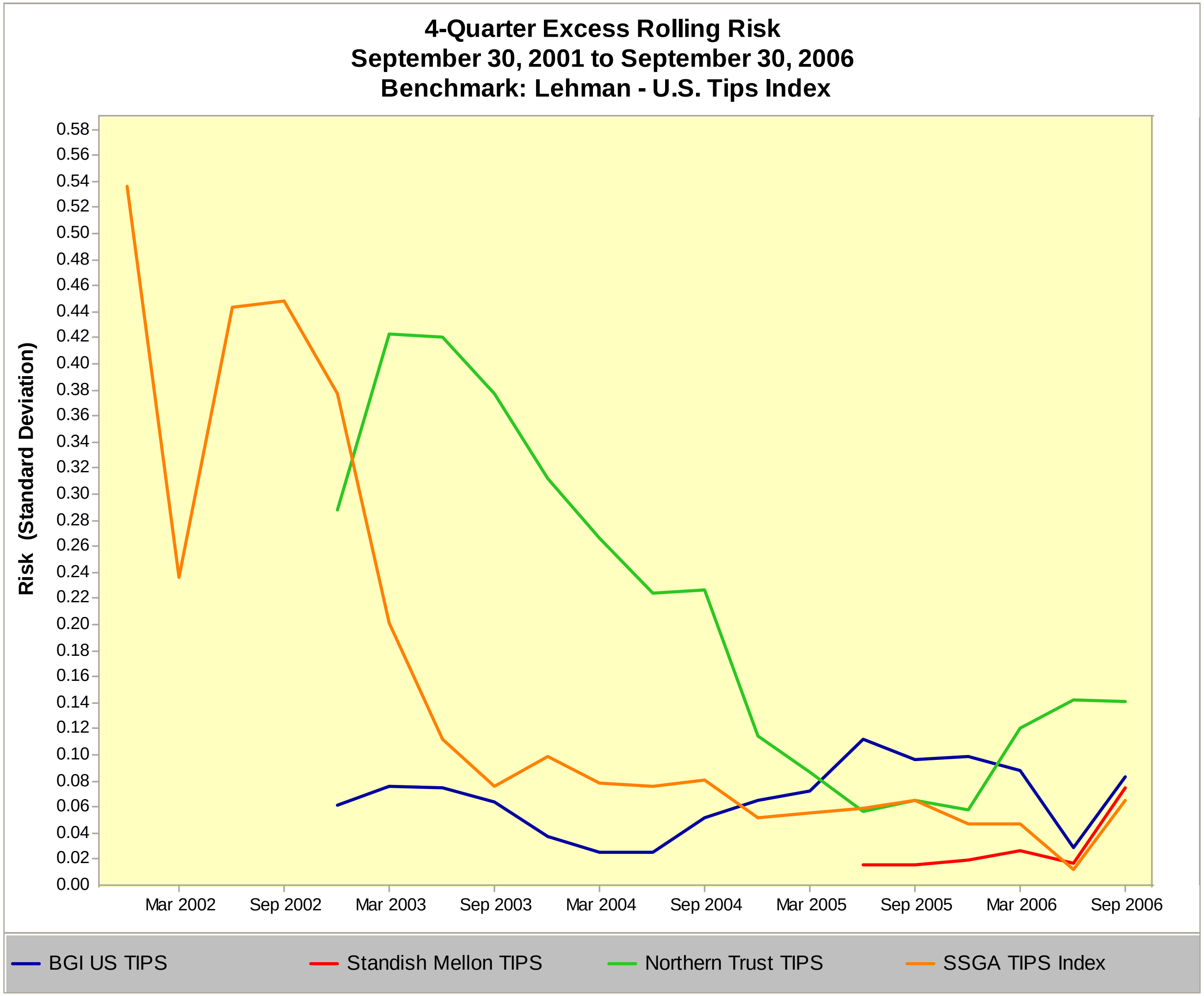
	Annualized Returns			
Manager	**YTD**	**1 Year**	**3 Year**	**5 Year**
Barclays Global Investors	1.78	1.90	4.84	--
Northern Trust	1.86	1.94	4.95	--
Standish Mellon	1.84	1.95	--	--
State Street Global Advisors	1.78	1.90	4.82	7.38
Lehman US TIPS Index	**1.72**	**1.82**	**4.86**	**7.23**



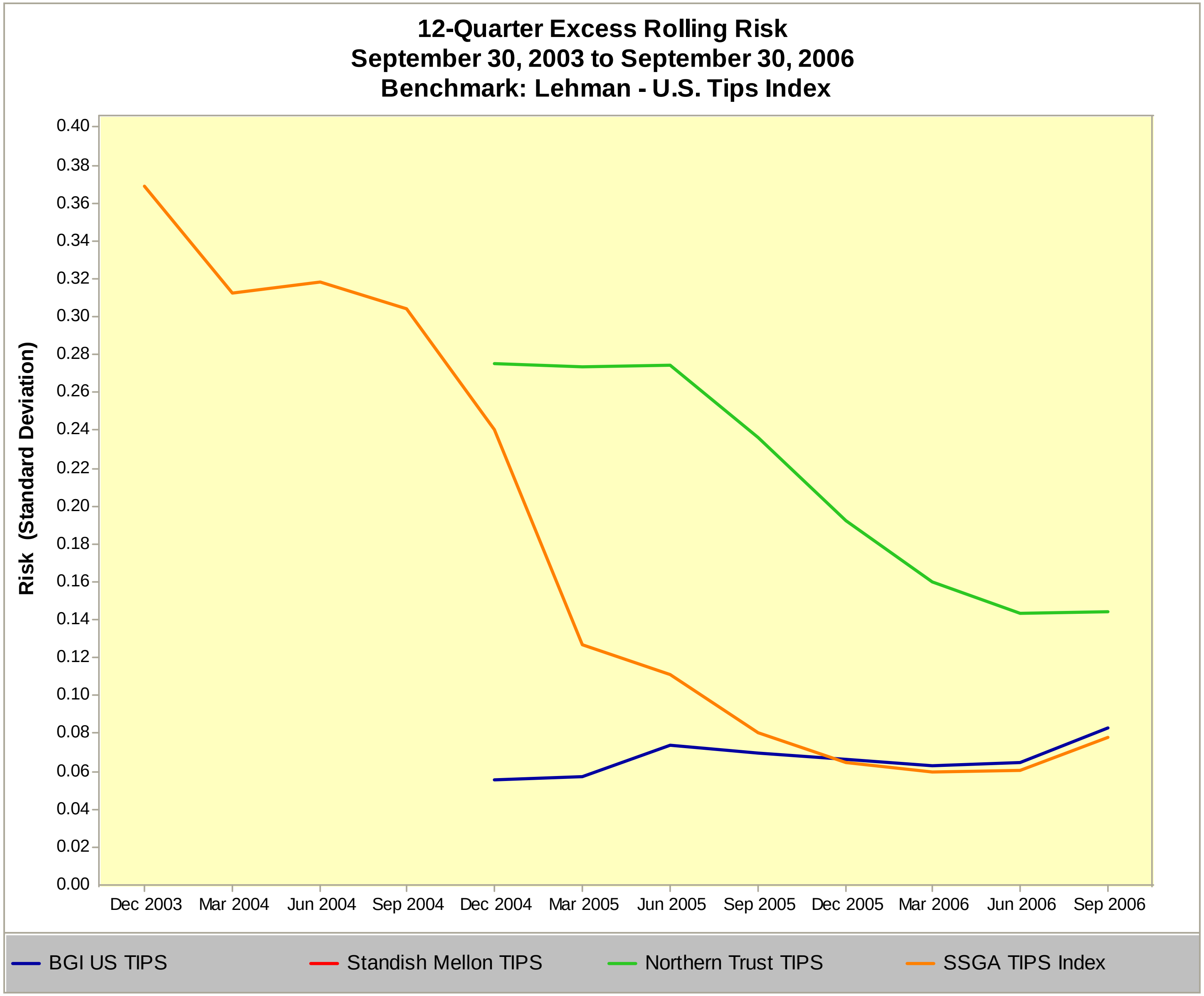
Annual Returns

Manager	Calendar Years 2005	2004	2003	2002	2001
Barclays Global Investors	2.77	8.43	8.30	16.56	--
Northern Trust	2.89	8.67	8.22	17.18	--
Standish Mellon	2.84	--	--	--	--
State Street Global Advisors	2.81	8.37	8.32	17.04	8.37
Lehman US TIPS Index	2.83	8.47	8.40	16.55	7.89

1 Year Rolling Tracking Error



3 Year Rolling Tracking Error



WILSHIRE CONSULTING

Barclays Global Investors

Organization Overview

- Barclays Global Investors was founded in 1922 and is headquartered in San Francisco. BGI is a majority-owned indirect subsidiary of Barclays Bank PLC. As of 6/30/06, the firm managed over $1.6 trillion for more than 2800 clients, including 65% of the world's 100 largest pension plans.

Experience

- BGI has managed index funds since 1971 and fixed income index funds since 1983. BGI's Global Index and Markets Group (GIMG), based in San Francisco, is engaged in ongoing research of investment strategies and portfolio rebalancing techniques. The three TIPS portfolio managers who manage $8.9 billion in passive TIPS mandates average 13 years of experience and 7 years with the firm. The firm manages over $4 billion in TIPS mandates for public clients.

Philosophy/Investment Process

- BGI utilizes a nearly full replication approach to provide the risk and return profile of the benchmark. BGI's index investment philosophy focuses on three objectives: minimizing tracking error, minimizing transaction cost, and minimizing investment and operational risk. The firm works with major index providers to understand and influence index changes including at the market and security levels.

Pros

- **Long history as an index provider**
- **Several team members have representation on various index committees**
- **Low turnover on fixed income team**
- **Highest assets under management among candidates for passive TIPS (almost $9 billion)**

Cons

- **Highest fee amongst candidates (4.77 bps)**
- **Experienced high client turnover in TIPS in 2006, losing over $500 million in assets through 6/30**

State Street Global Advisors

Organization Overview

- SSgA is the investment management arm of State Street Corporation, and has been an institutional investment management provider since 1978. State Street Corporation is a publicly traded bank holding company. In 1995, all of State Street's investment related business units were reorganized under one umbrella, named State Street Global Advisors.

Experience

- SSgA has managed index funds since 1978, and fixed income index funds since 1987. SSgA has over $5 billion in TIPS passive indexed AUM as of 6/30/06, 40% of which is from public fund clients. The portfolio management team averages 15 years of investment experience, and 7 years with the firm.

Philosophy/Investment Process

- SSgA's Passive TIPS Strategy is constructed utilizing a full replication approach, and seeks to match all characteristics of the index. The firm maintains a risk-controlled process with tracking error as the top-down risk control. Monthly internal reviews are performed to ensure compliance to the portfolio's philosophy. Additionally, the firm leverages its size in the marketplace to keep transaction costs low.

Pros

- **Long history as an index provider**
- **Experienced and deep portfolio management team**
- **Has experienced significant growth in AUM over last two years**
- **Large amount of passive TIPS Assets Under Management (+$5 billion)**
- **Attractive Fee Proposal**
- **Flexible organization with which to work**

Cons

- **Slightly higher tracking error in longer term periods of 2001 and 2002 as compared to last 3 year period**

Northern Trust

Organization Overview

- Northern Trust Corporation, found in 1889, has more than 116 years of experience. Northern Trust, based in Chicago, has a growing network of offices in 16 U.S. states and has international offices in 9 countries. As of June 30, 2006, Northern Trust had asset under investment management of $640 billion, assets under administration of $3.2 trillion and banking assets of more than $52 billion.

Experience

- Northern Trust has $871.9 Million in TIPS passive indexed AUM as of June 30, 2006. The currently manage $569.3 for public fund clients. There are eight key individuals that will be involved in the management of BWC portfolio. Their experience averages from 18 in the industry and 14 years with the firm.

Philosophy and Process

- Northern trust uses a process called Intelligent Indexing that is based on five key initiatives. They replicated portfolios where appropriate; sample strategies where sensible. They also use proprietary investment process that incorporates that maximization of liquidity in trade flows as the objective function of their portfolio construction. In addition they utilize Multi-dimensional risk management that tightly constrains portfolios at the stock, sector, and risk factor level. They also incorporate Index change strategies that emphasize the elimination of wealth erosion. Lastly the utilize trading algorithms that employ technology to discover liquidity and thus minimize transactions costs.

Pros:

- **Lowest proposed fees as compared to the other candidates (.80 bps)**
- **Portfolio management team has over 20 years of experience**
- **65% of AUM is dedicated to Public funds**
- **High level of client retention**

Cons:

- **Low TIPS assets under management in comparison to other candidates**

Standish Mellon

Organization Overview

- Standish Mellon Asset Management's history dates back to 1933 when Standish, Ayer, & Wood was founded. In July 2001, Standish, Ayer & Wood become a wholly owned subsidiary of Mellon Financial Corporation and was renamed Standish Mellon Asset Management. Standish Mellon has three primary offices in Pittsburgh, Boston, and San Francisco. Their AUM as of June 30, 2006, is 146.3 billion in fixed income assets.

Experience

- Standish Mellon has 121 million in TIPS passive indexed AUM as of June 30, 2006. The currently only handle 1 million in public fund clients. Standish Mellon has five key personal that will be involved in the management of the portfolio. Their experience averages 16 years in the industry, and 9 years with the firm.

Philosophy and Process

- Standish Mellon uses a full index replication approach. This process directly adds value by producing portfolio characteristics that closely match those of the index at all times without the cost of purchasing all of even most of the index constituents, which results in a consistent return relative to the benchmark. Their approach minimize transactions cots and fees, and results in a predictable level of risk.

Pros:

- **One of the oldest bond managers**
- **Low fee in comparison to other candidates**
- **Portfolio managers average over 20 years of experience**
- **High level of client retention**

Cons:

- **Currently manage less than a million dollars in public clients and have the lowest TIPS product AUM**
- **Shortest performance history of potential candidates**

Ohio Bureau of Workers' Compensation

U.S. Treasury Inflation Protected Securities (TIPS)

Passive Index Manager RFP Process

December 14, 2006

RFP Process

TIPS Passive Index Manager

Steps in the RFP Process

- Drafting of the RFP
- Evaluation and review of the RFP responses
- Evaluation Committee discussion of RFP responses and preferences
- On site due-diligence with recommended finalist
- Consultation with Wilshire throughout the RFP process

RFP Updated Timeline

TIPS Passive Index Manager

RFP ACTION ITEM	TIMELINE
OVERSIGHT COMMISSION MEETING	***Aug. 24 – Complete***
Send RFP Advertisement to Newspapers/Journal	Aug. 28 – Complete
Issue RFP	Sept. 13 – Revised Sept. 18 – Complete
Open period for respondent's questions via email	Sept. 18 - 20 – Revised Sept. 20 - 26 – Complete
OVERSIGHT COMMISSION MEETING	***Sept. 28 – Complete***
Respond to questions via website	Sept. 25 - 27 – Revised Oct. 3 – Complete
DEADLINE FOR RFP PROPOSALS (2:00 PM)	**Oct. 3 – Revised Oct. 10** – Complete
BWC staff initial review of proposals	Oct. 4 - 9 – Revised Oct. 11 - 31 – Revised Oct. 11 - Nov. 14
WCOC MEETING PACKET DEADLINE	Nov. 8 – Complete
Evaluation Committee review / finalist candidates identified	Oct. 10 – Revised Nov. 1 – Revised Nov. 15 – Revised Nov. 21 -- Complete
OVERSIGHT COMMISSION MEETING	***Nov. 16 – Complete***
Finalist candidate Interviews / Re-grade finalist candidates / Notify finalist candidates	Oct. 18 - 19 – Revised Nov. 7 - 17 – Revised Nov. 27 - Dec. 8 – ***Dec. 8 -- Complete***
WCOC MEETING PACKET DEADLINE	Dec. 6
On-Site visit of finalist (tentative)	Oct. 24 - Nov. 3 – Revised Dec. 8 - Dec. 21 – Revised Dec 8
OVERSIGHT COMMISSION MEETING – WCOC Approval of Finalist	***Dec. 14***
US TIPS	

RFP Respondents and Evaluation

TIPS Passive Index Manager

Steps in the RFP Process

- A Request for Proposals (RFP) was publicly issued on September 18, 2006 for the services of a Passive Index U.S. TIPS (Treasury Inflation Protection Securities) Manager(s)

- BWC received five responses (see Appendix for descriptions of qualified firms shown below):
  1) BNY Asset Management
  2) Barclays Global Investors
  3) Northern Trust Investments
  4) Standish Mellon Asset Management
  5) State Street Global Advisors

- RFP respondents were scored by the Evaluation Committee (EC) comprised of the BWC CIO, BWC Director of Investments, two BWC Investment Staff members, and Wilshire Associates

- Respondents were scored on specific questions with BWC respective weightings established by the BWC CIO pertaining to:
  - Organization / Experience (30%)
  - Philosophy / Process (20%)
  - Performance / Fees (50%)

- Conference calls between EC members were held to discuss the scoring and to establish the best candidates for finalist on-site interviews

RFP Respondents Summary Evaluation Comments

TIPS Passive Index Manager

- **BNY Asset Management**
  - Currently does not manage a passive TIPS portfolio
  - Management fee proposed not competitive
  - Performance results provided not useful

- **Barclays Global Investors**
  - Largest index manager of U.S. TIPS with $8.9 billion under management on 6/30/06
  - Performance results and tracking error competitive
  - Management fee proposed highest among all respondents
  - Nearly full replication approach for indexing employed

- **Northern Trust Global Investments**
  - U.S. TIPS under management (all passive) less than $900 million on 6/30/06
  - Performance results are superior
  - Management fee proposed very competitive

RFP Respondents Summary Evaluation Comments

TIPS Passive Index Manager

- **Standish Mellon Asset Management**
  - U.S. TIPS passively managed only $121 million on 6/30/06
  - Total U.S. TIPS under active management was $797 million on 6/30/06
  - Performance results limited to 1½ years since only a recent manager of TIPS
  - Management fee proposed competitive

- **State Street Global Advisors**
  - U.S. TIPS under passive indexed management were $5.1 billion on 6/30/06
  - Performance results and tracking error competitive
  - Management fee proposed very competitive
  - Full replication strategy for indexing employed

RFP Respondents Conclusions

TIPS Passive Index Manager

- The Evaluation Committee (EC) determined that experience and size of assets under management for U.S. TIPS asset class was very important. Total size of U.S. TIPS market is less than $400 billion. With approximately $3.25 billion invested, in relative terms, BWC will be a very large holder of U.S. TIPS.

- Respondents below each manage less than $1 billion in U.S. TIPS. The EC was not comfortable presenting to those respondents a very large and specialized mandate significantly larger than their respective funds under management for this asset class. These respondents were therefore eliminated from further consideration:
  - BNY Asset Management
  - Northern Trust Global Investments
  - Standish Mellon Asset Management

- Remaining respondents under further consideration were Barclays Global Investors (BGI) and State Street Global Advisors (SSGA)
  - BGI and SSGA are, by far, the two largest and most prominent passive U.S. TIPS managers in the world
  - SSGA is more experienced in managing TIPS with a 5yr-plus record of performance (inception Aug 2000) whereas BGI has only a 3 ½ year record
  - SSGA uses a full replication indexed management approach (owning market value weight of each benchmark security) whereas BGI uses a near-full replication indexed management approach
  - Comparable performance of SSGA and BGI versus benchmark over past 3½ year period. SSGA has out-standing 5 year performance exceeding benchmark returns
  - Management fees proposed by BGI are several times higher per annum than those proposed by SSGA which is the equivalent to over 3 bp per annum or over $1 million per annum with a full mandate given to one manager

Recommended Finalist

TIPS Passive Index Manager

State Street Global Advisors (SSGA)

- Second largest passive U.S. TIPS manager in the world
- One of most experienced passive U.S. TIPS managers in the world with six-year track record
- Superior performance versus benchmark index since 2000
- Impressive depth of experienced fixed income managers and traders involved in the market
- Low per annum management fee of less than one basis point if given full mandate to manage
  - TIPS benchmark consists of only 20 securities with anticipated low trading turnover and tracking error
  - Management fee versus BGI is a significant differentiation
- Strong desire to select only one passive manager for U.S. TIPS mandate as this asset class is specialized--large BWC presence in the market demands one manager for trading efficiencies, market information control, and to avoid trading duplication
- Recommendation of SSGA for full mandate (approximately $3.25 billion currently) is subject to satisfactory on-site visit on December 8, 2006 by several members of the Evaluation Committee, including Wilshire Associates

Appendix

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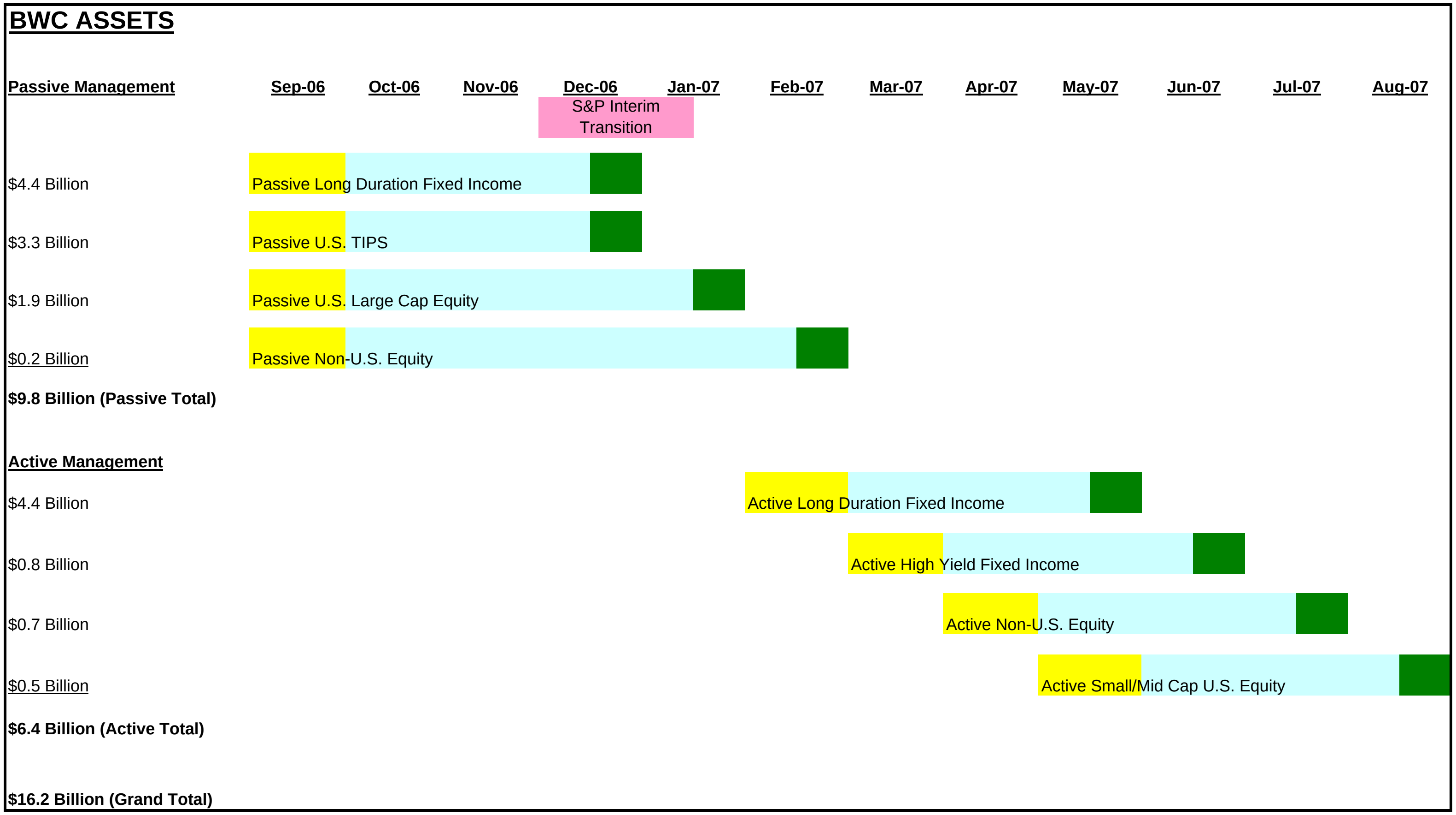
BWC Transition Funds
RFP Timelines
December 2006



RFP Timelines are estimated time periods from RFP issuance to RFP completion with respective recommendation for approval to the BWC Investment Committee and WCOC.

Transition Funds include State Insurance Fund (SIF), Disabled Workers Fund, and Coal Workers Fund Combined.

Asset sized based on Nov 30, 2006 valuation of transition funds.

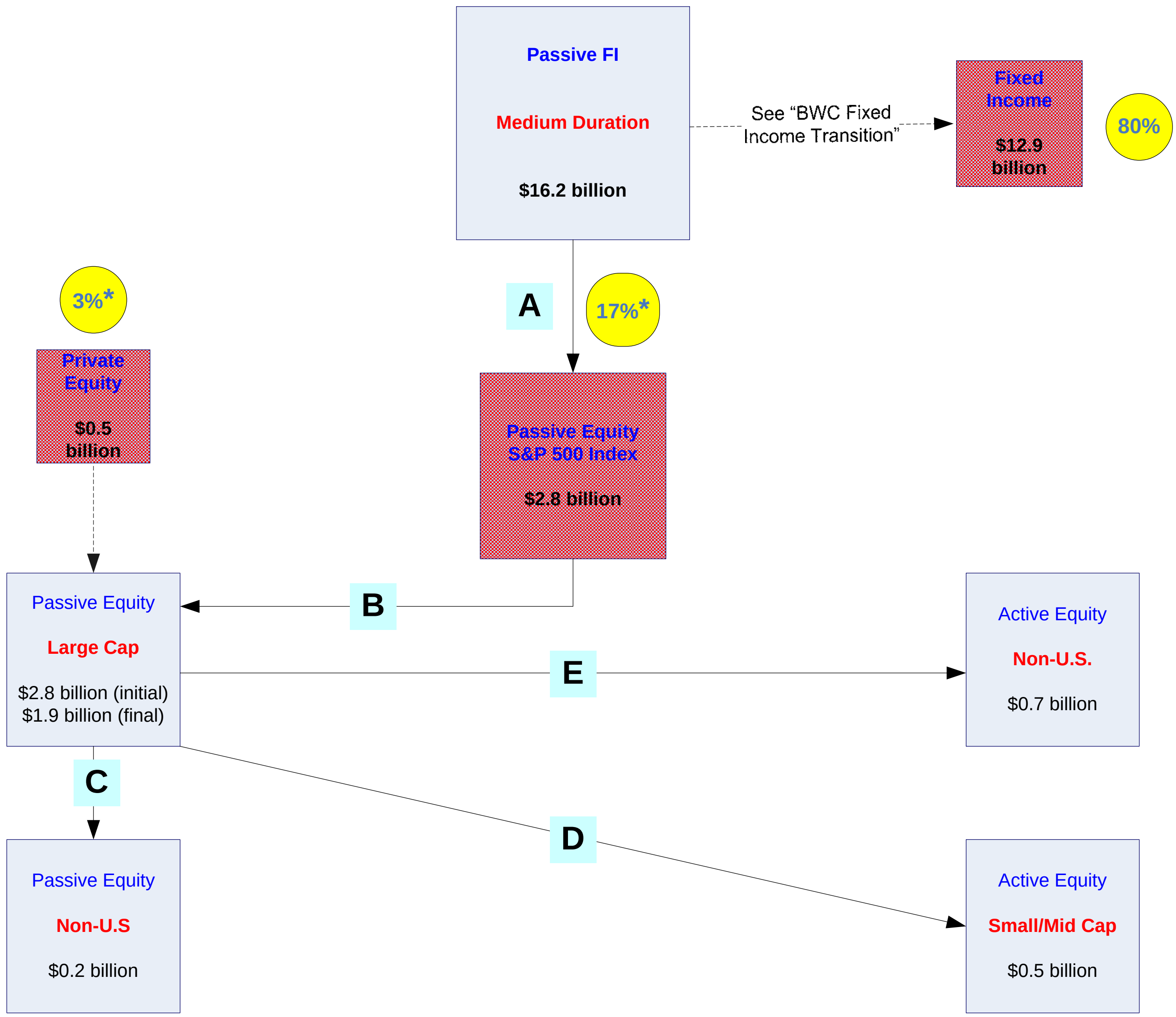
Issue RFP

Evaluate/Recommend RFP

Approval at WCOC montly meeting

Interim Transition of approximately $2.8 Billion to S&P 500 at State Street. This represents full 20% equity allocation per current IPS ex 3% for SIF Private Equity

BWC EQUITY TRANSITION
December 2006



*** BWC will maintain a full 20% equity allocation per the Investment Policy Statement throughout all transitions and selling of Private Equity funds**

A Dec 06-Jan 07: Transition into S&P 500 Passive Equity Index at State Street

B Feb 07: In-kind transfer to approved S&P 500 Passive Equity Index Manager(s)

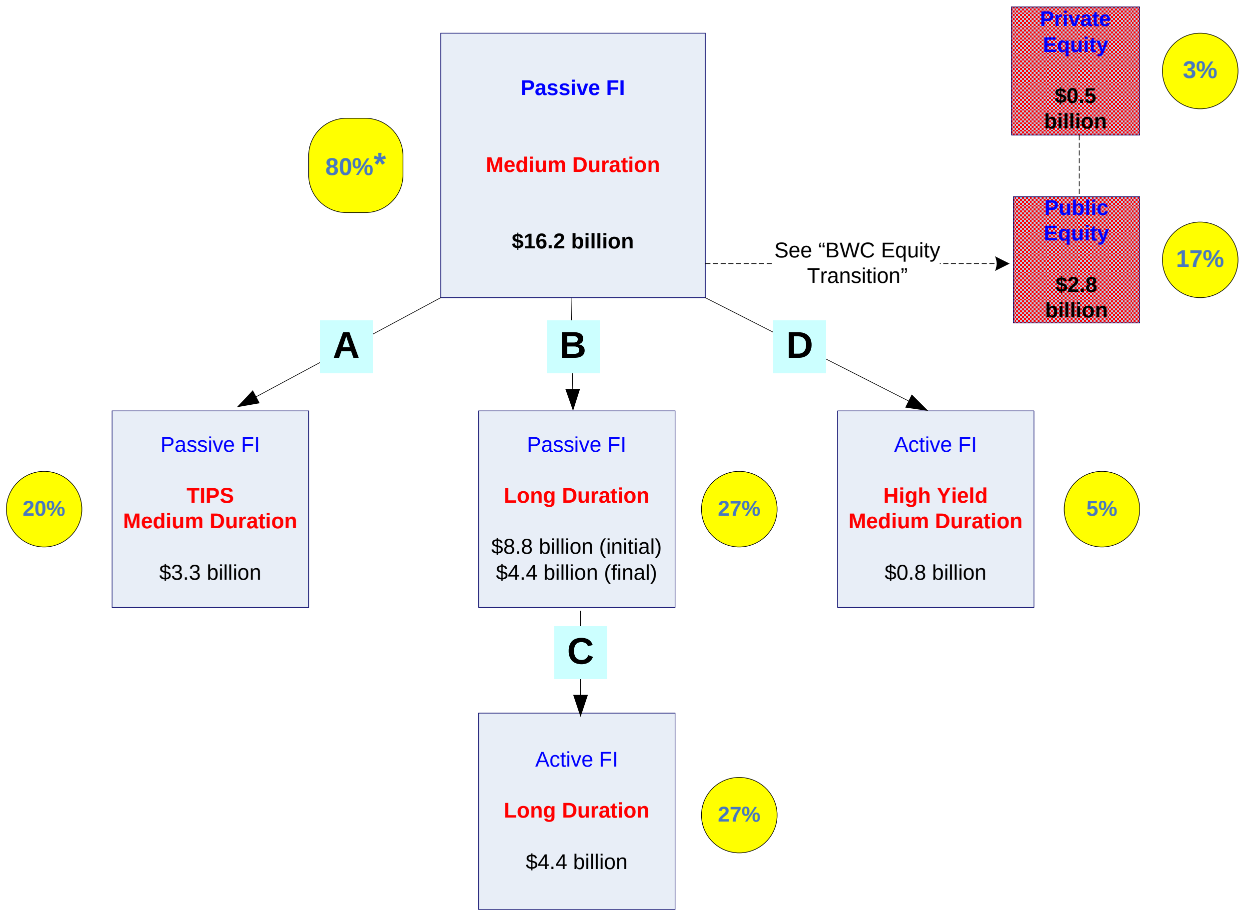
C Mar 07: Transition to approved Non-U.S. Passive Equity Manager(s)

D Aug 07: Transition to approved Active U.S. Small/Mid Cap Equity Manager(s)

E Sept 07: Transition to approved Active Non U.S. Equity Manager(s)

BWC FIXED INCOME TRANSITION

December 2006



*** BWC will maintain a full 80% fixed income allocation (includes 1% cash) per the Investment Policy Statement throughout all transitions and selling of Private Equity funds**

A	Jan 07:	Transition to approved TIPS Medium Duration Passive Manager(s)
B	Jan/Feb 07:	Transition to approved Long Duration Fixed Income Passive Manager(s)
C	Jun 07:	Transition to approved Long Duration Fixed Income Active Manager(s)
D	Jul 07:	Transition to approved High Yield Fixed Income Active Manager(s)

BWC INVESTED ASSET SECTOR TRANSITION FUNDS
November 30, 2006

Above excludes Cash Assets targeted at 1% of Total Assets or $162 million on November 30, 2006
Above reflects Transition Funds for State Insurance Fund, Disabled Workers Fund and Coal Workers Fund combined

OHIO BUREAU OF WORKERS' COMPENSATION
TOTAL FUND
October, 2006
Executive Summary

Market review

On balance, the economic reports released in October pointed to a relatively healthy economy outside of housing, and a continued rapid correction in residential construction.

Contrasting employment reports had payrolls increasing an anemic 51,000 in the establishment survey, while the household survey showed a 271,000 gain, along with a drop to a new cycle low in the unemployment rate of 4.6%. Although there has been a clear slowing in the pace of hiring, there has not been a corresponding pickup in the number of layoffs. The four-week average of initial jobless claims, the best measure of an underlying trend in layoffs, currently stands at its lowest level since February, suggesting labor market conditions remain tight.

Although the Conference Board Consumer Confidence measure ticked down modestly this month, the series is currently at solid levels, reflecting improved consumer expectations on the pace of economic growth, low unemployment rates, and larger wage gains. The University of Michigan Consumer Sentiment gauge surged in October as a result of lower gas prices and positive views on current home and vehicle buying conditions. Manufacturing reports released last month were mostly mixed; however, they still suggest the sector remained in good shape at the start of the quarter.

Housing data displayed the first few signs of a possible stabilization in that sector within the next few months. While September existing home sales declined, September new home sales were up for a second straight month. New home sales are considered a more representative measure of current housing conditions than existing home sales because these sales are counted from the time contracts are signed rather than when sales are closed. Additionally, the inventory of new homes for sale was down measurably, showing the lowest inventory since March, suggesting homebuilders have been successful at cutting back on construction to coincide with actual housing demand.

Inflation continued to creep up in September, as the core CPI edged up another 0.24%, pushing up its year-on-year increase to 2.9% from 2.8% previously. The core PCE deflator also posted a 0.2% rise, translating into a year-on-year increase of 2.4% versus 2.5% in August.

The U.S. Treasury yield curve was slightly more inverted over the month, as the spread between two- and five-year Treasury notes ended October at -13 basis points (bps), down from -10 bps at the end of September.

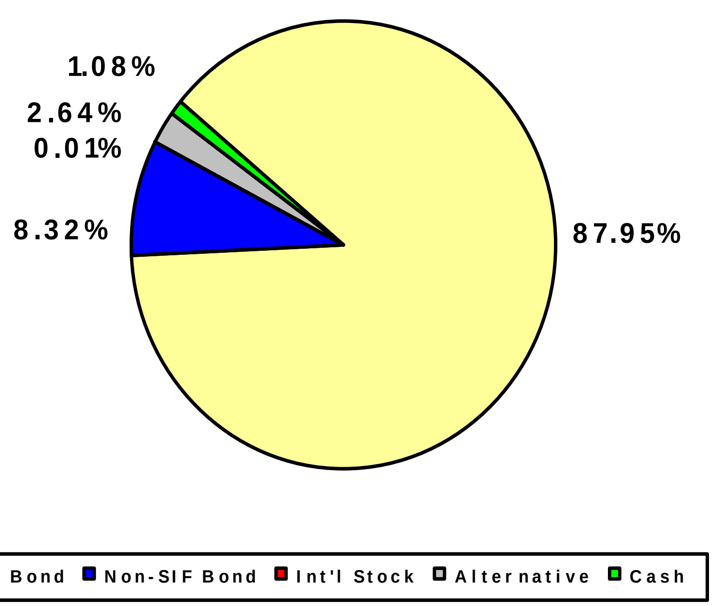
Outlook

We expect the Federal Reserve to stay on the sidelines for the rest of the year, leaving the fed funds rate at 5.25%. We look for the probability of an additional move to be dependent on the next few cycles of economic data, as the Fed assesses whether the spillover effects of the downturn in the housing sector, if any, pose a threat to economic growth. We anticipate that residential construction will continue to be a significant drag on fourth quarter GDP, but that the correction in housing should dissipate by early next year.

Ohio Bureau of Workers' Compensation
TOTAL FUND
Portfolio Market Value & Asset Allocation
October, 2006

Portfolio Balances

Portfolio	Market Value	Percent of Total Assets
SIF Bond Total	$14,938,655,781	87.95%
Non-SIF Bond Total	$1,412,731,134	8.32%
International Stock Total*	$1,380,487	0.01%
Alternative Asset Total	$447,849,071	2.64%
Cash Reserve Total	$184,045,493	1.08%
GRAND TOTAL	**$16,984,661,964**	



*International Equity Holdings are comprised of dividend and tax reclaim receivables from previous international equity investments and international currencies resulting from such payments

Ohio Bureau of Workers' Compensation
TOTAL FUND
Performance Measures
For the Month Ending October, 2006

	BWC Investment Returns Monthly (Net of Fees)	Benchmark Returns Monthly	Benchmark Variance	BWC Investment Returns 3 Months Trailing (Net of Fees)	Benchmark Returns 3 Months Trailing	Benchmark Variance	BWC Investment Returns 12 Months Trailing (Net of Fees)
BWC Total Fund Investments	0.64%	0.66%	-0.02%	3.01%	3.10%	-0.09%	9.72%
Total Fund ex Alternatives	0.66%	0.66%	0.00%	3.05%	3.10%	-0.05%	9.55%
Non-SIF Bonds	0.62%	0.66%	-0.04%	2.98%	3.10%	-0.12%	5.42%
SIF Bonds	0.66%	0.66%	0.00%	3.09%	3.10%	-0.01%	6.14%
International Stocks	-7.60%	N/A	N/A	-3.21%	N/A	N/A	9.97%
Alternative	0.06%	N/A	N/A	1.51%	N/A	N/A	8.98%
Cash	0.37%	0.38%	-0.01%	1.18%	1.28%	-0.10%	5.59%
Tranche #3 - TM	13.58%	0.66%	12.92%	4.23%	3.10%	1.13%	N/A

BENCHMARK INFORMATION:

- Lehman Brothers Aggregate Index
- M.L. 3 Month US T-Bill

Summary of Investment Manager Fee Impact:

- Investment Manager fees had no impact on the performance of the Total Fund for the period

Ohio Bureau of Workers' Compensation
TOTAL FUND
Performance Measures
For the Month Ending October, 2006

	BWC Investment Returns Monthly (Gross of Fees)	Benchmark Returns Monthly	Benchmark Variance	BWC Investment Returns 3 Months Trailing (Gross of Fees)	Benchmark Returns 3 Months Trailing	Benchmark Variance	BWC Investment Returns 12 Months Trailing (Gross of Fees)
BWC Total Fund Investments	0.64%	0.66%	-0.02%	3.02%	3.10%	-0.08%	9.84%
Total Fund ex Alternatives	0.66%	0.66%	0.00%	3.06%	3.10%	-0.04%	9.71%
Non-SIF Bonds	0.62%	0.66%	-0.04%	3.01%	3.10%	-0.09%	5.42%
SIF Bonds	0.66%	0.66%	0.00%	3.09%	3.10%	-0.01%	6.14%
International Stocks	-7.60%	N/A	N/A	-3.21%	N/A	N/A	10.09%
Alternative	0.06%	N/A	N/A	1.51%	N/A	N/A	8.98%
Cash	0.43%	0.38%	0.05%	1.59%	1.28%	0.31%	6.43%
Tranche #3 - TM	13.58%	0.66%	12.92%	4.23%	3.10%	1.13%	N/A

BENCHMARK INFORMATION:

•Lehman Brothers Aggregate Index

•M.L. 3 Month US T-Bill

<u>Summary of Monthly Performance Attribution:</u>

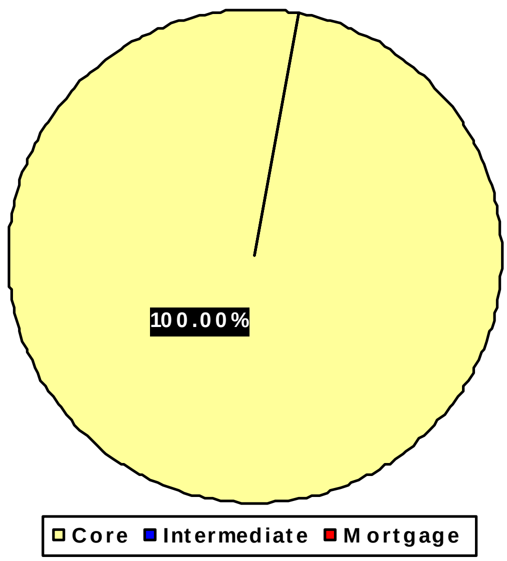
•**BWC's Total Fund underperformed its' Benchmark by 0.02% for the period.**

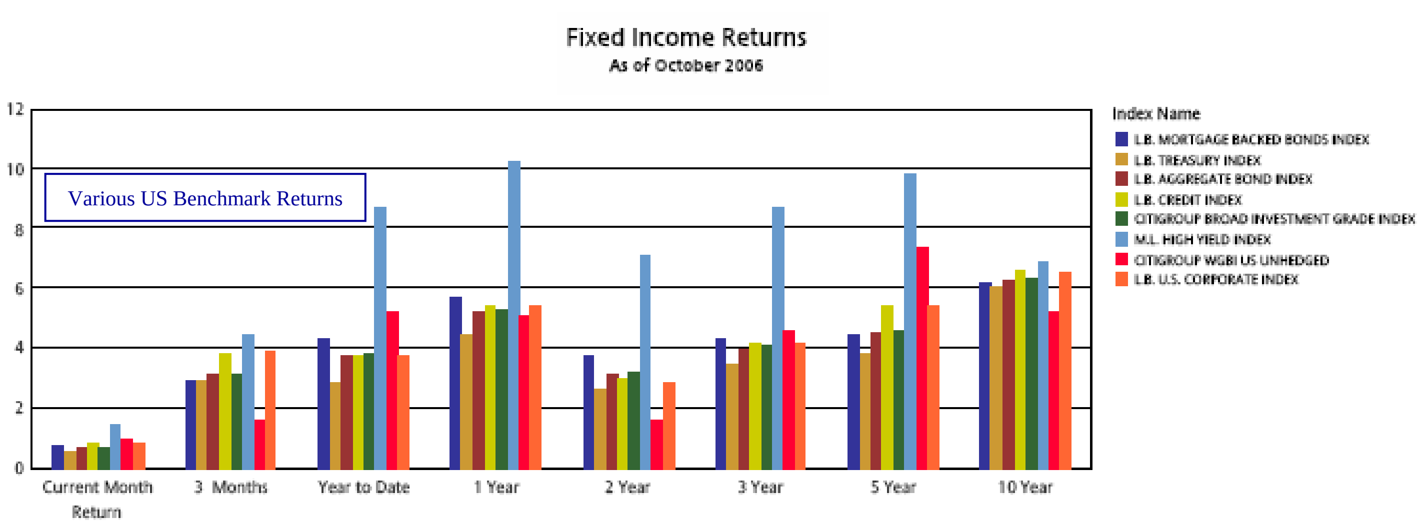
•**Performance Relative to Benchmark:**

(-) BWC's Non-SIF Bond Portfolio underperformed its' Benchmark for the current period.

(+) BWC's SIF Bond Portfolio performed comparably to its' Benchmark for the current period.

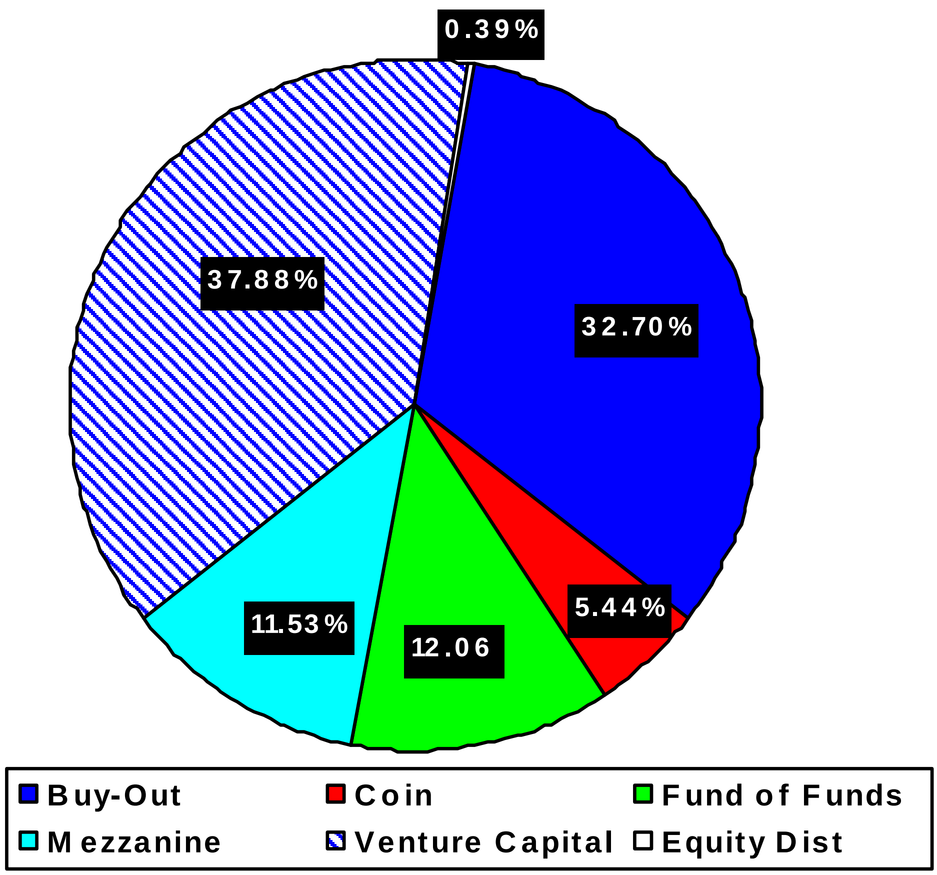
Ohio Bureau of Workers' Compensation
TOTAL FUND
Fixed Income Allocation & Returns
October, 2006





*Style classification does not consider fixed income assets contained in the Transition Management Accounts

Ohio Bureau of Workers' Compensation
TOTAL FUND
Alternative Asset Allocation
October, 2006



Ohio Bureau of Workers' Compensation
TOTAL FUND
Fees Paid in the month of
October, 2006

Manager	Type	Fees Paid	Period Paid for
State Street Bank	Bond	$156,798.52	2nd Qtr 2006
Total Fees Paid		**$156,798.52**	

OHIO BUREAU OF WORKERS' COMPENSATION
State Insurance Fund
October, 2006
Executive Summary

Market review

On balance, the economic reports released in October pointed to a relatively healthy economy outside of housing, and a continued rapid correction in residential construction.

Contrasting employment reports had payrolls increasing an anemic 51,000 in the establishment survey, while the household survey showed a 271,000 gain, along with a drop to a new cycle low in the unemployment rate of 4.6%. Although there has been a clear slowing in the pace of hiring, there has not been a corresponding pickup in the number of layoffs. The four-week average of initial jobless claims, the best measure of an underlying trend in layoffs, currently stands at its lowest level since February, suggesting labor market conditions remain tight.

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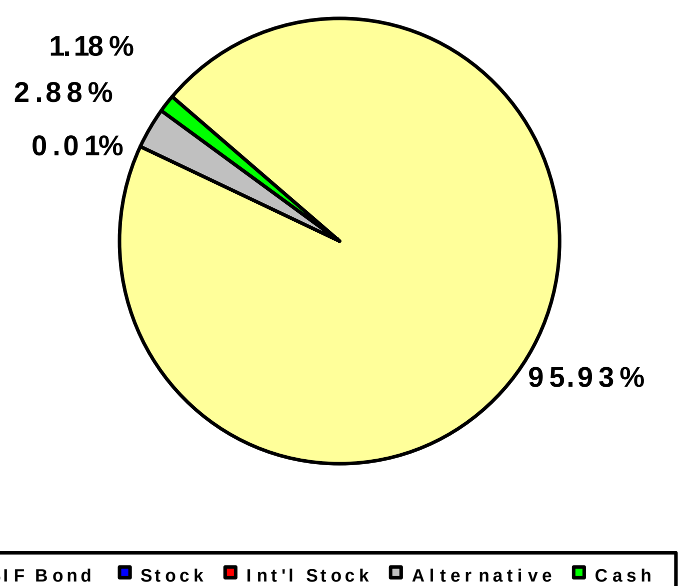
Outlook

We expect the Federal Reserve to stay on the sidelines for the rest of the year, leaving the fed funds rate at 5.25%. We look for the probability of an additional move to be dependent on the next few cycles of economic data, as the Fed assesses whether the spillover effects of the downturn in the housing sector, if any, pose a threat to economic growth. We anticipate that residential construction will continue to be a significant drag on fourth quarter GDP, but that the correction in housing should dissipate by early next year.

Ohio Bureau of Workers' Compensation
State Insurance Fund
Portfolio Market Value & Asset Allocation
October, 2006

Portfolio Balances

Portfolio	Market Value	Percent of Total Assets
SIF Bond Total	$14,938,655,781	95.93%
International Stock Total*	$1,380,487	0.01%
Alternative Asset Total	$447,849,071	2.88%
Cash Reserve Total	$184,045,493	1.18%
GRAND TOTAL	**$15,571,930,831**	



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Ohio Bureau of Workers' Compensation
State Insurance Fund
Performance Measures
For the Month Ending October, 2006

	BWC Investment Returns Monthly (Net of Fees)	Benchmark Returns Monthly	Benchmark Variance	BWC Investment Returns 3 Months Trailing (Net of Fees)	Benchmark Returns 3 Months Trailing	Benchmark Variance	BWC Investment Returns 12 Months Trailing (Net of Fees)
BWC Total SIF Investments	0.64%	0.66%	-0.02%	3.02%	3.10%	-0.08%	9.63%
Total SIF ex Alternatives	0.66%	0.66%	0.00%	3.06%	3.10%	-0.04%	9.47%
SIF Bonds	0.66%	0.66%	0.00%	3.09%	3.10%	-0.01%	6.14%
International Stocks	-7.60%	N/A	N/A	-3.21%	N/A	N/A	9.97%
Alternative	0.06%	N/A	N/A	1.51%	N/A	N/A	8.98%
Cash	0.37%	0.38%	-0.01%	1.18%	1.28%	-0.10%	5.59%
Tranche #3 - TM	13.58%	0.66%	12.92%	4.23%	3.10%	1.13%	N/A

BENCHMARK INFORMATION:

- Lehman Brothers Aggregate Index
- M.L. 3 Month US T-Bill

Summary of Investment Manager Fee Impact:

- Investment Manager fees dampened the performance of the SIF by 0.01% for the period

Ohio Bureau of Workers' Compensation
State Insurance Fund
Performance Measures
For the Month Ending October, 2006

	BWC Investment Returns Monthly (Gross of Fees)	Benchmark Returns Monthly	Benchmark Variance	BWC Investment Returns 3 Months Trailing (Gross of Fees)	Benchmark Returns 3 Months Trailing	Benchmark Variance	BWC Investment Returns 12 Months Trailing (Gross of Fees)
BWC Total SIF Investments	0.65%	0.66%	-0.01%	3.02%	3.10%	-0.08%	9.78%
Total SIF ex Alternative	0.66%	0.66%	0.00%	3.07%	3.10%	-0.03%	9.60%
SIF Bonds	0.66%	0.66%	0.00%	3.09%	3.10%	-0.01%	6.14%
International Stocks	-7.60%	N/A	N/A	-3.21%	N/A	N/A	10.09%
Alternative	0.06%	N/A	N/A	1.51%	N/A	N/A	8.98%
Cash	0.43%	0.38%	0.05%	1.59%	1.28%	0.31%	6.43%
Tranche #3 - TM	13.58%	0.66%	12.92%	4.23%	3.10%	1.13%	N/A

BENCHMARK INFORMATION:

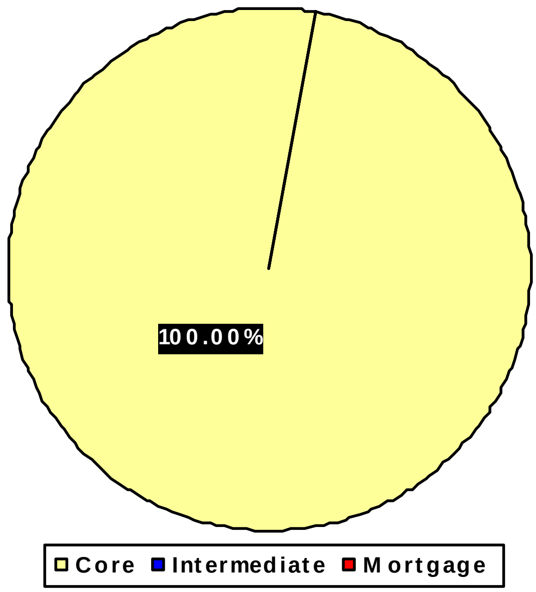
- Lehman Brothers Aggregate Index
- M.L. 3 Month US T-Bill

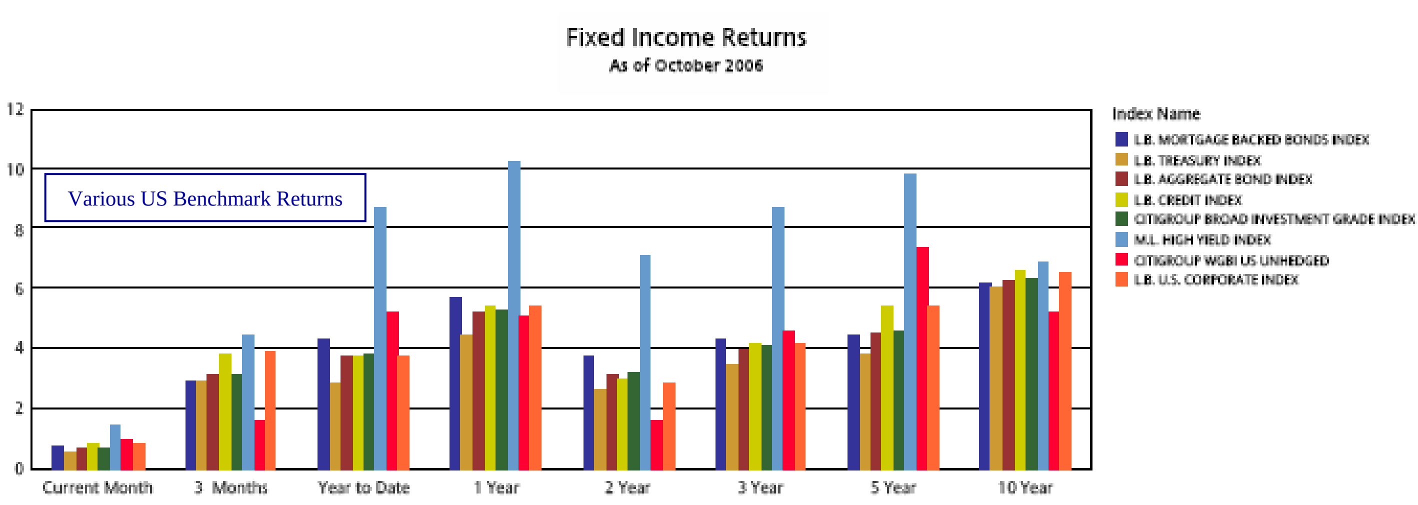
Summary of Monthly Performance Attribution:

- **BWC's Total SIF performed underperformed its' Benchmark by 0.01% for the period.**
- **Performance Relative to Benchmark Performance:**

  (+) BWC's SIF Bond Portfolio performed comparably to its' Benchmark for the current period.

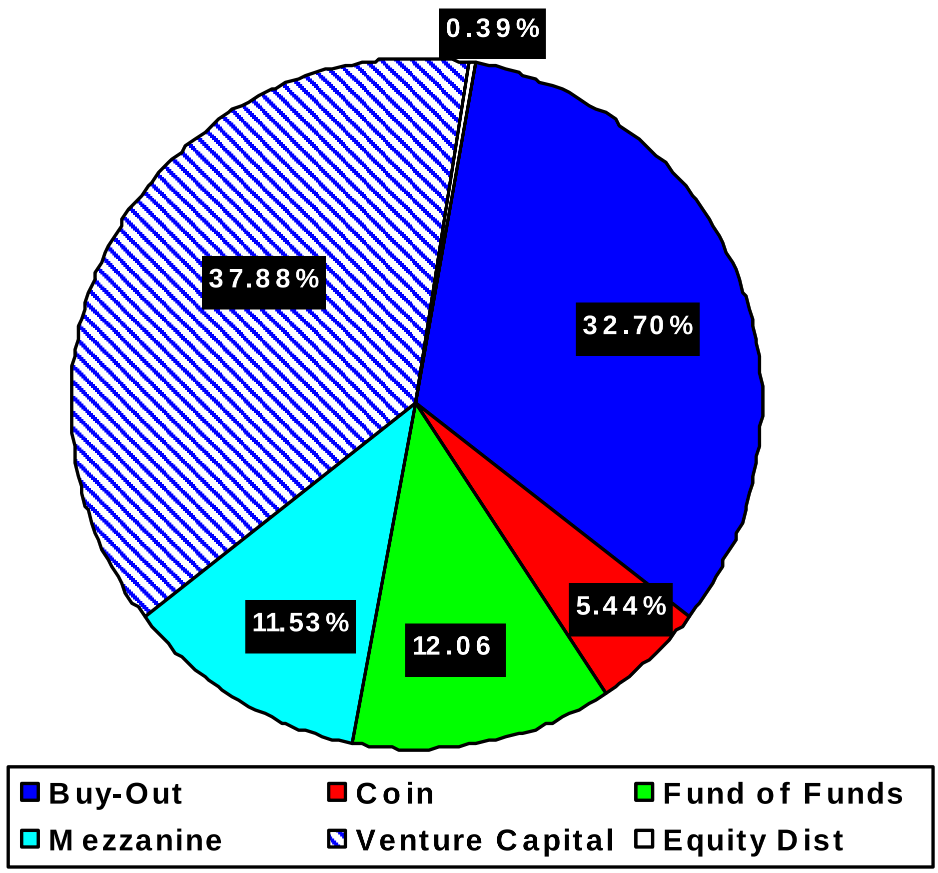
Ohio Bureau of Workers' Compensation
State Insurance Fund
Fixed Income Allocation & Returns
October, 2006





*Style classification does not consider fixed income assets contained in the Transition Management Accounts

Ohio Bureau of Workers' Compensation
State Insurance Fund
Alternative Asset Allocation
October, 2006



JPMorgan

Ohio Bureau of Workers' Compensation
State Insurance Fund
Fees Paid in the month of
October, 2006

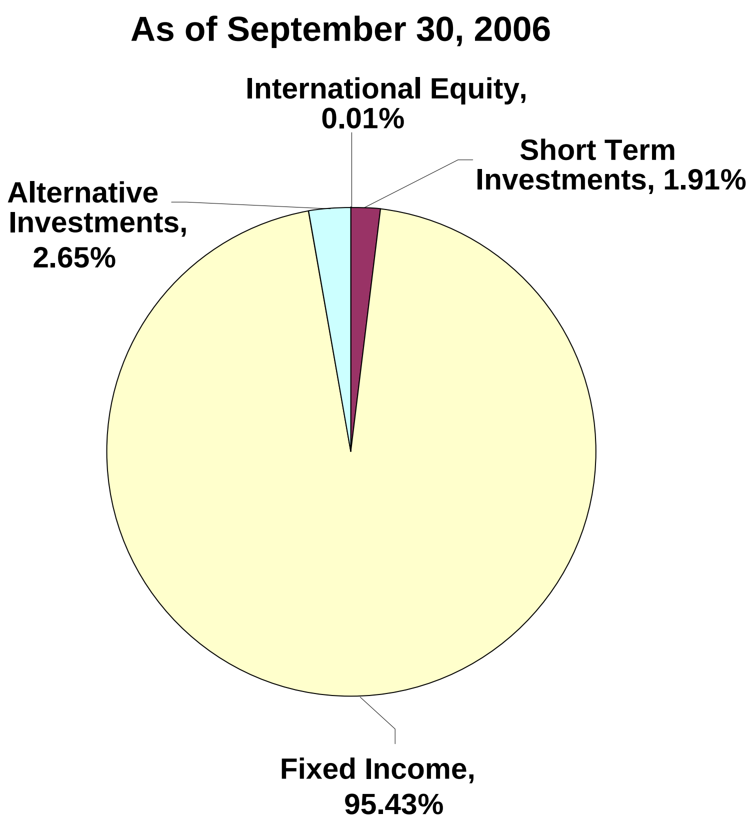
Manager	Type	Fees Paid	Period Paid for
State Street Bank	Bond	$156,798.52	2nd Qtr 2006
Total Fees Paid		**$156,798.52**	

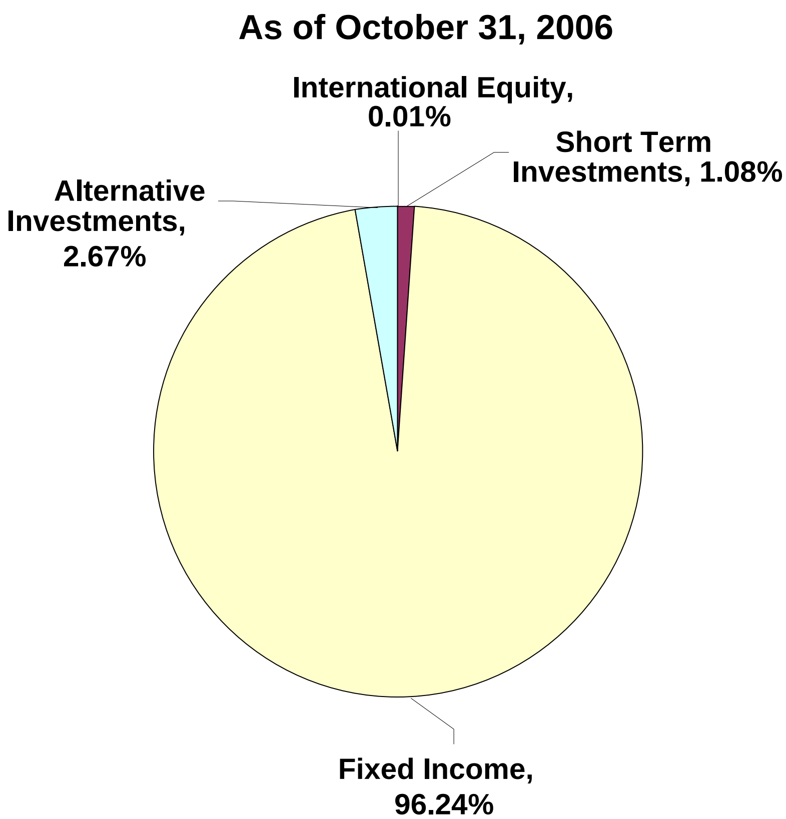
Ohio Bureau of Workers’ Compensation

October 2006 Monthly Performance Flash Report

WILSHIRE
CONSULTING

Asset Allocation – State Insurance Fund





Ohio Bureau of Workers' Compensation
Monthly Performance and Market Value Summary
Periods Ended 10/31/06

	Returns						Market Value	
Manager	Month	Prior Month	QTD	3 Months	YTD	1 Year	$(000)	Percent
Ohio BWC Total Fund ex Alts	0.66	0.87	0.66	3.04			16,536,813	97.3
Ohio BWC Total Fund	0.64	0.91	0.64	3.04	5.52	8.77	16,990,375	100.0
Total Fund Policy	0.66	0.88	0.66	3.10	5.20	8.06		
State Insurance Fund ex Alts	0.66	0.87	0.66	3.05			15,124,082	89.0
State Insurance Fund	0.64	0.92	0.64	3.04	5.64	9.09	15,577,644	91.6
SIF Custom Policy	0.66	0.88	0.66	3.10	5.20	8.06		
Ancillary Composite	0.62	0.88	0.62	2.99	4.26	5.25	1,412,731	8.31
Lehman Aggregate	0.66	0.88	0.66	3.10	3.74	5.18		
Indices								
91 Day T-Bill Index	0.39	0.44	0.39	1.28	3.95	4.62		
Lehman Aggregate	0.66	0.88	0.66	3.10	3.74	5.18		
Standard & Poor's 500	3.26	2.58	3.26	8.45	12.08	16.36		
DJ Wilshire 5000	3.63	2.20	3.63	8.38	11.91	16.54		
MSCI EAFE Index (N)	3.89	0.15	3.89	6.91	18.94	27.51		

Returns are preliminary and subject to change. Alternative investment returns are calculated quarterly and provided in a separate report.

State Insurance Total Fund
Monthly Performance and Market Value Summary
Periods Ended 10/31/06

Manager	Net of Fee Returns: Month	Prior Month	QTD	3 Months	YTD	1 Year	Market Value: $(000)	Percent
State Insurance Fund ex Alts	0.66	0.87	0.66	3.05			15,124,082	97.00
State Insurance Fund	0.64	0.92	0.64	3.04	5.64	9.09	15,577,644	100.00
SIF Custom Policy	0.66	0.88	0.66	3.10	5.20	8.06		
SSgA Passive Agg Bond SI CTF	0.66	0.88	0.66	3.09			14,926,059	96.96
Lehman Aggregate	0.66	0.88	0.66	3.10				
Cash Composite	0.37	0.57	0.37	1.32	5.09	5.83	184,045	1.20
91-Day Treasury Bill	0.39	0.44	0.39	1.28	3.93	4.60		
Alternative Investments Composite	0.00	2.66	0.00	2.66	8.50		451,827	2.94
Restricted Stock - Liquidation	7.52	3.51	7.52	42.04			1,735	0.01
Tranche #3							13,963	0.09
Tranche #4 - International Equity							15	0.00
Indices								
91 Day T-Bill Index	0.39	0.44	0.39	1.28	3.95	4.62		
Lehman Aggregate	0.66	0.88	0.66	3.10	3.74	5.18		
Standard & Poor's 500	3.26	2.58	3.26	8.45	12.08	16.36		
DJ Wilshire 5000	3.63	2.20	3.63	8.38	11.91	16.54		
MSCI EAFE Index (N)	3.89	0.15	3.89	6.91	18.94	27.51		

Returns are preliminary and subject to change. Alternative investment returns are calculated quarterly and provided in a separate report.

Ancillary Funds
Monthly Performance and Market Value Summary
Periods Ended 10/31/06

Manager	Net of Fee Returns: Month	Prior Month	QTD	3 Months	YTD	1 Year	Market Value: $(000)	Percent
Ancillary Composite	0.62	0.88	0.62	2.99	4.26	5.25	1,412,731	100.00
Lehman Aggregate	0.66	0.88	0.66	3.10	3.74	5.18		
Black Lung 2000	0.66	0.89	0.66	3.06	4.17	5.50	231,770	16.41
Disabled Workers Retirement	0.61	0.89	0.61	3.02	4.30	5.21	1,100,131	77.87
Marine 2005	0.65	0.88	0.65	3.02	4.18	5.44	15,446	1.09
Public Workers Relief Fund	0.65	0.88	0.65	3.04	4.02	5.23	21,333	1.51
Self Insured Bond Fund 200	0.44	0.43	0.44	1.31	4.08	4.77	44,052	3.12
Indices								
91 Day T-Bill Index	0.39	0.44	0.39	1.28	3.95	4.62		
Lehman Aggregate	0.66	0.88	0.66	3.10	3.74	5.18		
Standard & Poor's 500	3.26	2.58	3.26	8.45	12.08	16.36		
DJ Wilshire 5000	3.63	2.20	3.63	8.38	11.91	16.54		
MSCI EAFE Index (N)	3.89	0.15	3.89	6.91	18.94	27.51		

Returns are preliminary and subject to change. Alternative investment returns are calculated quarterly and provided in a separate report.

Custom Policy Benchmark Transition – State Insurance Fund

SIF Policy Benchmark Transition			
Start	**End**	**Percent**	**Description**
11/30/2005	1/31/2006	100%	Pre-Transition Policy
1/31/2006	2/28/2006	50%	Pre-Transition Policy
		50%	Lehman Aggregate
2/28/2006	Present	100%	Lehman Aggregate

Pre-Transition Policy Benchmark	
S&P 500 Index	29%
MSCI EAFE Index	11%
Lehman Aggregate	57%
91 - Day T-Bill	3%

Tranche Key

Tranche	Tranche 1	Tranche 2	Tranche 3
Asset Type	**Domestic Equity**	**Domestic Equity**	**International Equity**
Manager	*Apex Capital Management, Inc.* *Bahl & Gaynor Investment Counsel* *Delancey Capital Group* *Gratry & Company* *Gries Financial LLC* *Charter Financial Group* *CIC Asset Management* *Dana Investment Advisors, Inc.* *Edgar Lomax Company* *JPMorgan Investment Management, Inc.* *Eubel Brady & Suttman Asset Management* *Cordillera Asset Management* *Fortaleza Asset Management, Inc.* *Great Northern Asset Management, Inc.* *GW Capital, Inc.* *Ariel Capital Management* *Buckhead Capital* *Daruma Asset Management, Inc.* *Ironwood Capital Management, LLC*	*ING Investment Management - Aeltus* *Lakepoint Investment Partners* *Lazard Asset Management* *Lynmark Capital Group, Inc* *New Amsterdam Partners, LLC.* *Rutland Dickson Asset Management* *Swarthmore Group* *Nottinghill Investment Advisers, Ltd.* *Paradigm Asset Management* *Putnam Advisory Company, Inc* *Sturdivant & Company, Inc.* *Union Heritage Capital Management* *Victory Capital Management Inc.* *Putnam Advisory Company, Inc* *James Investment Research, Inc.* *Quantum Legacy Capital Management, LLC* *Renaissance Investment Management* *Riverbridge Partners LLC* *UBS Global Asset Management, Inc* *Veredus Asset Management* *Loomis Sayles & Co., L.P.* *Opus Capital Management, Inc.* *Penn Capital Management Co., Inc.* *R. Meeder & Associates* *Tamro Capital Partners LLC* *Piedmont Investment Advisors, LLC (fixed income)*	*ING Investment Management* *Capital Gaurdian* *Clay Findlay* *Invesco Global* *Perigee (aka Legg Mason)* *Simms Capital Asset Management* *Lombard Odier* *Montgomery Int'l* *Oeschle* *Putnam Institutional* *Societe General Investment Management*

Tranche	Tranche 4	Tranche 5	Tranche 6
Asset Type	**Domestic & International Equity**	**Fixed Income**	**Ancillary**
Manager	*State Street Global EAFE Index CTF* *SSgA S&P 500 Index CTF*	*Blackrock* *Pugh Capital Management* *Smith Graham Management* *Advent Capital Management* *Alliance Capital* *Blaylock Abacus Financial Group, Inc.* *John Hancock Advisers, LLC.* *LM Capital Group, LLC* *Morgan Stanley Investments LP* *Prima Capital Advisors* *Reams Capital Management, LLC* *Wasmer, Schroeder and Company, LLC* *Western Asset Management* *Banc One Managed 1030* *Fairport Asset Management, LLC* *Holland Capital Management* *Hughes Capital Management* *Taplin, Canida & Habacht*	*Self Insured Bond Fund 200* *Public Workers Relief Fund* *Marine Account 2005* *Disabled Workers Retirement* *Black Lung 2000*

Accounts outside of transition:
BWC - Index Fund 1010
SSgA Passive Bond Market

OHIO WORKERS' COMPENSATION
OVERSIGHT COMMISSION
INVESTMENT COMMITTEE

SCHEDULE OF PROJECTS

NOVEMBER 16, 2006

1. Actuarial Consultant Request for Proposal
   Personnel Responsible: Tracy Valentino, Chief Financial Officer
   Date Assigned: September 28, 2006
   Status of Progress: Edwin McCausland prepared a proposal of items for reports from actuarial and other financial consultants for submission to BWC. BWC is to prepare a Request for Proposal (RFP). November status: Ms. Valentino promised to distribute the draft RFP by close of business, November 22.

2. Fiduciary Insurance
   Personnel Responsible: James Barnes, Chief Legal Officer
   Date Assigned: September 28, 2006
   Status of Progress: Lloyd's of London has agreed to write the policy and has agreed to coverage limits. Final policy needs to be written and presented to BWC. November status: First, Mr. Barnes reported that certain contract terms need definition prior to finalizing the agreement. Second, BWC needs to ensure that Oversight Commission members and other fiduciaries are not responsible for the deductible of $75,000. Third, the contract should specify which BWC officers are covered by the policy. Mr. Barnes is to confirm finalization of this matter by email.

3. Investment Division Requests for Proposal
   Personnel Responsible: Bruce Dunn, Chief Investment Officer
   Date Assigned: September 28, 2006
   Status of Progress: The Investment Division produced a chart regarding the asset allocation process and a timeline indicating anticipated completion dates for each item. The Investment Committee requested that the timeline chart be updated as each action is completed. November status: A copy of the current chart was provided to the secretary of the Investment Committee.

4. Disclosure of BWC RFP Scoring Documents to the Investment Committee
   Personnel Responsible: John Williams, Assistant Attorney General
   Date Assigned: September 28, 2006
   Status of Progress: The Investment Committee has requested that it receive the scoring documents used by BWC to evaluated responders to RFPs prior to approving the contracts. The Attorney General has advised that disclosure prior to

finalizing contracts may invite litigation. November status: The Attorney General advised further work is needed to resolve this issue.

5. Portfolio Noncompliance to Investment Policy Statement
   Personnel Responsible: Bruce Dunn, Chief Investment Officer
   Date Assigned: September 28, 2006
   Status of Progress: The Investment Committee has requested that BWC ensure the investment manager follow the Investment Policy Statement. November status: The Oversight Commission approved three resolutions which modify the Investment Policy; BWC will be conducting an audit of the manager, including an on-site visit.

6. Funds Commingling by State Street Bank & Trust
   Personnel Responsible: James Barnes, Chief Legal Officer, and Tracy Valentino, Chief Finance Officer
   Date Assigned: September 28, 2006
   Status of Progress: The Investment Committee has requested that the written opinions of Mr. Barnes and Ms. Valentino be added to the meeting records. Michael Koetters acknowledged that he had received an email from Mr. Barnes with his opinion prior to the September meeting. November status: The opinion of Mr. Barnes was forwarded to the custodian of the meeting records; the opinion of Ms. Valentino was included in the November meeting materials.

7. Schedule of Projects, Investment Committee Minutes
   Personnel Responsible: Larry Rhodebeck, Secretary to Investment Committee
   Date Assigned: November 16, 2006
   Status of Progress: The Investment Committee has requested that from the September meeting onward, the minutes include a schedule of projects including: description, responsible persons, date assigned, and status of progress. November status: The minutes of September and November have had schedules prepared for submission to the Investment Committee at its December meeting.

8. Portfolio Certification Reports
   Personnel Responsible: Bruce Dunn, Chief Investment Officer; Joseph Bell, Chief of Internal Audit
   Date Assigned: November 16, 2006
   Status of Progress: The Investment Committee needs four reports: a monthly report from the Chief Investment Officer; a monthly report from BWC accountants; a quarterly report by Internal Audit; and the annual external audit.

9. Portfolio Transition to Approved Asset Allocation
   Personnel Responsible: Bill Mabe, Administrator; Bruce Dunn, Chief Investment Officer
   Date Assigned: November 16, 20006

Status of Progress: At the November meetings, the Oversight Commission and the Investment Committee approved three resolutions: The portfolio to be held by one custodian; that securities lending be suspended until completion of transition; and that 20% of the portfolio be invested in the State Street Bank & Trust S&P Index Fund. The Investment Committee further requested that BWC confer on other recommendations to be acted on at the next committee meeting.

10. Public Records Status of Private Equity Investment Documents

Personnel Responsible: Tom Sico, Director of Legal Operations; the Attorney General

Date Assigned: November 16, 2006

Status of Progress: About a dozen consent agreements have been received from general partners. Forty more need processing by the Attorney General.

11. Dividend on 2/2006 Payroll Report

Personnel Responsible: Bill Mabe, Administrator

Date Assigned: November 16, 2006

Status of Progress: By the December 14 meeting of the Oversight Commission, the Administrator will recommend a dividend or some other disposition of excess surplus.

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WORKERS' COMPENSATION OVERSIGHT COMMISSION
INVESTMENT COMMITTEE

THURSDAY NOVEMBER 16, 2006, 9:15 A.M.
WILLIAM GREEN BUILDING
THE NEIL SCHULTZ CONFERENCE CENTER
30 WEST SPRING ST., 2nd FLOOR (MEZZANINE)
COLUMBUS, OHIO 43215

Members Present: Michael Koetters, Chairman
Denise Farkas
Edwin McCausland
Bill Sopko

Other Oversight Commission Members Present:
Mary Beth Carroll
Charles Kranstuber

Members Absent: None

Others in attendance at the invitation of the Committee:
William Mabe, Administrator
Cathy Moseley, Chief of Staff
Tracy Valentino, Chief Financial Officer
Liz Bravender, Actuarial Director
Bruce Dunn, Chief Investment Officer
John Williams, Esq., Assistant Attorney General
Ian Lanoff, Esq., Groom Law Group
James Barnes, Esq., Chief Legal Officer
Tom Sico, Esq., Director of Legal Operations
Larry Rhodebeck, Esq., Legal Operations & Secretary for the meeting
Mark E. Brubaker, Wilshire Consulting

Public Meeting – Others in attendance not recorded

ROLL CALL/OPENING REMARKS

Mr. Koetters called the meeting to order and the roll call was taken.

OLD BUSINESS

MINUTES OF SEPTEMBER 28, 2006

Mr. Koetters requested that his comments regarding the securities lending resolution be added to page 5.

Mr. Koetters stated that the BWC Investment Policy is the “sleep-well” document for the Oversight Commission because if the managers follow the policy, then the members of the Oversight Commission will be able to sleep well.

Mr. Koetters requested that the secretary of the committee prepare a Schedule of Projects, beginning with the requests from the Investment Committee from the meeting of September 28. The schedule will identify the project; the persons assigned as responsible for completion; the date assigned by the Investment Committee; and the status of progress. Each project will be sequentially numbered beginning with the September meeting and the schedule will be cumulative. The secretary of the committee will be responsible for updating the status.

Mr. Koetters tabled further consideration of the minutes of September 28, 2006.

SCORING RECORDS FOR BWC CONTRACTS

Mr. Koetters had asked in prior meetings that the scoring records be made available to the Investment Committee prior to approving vendor contracts. The scoring records are prepared by BWC staff and Wilshire Consulting in evaluating responses to Requests for Proposal (RFPs). Without the records, the Oversight Commission would be approving hire of investment managers without all of the records. This would put the Oversight Commission in violation of its fiduciary duty as spelled out in House Bill 66 and members would be subject to suit for failure that duty. Making the scoring records available would show if BWC and Wilshire rated the managers, how the managers compared with each other, and whether the managers received a fair evaluation.

John Williams, Assistant Attorney General, stated he was working with James Barnes, Chief Legal Officer, to resolve this issue. One consideration is that if the scoring records are made public, BWC and its staff could be subject of litigation by an aggrieved bidder.

INSURANCE COVERAGE – FIDUCIARY INSURANCE

Mr. Barnes reported that there were still some terms to finalize in the policy. However, the insurance binder is in effect and the Commissioners have fiduciary coverage. Ian Lanoff, Fiduciary Counsel, stated that there were some differences in definitions such as defining “fiduciary” according to ERISA standards. There was also a standard clause on exclusion for workers' compensation which must be modified. BWC is also seeking to ensure that the deductible of $75,000 is not the obligation of members of the Oversight Commission or the other fiduciaries.

Mr. Koetters asked if the policy covers senior BWC staff. Mr. Lanoff replied that part of the contract finalization process is whether to include the names of the Oversight Commission and senior officers, or be generic in description.

Mr. Koetters stated it would not be necessary to provide a further report on the insurance at the December meeting. However, he requested an email to the committee upon finalization of the insurance stating that the wording has been fixed, who pays the deductible, and whether the policy names individuals covered by policy or descriptions of positions more clear than "BWC staff."

NEW BUSINESS

ACTUARIAL CONSULTANT RFP

Mr. McCausland asked when BWC would be issuing an RFP for an additional actuarial consultant. After discussion, the matter was tabled to the afternoon session of the Investment Committee.

WILSHIRE CONTRACT

Mr. Sopko moved that the Investment Committee of the Workers' Compensation Oversight Commission recommend to the Commission that it renew the current contract with Wilshire Investment Consulting Services to serve the Commission as a full service investment consultant, with the fee increase requested by Wilshire for the one-year renewal period beginning December 1, 2006, to November 30, 2007. Ms. Farkas seconded and the motion was approved by unanimous roll call vote.

WILSHIRE SEPTEMBER 2006 MONTHLY PERFORMANCE FLASH REPORT AND THIRD QUARTER 2006 QUARTERLY PERFORMANCE REPORT

Mr. Koetters deferred these reports to the Oversight Commission meeting.

PORTFOLIO COMPLIANCE TO INVESTMENT POLICY

Mr. Koetters stated that the Oversight Commission is in need of four reports which certify the investment portfolio is in accordance with the Investment Policy Statement: a monthly report from the Chief Investment Officer; a monthly report from BWC accountants; a quarterly report by Internal Audit; and the annual external audit.

Mr. Dunn indicated that the State Street Index Fund is not fully in compliance with the investment policy statement. For example, the Index Fund, which is based upon the Lehman Aggregate index, contains foreign government securities, but the investment policy statement prohibits them. State Street must mirror the Lehman Aggregate Bond Index per its contract with the BWC.

Mr. Koetters did not want to expand the Investment Policy Statement at this time.

Mr. Mabe stated that as the BWC investment staff was going about restructuring the portfolio, the staff came upon inconsistencies in the investment policy statement. He indicated that the staff is seeking the guidance of the Oversight Commission needed to reconcile the Investment Policy with investment practices.

Mr. Mabe stated that the Oversight Commission needed to reconcile the Investment Policy with investment practices. He recommended that the Investment Committee meet again before the December 14 to review the policy and reconcile it. Mr. Koetters requested that a meeting be scheduled. Mr. Mabe stated that Mr. Dunn would be setting up the meeting and include the Investment Committee, Wilshire, and the Internal Audit Division.

Mr. Dunn stated that Schneider Downs asked about the compliance of State Street with the Investment Policy. Mr. Koetters replied that the answer is to give the auditors all the facts as the issue is being resolved.

MANAGE PORTFOLIO TRANSITION TO APPROVED ASSET ALLOCATION

Mr. Koetters stated that there are four items for the Investment Committee to follow-up on based on previous comments from Senator Stivers on what needs to get done and how to get there.

Mr. Dunn referred the committee members to four written reports that he had prepared:

1. Passive Index Management
2. Single Custodian
3. Securities Lending Termination
4. High Priority Utilization of the S&P 500 Index

Mr. Dunn indicated that recommendations for passive index managers are anticipated to be presented for approval by January, 2007.

Mr. Dunn recommended that custodial services be consolidated in a separate account structure at one custodian, J.P. Morgan Chase. In the coming months, a number of selections of both passive and active managers will occur. The fulfillment of these investment managers RFP's will cause a number of transitions to occur. The use of one custodian will allow for more accurate and efficient manager transitions with respect to the recommended custodian. J.P. Morgan Chase custodian services are cost competitive and efficient.

Mr. Dunn also recommended the termination of securities lending. Longer term, the BWC is moving from a portfolio with a high utilization of lendable assets to a combination of portfolios with a lower concentration of lendable assets. In the short term, securities lending could tie-up assets during upcoming manager transitions.

Mr. Dunn finally recommended the utilization of a high priority S&P 500 index fund. The index fund would be used to facilitate the attainment of a 20% equity allocation. State Street currently offers this service and can accomplish the goal by December 31, 2006.

Mr. Koetters requested that Mr. Dunn and Mr. Mabe confer on other recommendations to incorporate these items for the next Investment Committee meeting.

ONE CUSTODIAN STRUCTURE RECOMMENDATION

Mr. McCausland moved that the Investment Committee of the Workers' Compensation Oversight Commission recommend to the Commission that each new portfolio account created from the implementation of the new BWC asset allocation policy be held in custody in a separate account structure with JPMorgan Chase. Mr. Sopko seconded and the resolution was approved by a unanimous roll call vote.

SECURITIES LENDING TERMINATION RECOMMENDATION

Ms. Farkas moved that the Investment Committee of the Workers' Compensation Oversight Commission recommend to the Commission that the securities lending activity managed by State Street Bank and Trust be terminated at this time for the purpose of accommodating the BWC asset allocation strategy. Mr. McCausland seconded and the motion was approved by a unanimous roll call vote.

HIGH PRIORITY UTILIZATION OF S&P 500 INDEX RECOMMENDATION

Mr. Sopko moved that the Investment Committee of the Workers' Compensation Oversight Commission recommend to the Commission that BWC achieve its 20% asset allocation target for equities for its three appropriate portfolio accounts (State Insurance Fund, Disabled Workers Relief Fund, and Coal Workers Fund) by initially investing the necessary funds in the State Street S&P 500 Index Fund (“Ohio Equity Fund”) currently available to BWC. Ms. Farkas seconded and the motion was approved by unanimous roll call vote.

PRIVATE EQUITY SALE REPORT

Mr. Dunn reported that BWC had selected as outside counsel the firm of Benesch Friedlander to review contracts of the private equity investments. Mr. Dunn reviewed the selection process: The Attorney General’s office provided the names of four firms. The BWC interviewed all four firms and then narrowed the list to two firms. After a second round of interviews, BWC selected Benesch. UBS had inquired about the use of New York counsel, but the Attorney General and BWC preferred an Ohio firm. UBS is proceeding with liquidation and has begun talking to the general partners. An introductory letter has been sent to all general partners. Releases of confidentiality are the next step. There will be more formal marketing of the investments near the end of the year.

Ms. Farkas asked for a status report on the public records lawsuits and their effect on information flow. Tom Sico, Director of Legal Operations, reported that BWC has received a dozen consent agreements from the general partners with regard to the public records lawsuits. Forty more are due, and need to be processed by the Attorney General. Mr. Barnes added that Benesch Friedlander is reviewing options on information flow.

RECESS

Mr. Koetters stated that other reports can be found among the handouts for the meeting and that questions on them can be addressed to BWC staff.

Mr. McCausland moved that the meeting be recessed for further discussion until conclusion of the meeting of the Oversight Commission. Ms. Farkas seconded and Mr. Koetters recessed the meeting.

AFTERNOON SESSION

Mr. Koetters reconvened the meeting of the Investment Committee at 2:15 p. m. Jeff Scholl and Alan Crowe, Mercer Oliver Wyman, were also present.

Liz Bravender, Actuarial Director, reviewed work and reports of her department and Mercer in estimating the actuarial reserve.

Mr. McCausland stated that these reports are insufficient. The Oversight Commission needs to know the component parts of determining surplus adequacy, premium rate sufficiency, rate methodology, dividend availability, and dividend methodology. Mr. Koetters added that these issues need an independent review.

Mr. Mabe and Cathy Moseley, Chief of Staff, replied that these items were components of financial modeling and that BWC itself does not have a financial model. Financial modeling needs to go forward on two tracks: In the long-term, BWC needs an RFP for a consultant to study BWC and create a financial model for BWC to use. In the short-term, BWC needs information on whether to grant a dividend to employers. BWC will use the services of Mercer, Pinnacle Actuarial Services, and the BWC Finance Department on the second issue.

Mr. Kranstuber asked if group rating will be included in the RFP. Mr. McCausland replied that group rating is included in his request for an RFP for setting of premiums. Mr. Mabe added that the forthcoming report from Pinnacle will be important for evaluating group rating. BWC also needs to engage employers.

Mr. Mabe reported that his decision to issue a dividend is due December 15 for the next payroll report.

Tracy Valentino, Chief Financial Officer, stated that an RFP for a consultant will be sent to the Investment Committee at close of business, November 22. The RFP will include timelines for publication, response, vendor selection, and contract signing. Mr. Koetters stated that the RFP will be an agenda item at the interim Investment Committee meeting.

ADJOURNMENT

There was a motion by Mr. McCausland for adjournment, second by Mr. Sopko, and the meeting was adjourned.

Prepared by: Larry Rhodebeck, BWC Attorney
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December 7, 2006

The Ohio Bureau of Workers' Compensation

Statement of Investment Policy and Guidelines

Adopted by the WCOC: September 28, 2006

Table of Contents

The Ohio Bureau of Workers' Compensation
Statement of Investment Policy and Guidelines

I. INVESTMENT OBJECTIVES

The primary investment objective is to manage the reserve to preserve the ability of Funds to pay all disability benefits and expense obligations when due. Meeting this objective necessitates prudent risk-taking with the Funds' investments. An additional objective is to earn sufficient returns to grow the surplus over time and to keep premium payments as reasonable and predictable as possible for the benefit of the injured workers and employers of Ohio.

II. BACKGROUND

A. Purpose

This document establishes the investment policy (the "Investment Policy") for the Ohio Bureau of Workers' Compensation ("OBWC") State Insurance Fund and Ancillary Funds ("the Funds"). The Oversight Commission ("WCOC") adopts this policy in order to assist the Administrator, the Chief Financial Officer, the Chief Investment Officer and the OBWC staff in meeting investment objectives and monitoring the performance of the investment of the surplus and reserves of the Funds.

> *The WCOC is required to establish objectives, policies, and criteria for the administration of the investment program that include asset allocation targets and ranges, risk factors, asset class benchmarks, time horizons, total return objectives, and performance evaluation guidelines, and monitor the administrator's progress in implementing the objectives, policies, and criteria on a quarterly basis. (O.R.C. 4121.12(G))*

B. Fiduciary Standard

Under Ohio Revised Code Section 4123.44, the voting members of the WCOC, the Administrator of OBWC, and the Chief Investment Officer of the OBWC are trustees of the state insurance fund and fiduciaries of the Funds, which are held for the benefit of the injured workers and employers of Ohio.

> *All fiduciaries shall discharge their duties with respect to the Funds with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, and by diversifying the investments of the assets of the funds so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so. (O.R.C. 4123.44)*

All investment activities undertaken by, or on behalf of, the OBWC, including any investment activities performed by outside Investment Managers and General Partners, will strictly adhere to the terms of this Investment Policy, the restrictions of the Ohio Revised Code Section 4123.44 and any other applicable statutory or administrative rules. A copy of the Ohio Revised Code Section 4123.44, as amended, is attached to this Investment Policy and all aspects of this Investment Policy shall be construed and interpreted in a manner consistent with Section 4123.44.

III. ROLES AND RESPONSIBILITIES

A. WCOC Responsibilities

The WCOC is the primary body charged with overseeing investment activities relating to the Funds. Its oversight functions include the duties specified below:

i. Approve the strategic asset allocation and investment policy for the Funds and periodically review such policy in light of any changes in actuarial variables, market conditions, or other evolving facts or situations relevant to the appropriate character of that policy.

ii. Permit the Administrator to invest in an investment class only after the WCOC, by majority vote, opens the class in question.

iii. Close any class of investments when it deems prudent.

iv. Monitor and review the investment performance of the Funds on a quarterly (February, May, August and November) basis to determine achievement of goals and compliance with this Investment Policy.

v. Advise and consent to the Administrator's hiring of the CIO.

vi. Advise and consent to the OBWC's employment of an internal auditor, who shall report directly to the WCOC on investment matters.

vii. Approve the selection and termination of all Investment Consultants.

viii. Approve the criteria and procedures for the selection of the Investment Managers and General Partners.

ix. Approve the final selection and funding and termination of all Investment Managers and General Partners.

x. Approve the asset class to be managed, investment style, scope of investment activities and maximum percent of the Fund that may be allocated to each Investment Manager and General Partner.

xi. Prohibit on a prospective basis any specific investment that the WCOC finds to be contrary to the Investment Objectives of the Funds. In the event that the WCOC determines that any activity undertaken or proposed to be undertaken pursuant to this Investment Policy is contrary to the Investment Objectives, the WCOC shall direct the Administrator to take the appropriate corrective action.

xii. Submit a report annually on the performance and the value of each investment class to the governor, the president and minority leader of the senate, and the speaker and the minority leader of the house of representatives.

xiii. Advise the Administrator of the WCOC's criteria for approving proposed dividends submitted to it pursuant to R.C. 4123.32 and Ohio Admin. Code 4123-17-10.

The WCOC may appoint members to an Investment Committee for the express purpose of assisting the WCOC to carry out any of the responsibilities enumerated here.

B. OBWC Staff Responsibilities

The Chief Investment Officer shall be employed by the Administrator, with the advice and consent of the WCOC, and shall be a senior member of the OBWC staff with the primary responsibility for implementing the Investment Policy. Subject to the supervision and control of the Administrator, the Chief Investment Officer shall:

i. Consult with and receive approval from the WCOC regarding the appropriate strategic asset allocation and investment policy for the Funds and periodically review such policy in light of any changes in actuarial variables, market conditions, or other evolving relevant facts or situations.

ii. Recommend permissible asset classes for investment to the WCOC.

iii. Monitor and review the investment performance of the Funds on a monthly basis to determine achievement of goals and compliance with Investment Policy

iv. Consult with and receive approval from the WCOC on the selection and termination of all Investment Consultants.

v. Consult with and receive approval from the WCOC on the selection and termination of all Investment Managers and General Partners.

vi. Consult with and receive approval from the WCOC on the asset class to be managed, investment style, scope of investment activities and maximum percent of the Fund that may be allocated to each Investment Manager and General Partner.

vii. Implement the directives of the WCOC.

viii. Supervise the management of each Fund's assets in accordance with this Investment Policy and the objectives and guidelines set forth herein.

ix. Consult with and receive approval from the WCOC regarding criteria and procedures to be utilized to select Investment Managers and General Partners

x. Monitor all managed assets to insure compliance with the guidelines set forth in this Investment Policy and report same to the WCOC on a monthly basis.

xi. Monitor manager trade execution.

xii. Promptly vote all proxies and related actions in a manner consistent with the long-term interests and objectives of the Funds set forth herein. The CIO may retain a third party proxy voting service or direct investment managers to vote the proxies related to securities held in their respective portfolios.

xiii. Maintain detailed records of said voting of proxies and related actions and comply with all regulatory obligations related thereto.

xiv. Report to the WCOC on at least a quarterly basis regarding the performance of the portfolio and brokerage information for various time periods.

xv. Consult with the Funds' Investment Managers on at least a quarterly basis to discuss account performance and other material information.

xvi. Collect and review the current Form ADV of each Investment Manager and Investment Consultant on an annual basis and provide a summary report to the WCOC.

C. Investments Managers' Responsibilities

Each Investment Manager shall:

i. Be a bank, insurance company, investment management company, or investment advisor as defined by the Investment Advisors Act of 1940.

ii. Manage the plan assets under its care, custody and/or control in accordance with the Investment Policy set forth herein and in compliance with applicable Ohio statutory requirements.

iii. Exercise full investment discretion over the assets in their care within the guidelines set forth herein, their Investment Management Agreement and the specific portfolio guidelines contained therein.

iv. Subject to any exceptions expressly set forth herein, Investment Managers shall be directly responsible for executing trades related to the portfolios they manage for the Funds. Investment Managers shall be responsible for seeking the best execution of trades. Any Broker used by any Investment Manager must be properly licensed.

v. Provide monthly performance evaluation reports that comply with the Global Performance Presentation Standards (GPPS) issued by the CFA Institute.

vi. Provide the CIO with firm's Brokerage, Soft Dollar and Trade Execution Policy on an annual basis.

vii. Provide the CIO with a report on at least monthly basis on the trading activities of the Funds, including, but not limited to, the volume of trades and related commissions executed by each Broker.

viii. Provide the CIO with the firm's Ethics Policy and quarterly confirmation of its compliance with said policy.

ix. Provide the CIO with the firm's most recent Form ADV on an annual basis.

x. Comply with the Campaign Contribution Policy and submit the Political Contribution Disclosure Statement, attached as Appendix XIV, on a quarterly basis.

xi. Promptly inform the CIO in writing of all changes of a material nature pertaining to the firm's organization and professional staff.

xii. If directed by the Administrator and/or the Chief Investment Officer, shall promptly vote all proxies and related actions in a manner consistent with the long-term interests and objectives of the Funds. Each manager designated to vote shall provide OBWC with firm's proxy voting policy on an annual basis, keep detailed records of said voting of proxies and related action and comply with all regulatory obligations related thereto.

xiii. Report to the CIO on at least a quarterly basis on the status of the portfolio and its performance for various time periods and meet with the staff at least semi-annually to report on the economic outlook and compliance with goals and objectives.

xiv. Acknowledge and agree in writing to their fiduciary responsibility to fully comply with the entire Investment Policy.

D. General Partners' Responsibilities

Each General Partner shall:

i. Manage the plan assets under its care, custody and/or control in accordance with the Investment Policy set forth herein and in compliance with applicable Ohio statutory requirements.

ii. Exercise full investment discretion over the assets in their care within the guidelines set forth herein, their Partnership and/or Subscription Agreement and the specific portfolio guidelines contained therein.

iii. Provide the CIO with quarterly financial statements and an audited annual financial statement for each partnership or fund to which the Ohio BWC has made a commitment.

iv. Provide the CIO with an annual Valuation Certification attesting to the value of the Ohio BWC's holdings in each partnership or fund.

v. Provide the CIO with the firm's Ethics Policy and annual confirmation of its compliance with said policy (for agreements entered into after January 1, 2006 only).

vi. Promptly provide the CIO with a detailed report of all capital calls and/or distributions for each partnership or fund.

vii. Comply with the Campaign Contribution Policy and submit the Political Contribution Disclosure Statement, attached as XIV, on an annual basis (for agreements entered into after January 1, 2006 only).

viii. Promptly inform the CIO in writing of all changes of a material nature pertaining to the firm's organization and professional staff.

E. Investment Consultants' Responsibilities

The Investment Consultant shall:

i. Provide independent and unbiased information to the WCOC, the Administrator and the CIO.

ii. Assist in the development and amendment of this Investment Policy.

iii. Assist in the establishment of strategic asset allocation targets.

iv. Assist in the development of performance measurement standards.

v. Report the monthly investment results and quarterly risk characteristics of the Funds to the WCOC.

vi. Monitor and evaluate Investment Manager performance on an ongoing basis.

vii. Conduct due diligence on the Funds' current and prospective Investment Managers.

viii. Establish a procedural due diligence search process.

ix. Assist in the development of criteria and procedures to be utilized for the selection of all Investment Managers.

x. Provide the CIO with the firm's most recent Form ADV on an annual basis.

xi. Provide any other advice or services that the WCOC or the Administrator and Chief Investment Officer determine from time to time is necessary, useful or appropriate to fulfill the objectives of this Investment Policy in accordance with the Investment Consulting Agreement.

IV. INVESTMENT POLICY GUIDELINES

A. Asset Allocation Guidelines

The Funds are part of the Ohio Workers' Compensation System, an exclusive state insurance fund system that is held for the sole benefit of the injured workers and employers of Ohio.

Asset allocation refers to the strategic deployment of assets among the major classes of investments such as fixed income, U.S. equity, non-U.S. equity, alternative investments and cash equivalents. The asset allocation decision reflects the Funds' return requirements as well as the Funds' tolerance for return variability (risk) within the context of the expected liabilities of the Funds. The liability considerations shall include, but not be limited to, current and expected future values of the benefits, premiums and total assets. These factors are important for identifying the investment horizon of the Funds and their cash flow requirements. A formal asset/liability analysis for each Fund will be conducted annually, or more frequently if conditions warrant.

The WCOC has adopted a long-term asset allocation policy for each Fund that identifies the strategic target weights to each of the major asset classes. These policies are detailed in Appendix X.

B. Rebalancing Policy

The asset allocation targets represent a long-term strategy. Short-term market activity will cause the asset mix to drift from the specific allocation targets. A **Rebalancing Policy** is designed to provide a disciplined approach to control the risk exposure of each Fund to the investment categories that have deviated from the established target policy weights. The WCOC has adopted a policy of range rebalancing. Under range rebalancing, asset rebalancing will be triggered only when actual weightings fall outside of the ranges specified above. The WCOC expects range rebalancing to produce a superior return/risk tradeoff as compared to time rebalancing because turnover occurs only when necessary.

The Funds' asset allocations are to be monitored quarterly, or more frequently if market conditions warrant. Should the actual asset allocations for a particular class of investments deviate from the indicated range for a particular asset class, the Administrator and Chief Investment Officer will make the necessary adjustments to satisfy the asset allocation guidelines established by this Investment Policy. In order to minimize turnover, Fund cash flows, such as premiums received or benefits paid, will be used to the fullest extent to achieve rebalancing objectives.

C. General Guidelines

The following represent the general guidelines that will apply to the management of Fund assets. In addition, each Investment Manager will have specific guidelines that are part of their Investment Management Agreement that will document the Funds' performance expectations and the Investment Manager's role in the overall portfolio. The Funds use these guidelines to establish, guide and control the strategy for each Investment Manager.

i. The following guidelines serve to diversify the organizational risk of Investment Management firms or General Partners providing services to the Funds and to minimize the dependence by the Funds on any one investment firm. The diversification guidelines are as follows:

- No one investment organization or General Partner, utilizing active investment strategies, should manage more than 15% of the Funds' assets at the time it is hired.
- An investment organization, utilizing passive investment strategies, may manage up to 100% of the Funds' assets at the time it is hired. This guideline has been established to allow the BWC to take full advantage of the benefits of low fees resulting from the economies of scale that exist with passive management. The WCOC, Staff and the Consultant will closely monitor this organizational risk to ensure the security of Fund assets. The maximum allocation under this guideline will only be utilized in circumstances where the fee benefit is believed to outweigh the organizational risk to the Funds.
- The Funds' assets managed by any one firm, utilizing either active or passive investment strategies, or General Partner should not exceed 5% of the total assets managed by the firm or General Partner for all clients in that specific strategy, style or partnership, at the time it is hired, unless unique circumstances – such as the need to hire a manager in a capacity-constrained asset class such as high yield or small cap U.S. equity - warrant an exception.

ii. Fixed Income Investments

The investment goal of the fixed income investments is to protect the Funds against adverse changes in the value of the Funds' assets relative to their liabilities. The WCOC has adopted a policy to invest each Fund's fixed income portfolio in a manner that will approximate the duration and yield curve characteristics of its liabilities in order to preserve the reserve, provide for stable premiums and grow the surplus.

Average Weighted Credit Quality
The minimum average weighted quality of the total fixed income portfolio shall be A, as measured by the lower of the Moody's or Standard & Poors (S&P) rating.

Duration
The duration of the fixed income portfolio in aggregate shall be maintained within a range of +/- 5% of each Fund's fixed income benchmark.

Diversification

The fixed income portfolio shall be diversified as specified below[1] to minimize the risk of losses:

By Sector:

Sector Allocation	Max. % of Fund
U.S. Governments:	***100%***
Treasuries	100%
Agencies	100%
Mortgages	***40%***
Agencies	40%
Non-Agency	10%
Collateralized Mortgage Obligations (CMOs) (must be rated AA or better)	10%
Commercial Mortgage Backed Securities (CMBS) and Project Loans	10%
Floating Rate Mortgages	10%
Investment Grade Credit	***70%***
Finance	35%
Industrial	35%
Transportation	35%
Utilities	35%
Yankees	10%
Asset Backed Securities (ABS) (must be rated AA or better)	10%
Foreign Governments	***0%***
Below Investment Grade Credit	***5%***

[1] Percentages represent a maximum allocation and will not sum to 100%

By Credit Quality:

Credit Quality	**Max. % of Fund**	**Individual Security Max %**
Government	100%	N.A.
Aaa/AAA	50%	1.00%
Aa/AA	25%	1.00%
A/A	20%	0.75%
Baa/BBB	10%	0.50%
Ba/BB	5%	0.25%
B/B	2%	0.10%
CCC	1%	0.05%
Below CCC	0%	0.00%

Maximums refer to the allocation at the time of purchase. In the event that downgraded securities result in a violation of these constraints, the WCOC shall grant an exemption that would allow an Investment Manager to continue to hold the downgraded security or securities, at their discretion, for a period of up to three months. An Investment Manager shall immediately report any guideline violation resulting from a downgraded security in their portfolio to the WCOC. The Investment Manager shall also provide an action plan to bring the portfolio back in compliance with the guidelines in their next quarterly report to the WCOC.

The Funds may invest in Rule 144A and private placement securities subject to the sector and credit constraints specified above.

iii. **U.S. Equity**

The investment goal of the domestic equity investments is to offer the Funds a broad exposure to the return opportunities and investment characteristics associated with the U.S. domestic equity market.

Diversification

The U.S. Equity portfolio shall be diversified as specified below to minimize the risk of losses:

- Investments will be diversified by capitalization size and by style (growth and value) to approximate the overall market as measured by each Fund's U.S. Equity benchmark.
- No single holding shall account for more than 5% of each Fund's total U.S. equity portfolio at market.
- No single holding shall account for more than 5% of the outstanding equity securities of any one corporation

iv. Non-U.S. Equity

The investment goal of the non-U.S. equity investments is to offer the Funds a broad exposure to the return opportunities, diversification effects and investment characteristics associated with the non-U.S. equity market.

<u>Diversification</u>
The Non-U.S. Equity portfolio shall be diversified as specified below to minimize the risk of losses:

- Investments will be diversified by capitalization size and by style (growth and value) to approximate the overall market as measured by each Fund's Non-U.S. Equity benchmark.
- Investments will be diversified by geographic region and sector, so as to optimize the relationship of expected return to expected risk after taking into consideration the asset allocation of each Fund.
- No single holding shall account for more than 5% of each Fund's total Non-U.S. equity portfolio at market.
- No single holding shall account for more than 5% of the outstanding equity securities of any one corporation

v. Alternative Investments

The SIF has allocated a portion of its investment portfolio to private equity securities, limited partnerships and funds of funds subject to all applicable legal requirements and limits set forth in this Investment Policy. The purpose of investing in private equity securities, partnerships or funds is to enhance the overall investment returns of the Funds.

Future investments in Alternative Investments are not presently anticipated.

vi. Cash Equivalents

Cash equivalents may be held to meet each Fund's short term cash flow needs.

vii. Securities Lending

Securities lending has been permitted in the past and is presently being utilized within the Funds in accordance with the commingled trust fund (CTF) agreement between the BWC and State Street Global Advisors.

(The WCOC will be reviewing the appropriateness of the Funds' securities lending activities and expects to make a final decision on its continued use by January 2007.)

viii. **Derivatives**

A derivative is broadly defined as a contract whose value is based on the performance of an underlying financial asset, index or other investment. The most common forms of derivatives are futures, options, swaps and forwards.

The use of derivatives by the Funds or their Investment Managers is expressly prohibited, with the exception of collateralized mortgage obligations (CMOs) and asset backed securities (ABS), and TBA mortgage-backed securities in accordance with the restrictions outlined below and in Section IV.C.ii above.

CMOs are mortgage-backed bonds that separate mortgage pools into different maturity classes. Issued by the Federal Home Loan Mortgage Corporation (Freddie Mac) and private issuers, CMOs are usually backed by government-guaranteed or other top-grade mortgages. To qualify for investment by the Funds, CMOs must be rated AA or better and not be levered. Interest-only (IOs) and principal-only (POs) instruments are prohibited.

ABS are bonds or notes backed by loan paper on accounts receivable originated by banks, credit card companies or other providers of credit and often "enhanced" by a bank letter of credit or by insurance coverage provided by an institution other than the issuer. To qualify for investment by the Funds, ABS must be rated AA or better.

TBA ("to be announced") pools are mortgage-backed securities in which the specific underlying mortgage pools are not identified at the time of commitment to purchase, but which share defined characteristics such as coupon and term to stated maturity. TBA pools are sometimes either sold before settlement or extended in settlement from original settlement date to a future settlement date that is typically in the next month. To qualify for investment by the Funds, TBA pools must be issued by Freddie Mac, Federal National Mortgage Association (Fannie Mae), or Government National Mortgage Association (Ginnie Mae).

ix. **Commission Recapture / Directed Brokerage**

The Funds shall not engage in commission recapture or directed brokerage programs.

x. **General Prohibitions**

The following activities or investments are expressly prohibited within the Funds:

a. Short selling in any form.
b. All forms of leverage, including, but not limited to, purchasing securities on margin, treasury rolls and reverse repurchase agreements.
c. Coins, artwork, horses, jewelry, gems, stamps, antiques, artifacts, collectibles, and memorabilia.
d. Direct or indirect investments in vehicles that target specified assets, which includes unregulated investments that are not commonly part of an institutional portfolio, that lack liquidity and that lack readily determinable valuation.

V. PERFORMANCE OBJECTIVES

A. Total Fund

The primary performance objective for each Fund is to achieve an aggregate rate of return that exceeds the return of each Fund's Performance Benchmark on a consistent basis. The Benchmark combines designated market and/or custom indexes for asset classes, weighted by asset-allocation targets. Currently, the indexes are:

Asset Class	Benchmark
Total Fixed Income:	***N/A***
Long Duration	Lehman Long Government/Credit
High Yield	Merrill Lynch High Yield Master II
Inflation-Protected Securities	Lehman U.S. TIPS
U.S. Equity	***Wilshire 5000***
Large Cap	S&P 500
Small/Mid Cap	Wilshire 4500 / Russell 2500
Alternative Investments	Wilshire 5000 + 5%
Non-U.S. Equity	***MSCI All Country World Index (ex-U.S.)***
Cash Equivalents	***90-Day T-Bill***

B. Asset Class Composites

Each asset class shall be measured relative to its designated market and/or custom index. It is expected that any active management of individual asset classes will provide an investment return in excess of the index, net of expenses, on a consistent basis.

C. Investment Managers

On a timely basis, but not less that four times a year, the Chief Investment Officer will meet with the Investment Consultants to:

- Evaluate the performance of each Investment Manager.
- Review each Investment Manager's adherence to this Investment Policy.
- Analyze any material changes in the Investment Manager's organization, investment strategies or personnel.
- Review each Investment Manager's performance relative to appropriate indices and peer groups.

Each Investment Manager's performance shall be evaluated relative to an appropriate benchmark index and a relative peer group of managers as indicated below. They are expected to (1) rank above median versus their respective peer groups and (2) earn investment returns, net of expenses, that equal or exceed their respective benchmark index.

The performance of each Investment Manager will be monitored on an ongoing basis and the Administrator and the Chief Investment Office shall take any appropriate corrective action, including, subject to approval by the WCOC, the termination and replacement of an Investment Manager. Factors that may lead to terminating a manager relationship include:

- Performance below median (50th percentile) of their peer group.
- Realization of investment returns, net of expenses, that lag their respective benchmark index.
- Failure to adhere to this Policy or the portfolio's Investment Guidelines.
- Failure to comply with the Ethics Policy of the firm or the WCOC.
- Violation of any law.
- Style drift.
- Organizational changes including:
    - Change in professional staff
    - Significant loss of clients
    - Significant growth of new business
    - Change in ownership

VI. COMMUNICATIONS

- Each Investment Manager will provide written reports at least monthly, including asset inventories, market commentary or anything else deemed significant at the time of reporting.
- Each Private Equity General Partner will provide written reports at least quarterly, including asset inventories, market commentary or anything else deemed significant at the time of reporting.
- Each Investment Manager will provide all reporting required under Section III. C. of this Policy.
- Each Investment Manager is expected to meet with the Administrator and/or the Chief Investment Officer at least annually at OBWC offices.
- Frequent and regular communication with the OBWC by all Investment Managers is encouraged.

VII. REVIEW PROCEDURES

The WCOC in conjunction with the Administrator, Chief Investment Officer and Investment Consultant will review this policy statement at least once a year, to determine if revisions are warranted and will publish the policy statement and any changes it adopts and make copies available to all interested parties.

It is not expected that this Investment Policy will change frequently; in particular short-term changes in the financial markets should generally not require an adjustment in this Investment Policy.

VIII. FAIR CONSIDERATION / PUBLIC INTEREST POLICY

The WCOC desires that Staff and the Investment Consultant identify, research and evaluate qualified Ohio managers, minority managers and women-owned managers and that Investment Managers give consideration to such managers and brokers in their efforts to fulfill the Funds' investment objectives, but only in compliance with their respective fiduciary duties to the Funds.

Qualified Ohio Managers - Criteria

As used in this Investment Policy, a qualified Ohio-qualified investment manager or broker is one that meets at least one of the following requirements:

- Has its corporate headquarters or principal place of business in Ohio
- Employs at least 500 individuals in Ohio
- Has a principal place of business in Ohio and employs at least 20 residents of the State

Minority Managers – Criteria

As used in this Investment Policy, a minority manager shall be defined as an investment manager or broker that is U.S. domiciled and is majority-owned by one, or any combination, of the following groups: African American, Native American, Hispanic American and Asian American.

Additionally, Investment Managers who are majority-owned by women are included in this Policy

In addition to the requirements above, any qualified Ohio manager, and any minority or women-owned Investment Manager must be a registered investment advisor under the Investment Advisors Act of 1940. Any Broker must be properly licensed.

It is the WCOC's intention to give such firms consideration in their efforts to fulfill the Funds' investment objective; however, the WCOC is not obligated to hire any qualified Ohio manager, minority or women-owned firm on behalf of the Funds if such hiring is inconsistent with its fiduciary duty to the Funds and their stakeholders.

The Ohio Bureau of Workers' Compensation

Appendix to Statement of Investment Policy and Guidelines

Adopted by the WCOC: September 28, 2006

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Appendix IX: Asset Allocation Criteria

In the event that the Administrator of OBWC proposes to the WCOC, pursuant to R.C. (A) and Ohio Admin. Code 4123-17-10, to return excess surplus in the OBWC State Insurance Fund (SIF) to employers in either the form of cash refunds or a reduction of premiums, the WCOC shall ask the Investment Committee to recommend approval or non-approval. The Investment Committee will recommend a set of guidelines in conjunction with the independent actuarial consultant, which would be used to preserve the integrity of the asset allocation from the impact of the proposed return of excess surplus. These criteria will be approved on or before the April 2007 WCOC meeting.

Appendix X.A: State Insurance Fund (SIF)

The State Insurance Fund's ("the Fund's") liabilities consist of the following primary components:

- Indemnity cost: the compensation paid to injured workers for lost wages
- Medical cost: the cost of providing medical coverage to injured workers

These liabilities are long-term in nature, with an approximate duration of 10 years. Premiums are set each year at a level that is expected to cover the cost of future claims. Future claims are estimated based on actuarial methods that measure the expected indemnity and medical costs. These costs are discounted at a rate that is consistent with the guidelines as established by the GASB.

The actual liabilities of the Fund may vary from the expectations at the time premiums are set due to future changes in the discount rate, unanticipated medical inflation, and/or actual claim experience that differs from actuarial expectations. In order to protect the Fund against adverse changes in the Fund's assets relative to its liabilities, the WCOC has adopted a policy to invest the reserves primarily in a fixed income portfolio that will approximate the duration and yield curve characteristics of the liabilities as measured by the Fund's actuary and Consultant on an annual basis, or more frequently if conditions warrant. A portion of the reserve and surplus may also be invested in equity, inflation-protected, or other securities in order to protect the reserve against unexpected medical inflation and adverse claims experience and/or for the purpose of growing the surplus.

The WCOC has adopted a long-term asset allocation policy that identifies the strategic target weights to each of the major asset classes.

The table below highlights the general asset classes approved for investment and the strategic target weights as adopted by the WCOC on July 20, 2006. The allowable range for all target weights is +/- 10% of the policy target weight.

Asset Class	**Policy Target**[1]
Total Fixed Income:	***79%***
Long Duration	54%
High Yield	5%
Inflation-Protected Securities	20%
Cash Equivalents	***1%***
Total Equity	***20%***
U.S. Equity	
Large Cap	12%
Small/Mid Cap	3%
Alternative Investments	0%
Non-U.S. Equity	5%

[1] Alternative Investments includes private equity and the coin fund. This asset class targets will be combined with that of Small/Mid Cap U.S. Equity until a final determination has been made regarding the potential liquidation of these assets

Appendix X.B: Coal Workers' Pneumoconiosis Fund (CWPF)

The Coal Workers' Pneumoconiosis Fund ("CWPF") provides benefits for injured workers under the Federal Coal Mine Health and Safety Act of 1969. The CWPF provides voluntary coverage to employers who have employees who are exposed to coal dust, as required by federal law.

These liabilities are long-term in nature, with an approximate duration of 11 years. Premiums are set each year at a level that is expected to cover the cost of future claims. These costs are discounted at a rate that is consistent with the guidelines as established by the GASB.

The actual liabilities of the Fund may vary from the expectations at the time premiums are set due to future changes in the discount rate, unanticipated medical inflation, and/or actual claim experience that differs from actuarial expectations. In order to protect the Fund against adverse changes in the Fund's assets relative to its liabilities, the WCOC has adopted a policy to invest the reserves primarily in a fixed income portfolio that will approximate the duration and yield curve characteristics of the liabilities as measured by the Fund's actuary and Consultant on an annual basis, or more frequently if conditions warrant. A portion of the reserve and surplus may also be invested in equity, inflation-protected, or other securities in order to protect the reserve against unexpected medical inflation and adverse claims experience and/or for the purpose of growing the surplus.

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Asset Class	Policy Target
Total Fixed Income:	***79%***
Long Duration	54%
High Yield	5%
Inflation-Protected Securities	20%
Cash Equivalents	***1%***
Total Equity	***20%***
U.S. Equity	15%
Large Cap	12%
Small/Mid Cap	3%
Non-U.S. Equity	5%

Appendix X.C: Marine Industry Fund (MIF)

The Marine Industry Fund ("MIF") provides voluntary coverage to employers who have employees who work on or about navigable waters as required by the Federal Longshoremen and Harbor Workers' Act.

These liabilities are intermediate-term in nature, with an approximate duration of 3-4 years. Premiums are set each year at a level that is expected to cover the cost of future claims. These costs are discounted at a rate that is consistent with the guidelines as established by the GASB.

The actual liabilities of the Fund may vary from the expectations at the time premiums are set due to future changes in the discount rate, unanticipated medical inflation, and/or actual claim experience that differs from actuarial expectations. In order to protect the Fund against adverse changes in the Fund's assets relative to its liabilities, the WCOC has adopted a policy to invest the reserves primarily in a fixed income portfolio that will approximate the duration and yield curve characteristics of the liabilities[1] as measured by the Fund's actuary and Consultant on an annual basis, or more frequently if conditions warrant. A portion of the reserve and surplus may also be invested in equity, inflation-protected, or other securities in order to protect the reserve against unexpected medical inflation and adverse claims experience and/or for the purpose of growing the surplus.

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The table below highlights the general asset classes approved for investment and the strategic target weights as adopted by the WCOC on September 28, 2006. The allowable range for all target weights is +/- 10% of the policy target weight.

Asset Class	**Policy Target**
Total Fixed Income:	***99%***
Intermediate Duration	99%
Cash Equivalents	***1%***
Total Equity	***0%***

[1] Expected to be implemented by December 31, 2006

Appendix X.D: Disabled Workers' Relief Fund (DWRF)

The Disabled Workers' Relief Fund ("DWRF") provides supplementary payments to workers whose combined Permanent and Total Disabled plus Social Security disability benefits are lower than the DWRF entitlement amount.

These liabilities are long-term in nature, with an approximate duration of 10 years. Premiums are set each year at a level that is expected to cover the cost of future claims. These costs are discounted at a rate that is consistent with the guidelines as established by the GASB.

The actual liabilities of the Fund may vary from the expectations at the time premiums are set due to future changes in the discount rate, unanticipated medical inflation, and/or actual claim experience that differs from actuarial expectations. In order to protect the Fund against adverse changes in the Fund's assets relative to its liabilities, the WCOC has adopted a policy to invest the reserves primarily in a fixed income portfolio that will approximate the duration and yield curve characteristics of the liabilities as measured by the Fund's actuary and Consultant on an annual basis, or more frequently if conditions warrant. A portion of the reserve and surplus may also be invested in equity, inflation-protected, or other securities in order to protect the reserve against unexpected medical inflation and adverse claims experience and/or for the purpose of growing the surplus.

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The table below highlights the general asset classes approved for investment and the strategic target weights as adopted by the WCOC on September 28, 2006. The allowable range for all target weights is +/- 10% of the policy target weight.

Asset Class	**Policy Target**
Total Fixed Income:	***79%***
Long Duration	54%
High Yield	5%
Inflation-Protected Securities	20%
Cash Equivalents	***1%***
Total Equity	***20%***
U.S. Equity	15%
Large Cap	12%
Small/Mid Cap	3%
Non-U.S. Equity	5%

Appendix X.E: Public Work-Relief Fund Employees' Fund (PWRF)

The Public Work-Relief Employees' Fund ("PWRE") provides benefits for "work-relief employees" who are engaged in any public relief employment and receiving "work-relief" in the form of public funds or goods in exchange for any service or labor rendered in connection with any public relief employment.

These liabilities are intermediate-term in nature, with an approximate duration of 3-4 years. Premiums are set each year at a level that is expected to cover the cost of future claims. These costs are discounted at a rate that is consistent with the guidelines as established by the GASB.

The actual liabilities of the Fund may vary from the expectations at the time premiums are set due to future changes in the discount rate, unanticipated medical inflation, and/or actual claim experience that differs from actuarial expectations. In order to protect the Fund against adverse changes in the Fund's assets relative to its liabilities, the WCOC has adopted a policy to invest the reserves primarily in a fixed income portfolio that will approximate the duration and yield curve characteristics of the liabilities as measured by the Fund's actuary and Consultant on an annual basis, or more frequently if conditions warrant. A portion of the reserve and surplus may also be invested in equity, inflation-protected, or other securities in order to protect the reserve against unexpected medical inflation and adverse claims experience and/or for the purpose of growing the surplus.

The WCOC has adopted a long-term asset allocation policy that identifies the strategic target weights to each of the major asset classes.

The table below highlights the general asset classes approved for investment and the strategic target weights as adopted by the WCOC on September 28, 2006. The allowable range for all target weights is +/- 10% of the policy target weight.

Asset Class	Policy Target
Total Fixed Income:	***99%***
Intermediate Duration	99%
Cash Equivalents	***1%***
Total Equity	***0%***

Appendix X.F: Self Insured Employers Guarantee Fund (SIEGF)

The Self Insured Employers Guarantee Fund ("SIEGF")/Surety Bond Fund ("SBF") provides for payment of compensation and benefits to injured workers of bankrupt self-insured employers.

The WCOC has adopted a long-term asset allocation policy that identifies the strategic target weights to each of the major asset classes.

The table below highlights the general asset classes approved for investment and the strategic target weights as adopted by the WCOC on September 28, 2006. The allowable range for all target weights is +/- 10% of the policy target weight.

Asset Class	**Policy Target**
Total Fixed Income:	***0%***
Cash Equivalents	***100%***
Total Equity	***0%***

Appendix XI

OBWC State Insurance Fund Asset-Liability Valuation – Final

WCOC Presentation

July 20, 2006

Mark E. Brubaker, CFA
Managing Director

Julia Bonafede, CFA
Senior Managing Director

Agenda

I. Recommended Asset Mix

Recommendation

- **The following factors lead Wilshire to recommend that the OBWC maintain a long-term orientation and adopt the asset mix below:**
  - The Obligations of the State Insurance Fund are long-term in nature, with a duration of approximately 10.4 years
  - The Fund has minimal short term cash needs as current premiums are approximately equal to current claims and are expected to ultimately exceed claims
  - There is no asset allocation that can eliminate risk due to the relatively weak capital structure of the Fund and the medical inflation risk embedded in the claims of the Fund
  - The OBWC is a monopoly and is not subject to competition, therefore, future premiums are relatively predictable
  - Premiums are currently based on discounted (at 5.25%) expected future claims, thereby setting a "hurdle rate" of return on investments for the Fund
  - OBWC views itself as an ongoing entity
- **Recommended Mix (as compared to an "immunized" mix):**

	Portfolio Weights	
	"Immunized"	*Recommended*
Asset Class	***0% Equity***	***20% Equity***
U.S. Equity (including Private Equity)	0	15
Non-U.S. Equity	0	5
Total Equity	***0***	***20***
Fixed Income - Core	0	0
Fixed Income - Long Duration/Dedicated	99	54
Fixed Income - High Yield	0	5
Fixed Income - Inflation Protected	0	20
Total Fixed Income	***99***	***79***
Cash Equivalents	1	1
Return	**5.23**	**6.07**
Risk	**6.93**	**6.13**

- **This mix provides a balance between the long-term growth of the surplus with the preservation of the surplus over intermediate time horizons**

II. Legislative Background and Purpose

Legislative Background: OBWC Purpose and WCOC Duties

- **The OBWC was established by the Ohio Constitution, Article II, Section 35:**
  - "For the purpose of providing compensation to workmen and their dependents, for death, injuries or occupational disease, occasioned in the course of such workmen's employment, laws may be passed establishing a state fund to be created by compulsory contribution thereto by employers, and administered by the state…"

- **Ohio Revised Code Section 4123.44**
  - "The voting members of the workers' compensation oversight commission, the administrator of workers' compensation, and the bureau of workers' compensation chief investment officer are the trustees of the state insurance fund. The administrator of workers' compensation, in accordance with (the Ohio Revised Code) and the investment objectives, policies and criteria established by the workers' compensation oversight commission pursuant to section 4121.12 of the Revised Code, and in consultation with the bureau of workers' compensation chief investment officer, may invest any of the surplus or reserve belonging to the state insurance fund."
  - "The administrator and other fiduciaries shall discharge their duties with respect to the funds with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, and by diversifying the investments of the assets of the funds so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so."

Legislative Background: Premiums and Surplus

- **Ohio Revised Code Section 4123.34:**
  - "The administrator of workers' compensation, in the exercise of the powers and discretion conferred upon him in section 4123.29 of the Revised Code, shall fix and maintain, with the advice and consent of the workers' compensation oversight commission…***the lowest possible rates of premium consistent with the maintenance of a solvent state insurance fund and the creation and maintenance of a reasonable surplus***…" (emphasis added)

Definitions

- **Solvent:**
  - Able to pay all reasonable debts (source: Webster's Dictionary)
- **Surplus:**
  - Surplus is an accounting concept
  - Generally defined as net assets (i.e. assets minus liabilities)
    - Under the Government Accounting Standards Board ("GASB") standards:
      - Assets are generally measured at current market value
      - Liabilities may be discounted (OBWC's current discount rate is 5.25%)
    - Under the statutory accounting standards that govern private workers' compensation funds, liabilities are usually not discounted, which makes industry-wide comparisons difficult
- **"Reasonable" Surplus:**
  - This concept is not defined in the Ohio Revised Code
  - Generally, a reasonable surplus should, at a minimum, be adequate to ensure a high probability of paying all benefit claims when due

What is Ohio Bureau of Workers' Compensation?

- **Insurance Company**
  - OBWC's primary role is to pay compensation and medical expenses for injured workers, but…
    - It is not subject to statutory accounting standards and capital requirements
    - It is not subject to regulation by the state insurance department
    - It incurs longer-tailed liabilities than typical workers' compensation insurance company
    - It is run solely for the benefit of Ohio employers and employees – there is no profit motive
- **Other?**
  - 10.4 year duration of claims stream comparable to the benefit stream of pension funds, which typically have a duration of 11-13 years
  - Medical claims and indemnity claims each account for roughly 50% of the discounted loss reserves

III. Asset-Liability Valuation Background

What is Asset Allocation?

- Wilshire believes that the core business of a workers' compensation insurance fund is to provide the benefits promised to injured workers.
- Asset Allocation is the process of selecting a policy portfolio - allocating a portfolio's assets among asset classes that have the potential to serve the financial objectives of the fund.
- Asset allocation is one tool to manage the risk to the fund's core business. Other risk controls include rate making, expense control, underwriting guidelines, operational profitability and surplus adequacy.
- The goal of asset allocation is to maximize the safety of promised benefits at a minimum cost (premiums).

A Multitude of Risks

- Workers' compensation funds face a multitude of risks. Prioritizing those risks is crucial in determining a proper methodology for selection of the policy portfolio.

Example 1 - Risk of an Asset Loss

- It is undesirable to lose money.

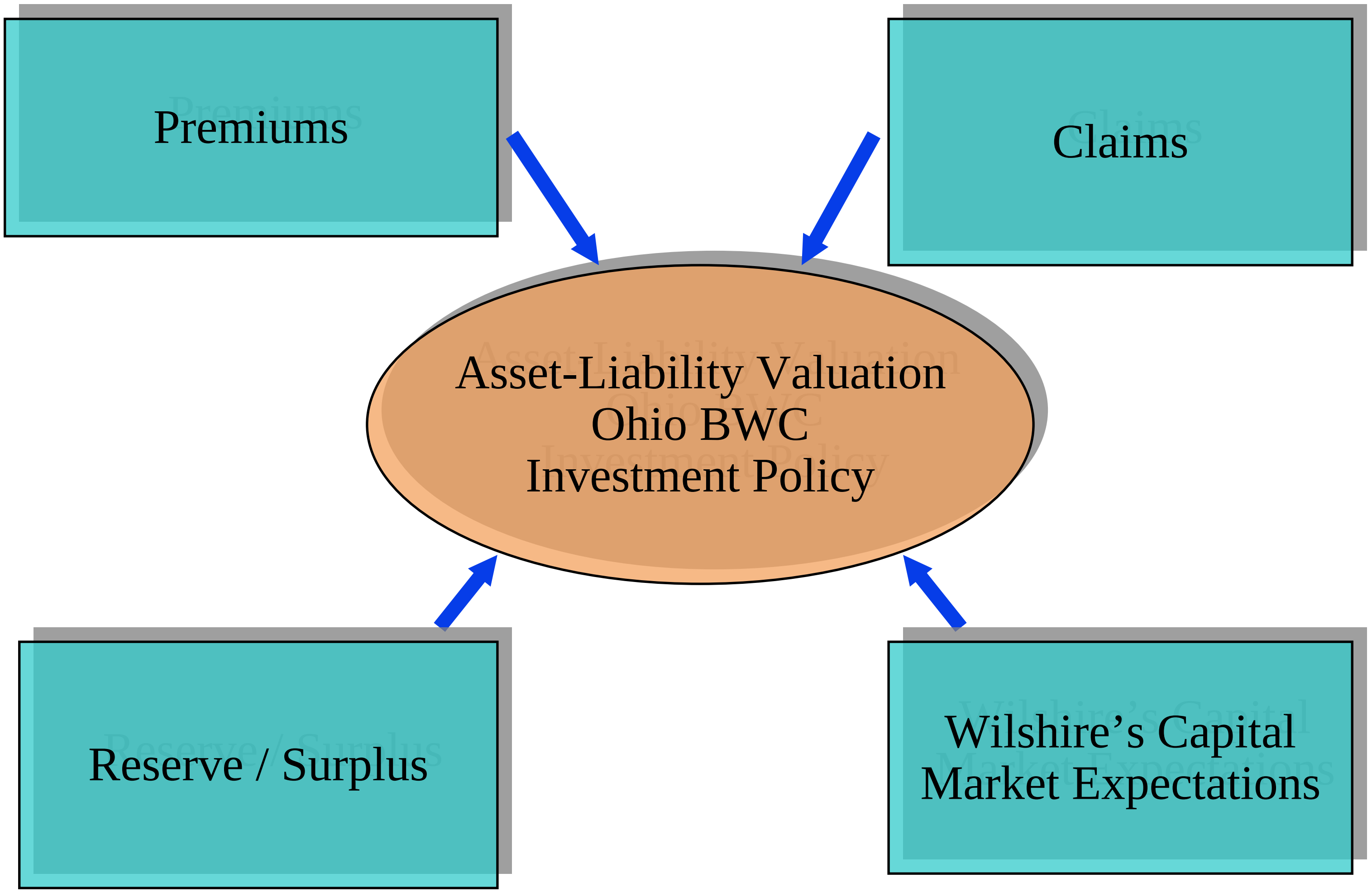
Example 2 - Risk of Mismatch Between Assets and "Accounting" Liabilities

- It is undesirable to have a negative surplus as defined by GASB accounting standards.

Example 3 - Insufficient Asset Risk

- It is undesirable to have insufficient assets to pay benefits promised to injured workers.
- Wilshire believes this is the primary risk.
- This risk is directly related to the Fund's core business.
- One tool to manage the risk of the investment portfolio is Asset Liability Valuation. Additional tools include rate making, expense control, underwriting guidelines, operational profitability and maintenance of an adequate surplus. This report primarily focuses on Asset Liability Valuation and the maintenance of an adequate surplus.

- **Wilshire's Asset-Liability Model integrates key economic and accounting data**



Current BWC Accounting Status

- **As of March 2006, the BWC reported a surplus of $870 million**

Assets ($ mm)	
Total Cash and Investments	16,458.00
Accrued Premiums	1,981.00
Other Accounts Receivable	349.00
Investment Receivables	2.00
Other Assets	128.00
Total Assets	18,918.00
Liabilities ($ mm)	
Reserve	17,308.00
Accounts Payable	39.00
Investment Payables	-
Other Liabilities	701.00
Total Liabilities	18,048.00
Net Assets ($ mm)	870.00

- **Slide 21 provides a simulation of potential future surplus and/or deficit under different asset allocation scenarios.**

Source: BWC Financial and Operational Report – March 2006

IV. Capital Markets Expectations and Efficient Frontier

A Long Term Capital Market Perspective

	1802-2005	1926-2005	*High Inflation* 1970-1979	*Bull Market* 1980-1999	*Wilshire* Forecast
Total Returns					
Stocks	8.2%	10.4%	5.9%	17.8%	8.3%
Bonds	4.9	5.7	7.2	10.0	5.0
T-Bills	4.3	3.8	6.4	7.2	3.0
Inflation	1.4	3.0	7.4	4.0	2.3
Real Returns					
Stocks	6.8	7.4	-1.5	13.8	6.0
Bonds	3.5	2.7	-0.2	6.0	2.8
T-Bills	2.9	0.8	-1.0	3.2	0.8
Risk (Std. Dev.)					
Stocks		19.3	16.0	15.0	17.0
Bonds		5.2	6.4	6.6	5.0
T-Bills		1.0	0.6	1.0	1.0
Stocks minus Bonds	3.3	4.7	-1.3	7.8	3.3

Wilshire's 10-Year Capital Market Assumptions

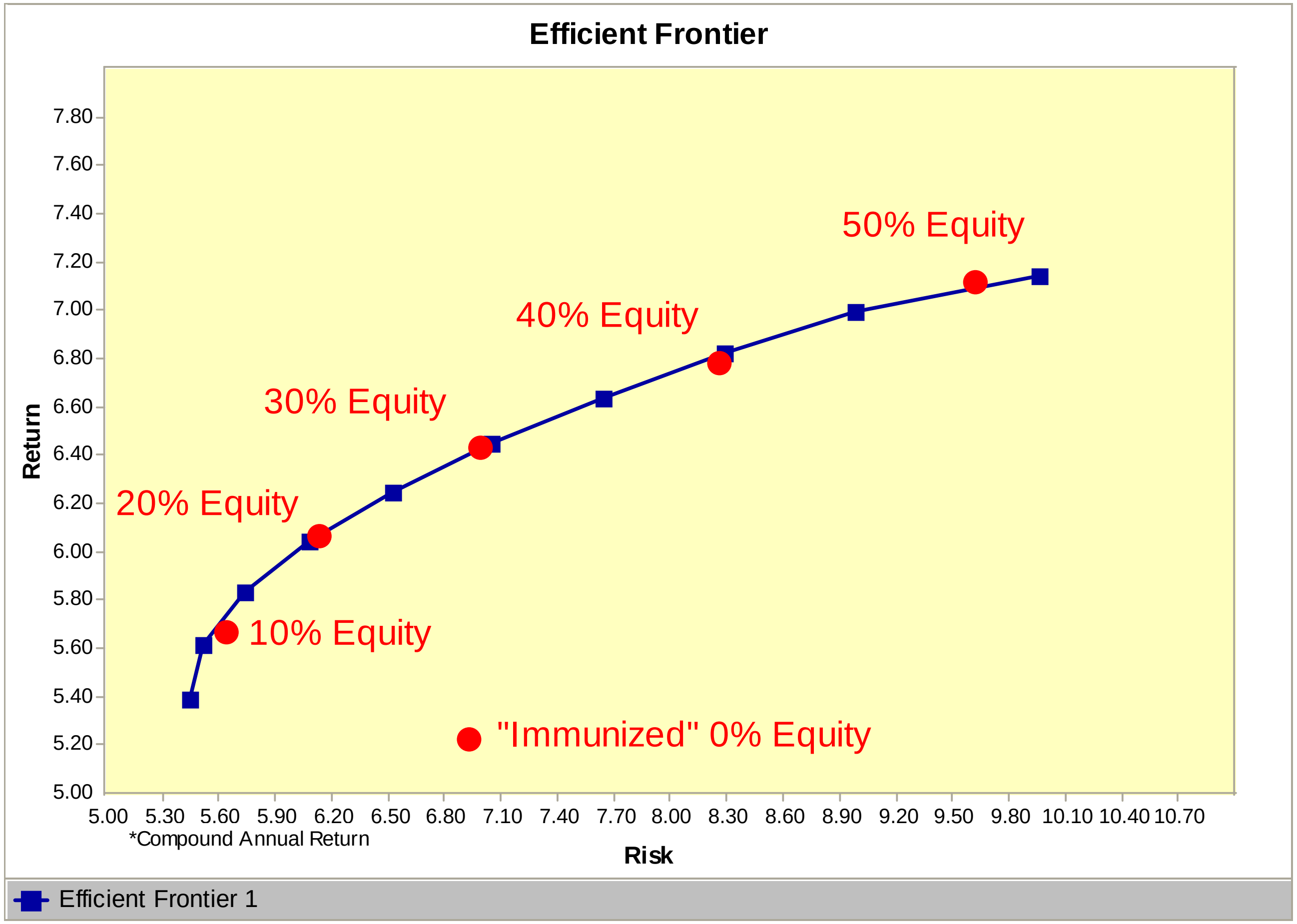
Asset Class	U.S. Equity	Non-U.S. Equity	Fixed Income - Core	Fixed Income - Long Duration/Dedicated	Fixed Income - High Yield	Fixed Income - Inflation Protected	Cash Equivalents
Return	8.25	8.25	5.00	5.25	6.50	4.75	3.00
Risk	17.00	19.00	5.00	7.00	10.00	6.00	1.00
Yield	1.80	2.50	5.00	5.25	6.50	2.50	3.00
Correlations							
U.S. Equity	1.00						
Non-U.S. Equity	0.78	1.00					
Fixed Income - Core	0.29	0.08	1.00				
Fixed Income - Long Duration/Dedicated	0.34	0.09	0.95	1.00			
Fixed Income - High Yield	0.48	0.29	0.39	0.40	1.00		
Fixed Income - Inflation Protected	0.00	0.10	-0.01	0.00	0.01	1.00	
Cash Equivalents	0.00	-0.10	0.10	0.10	0.00	0.25	1.00

- **The above figures represent Wilshire's 10-year forward-looking risk, return and correlation assumptions.**
  - Risk represents the expected standard deviation of each portfolio – in two out of three years, the asset class is expected to produce returns that are within +/- one standard deviation of the expected return.

Source: Wilshire Consulting: 2006 Asset Allocation Return and Risk Assumptions

Efficient Frontier

- **The efficient frontier is comprised of portfolios that generate the highest level of expected return for a given level of risk in *asset-only space* – SIF liabilities are not considered in this exhibit:**



Efficient Portfolios

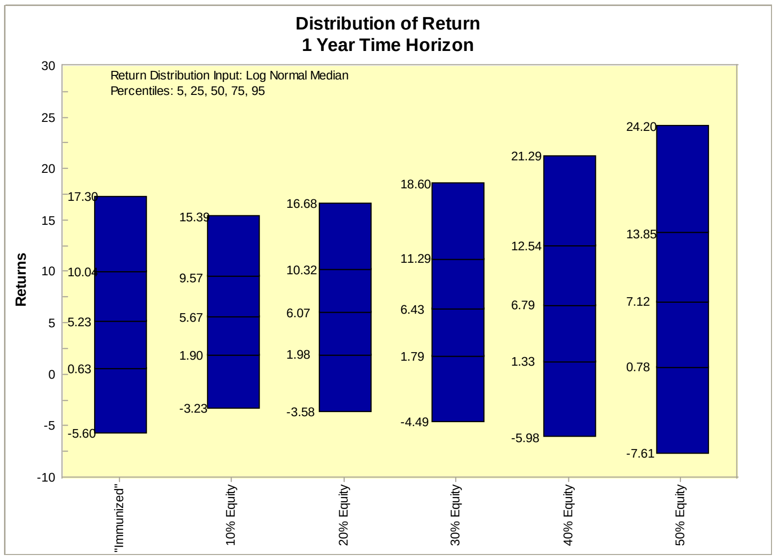
	Portfolio Weights					
	"Immunized"	Total Return				
Asset Class	***0% Equity***	***10% Equity***	***20% Equity***	***30% Equity***	***40% Equity***	***50% Equity***
U.S. Equity	0	8	15	22	30	38
Non-U.S. Equity	0	2	5	8	10	12
Total Equity	***0***	***10***	***20***	***30***	***40***	***50***
Fixed Income - Core	0	0	0	0	0	0
Fixed Income - Long Duration/Dedicated	99	65	54	44	39	34
Fixed Income - High Yield	0	4	5	5	5	5
Fixed Income - Inflation Protected	0	20	20	20	15	10
Total Fixed Income	***99***	***89***	***79***	***69***	***59***	***49***
Cash Equivalents	1	1	1	1	1	1

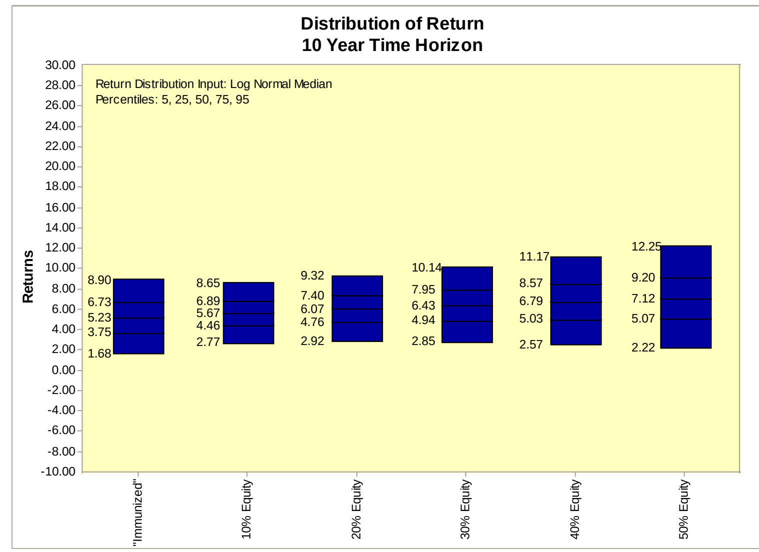
Return	**5.23**	**5.67**	**6.07**	**6.43**	**6.79**	**7.12**
Risk	**6.93**	**5.64**	**6.13**	**6.99**	**8.25**	**9.62**

- **Constraints:**
  - Total Equity < 50%; High Yield < 5%; Inflation Protected < 20%; Cash Equivalents < 1%
- **Long Duration Bonds and Inflation-Protected Securities are favored by the ALV model due to the long term and embedded medical and wage inflation components of the claim payment stream.**
- **Risk represents the expected standard deviation of each portfolio – in two out of three years, the asset mix is expected to produce returns that are within +/- one standard deviation of the expected return.**

1 and 10-Year Distribution of Expected Returns

- **Distributions of returns are quite wide for any one year period…**
- **…but they narrow considerably over a 10-year period**





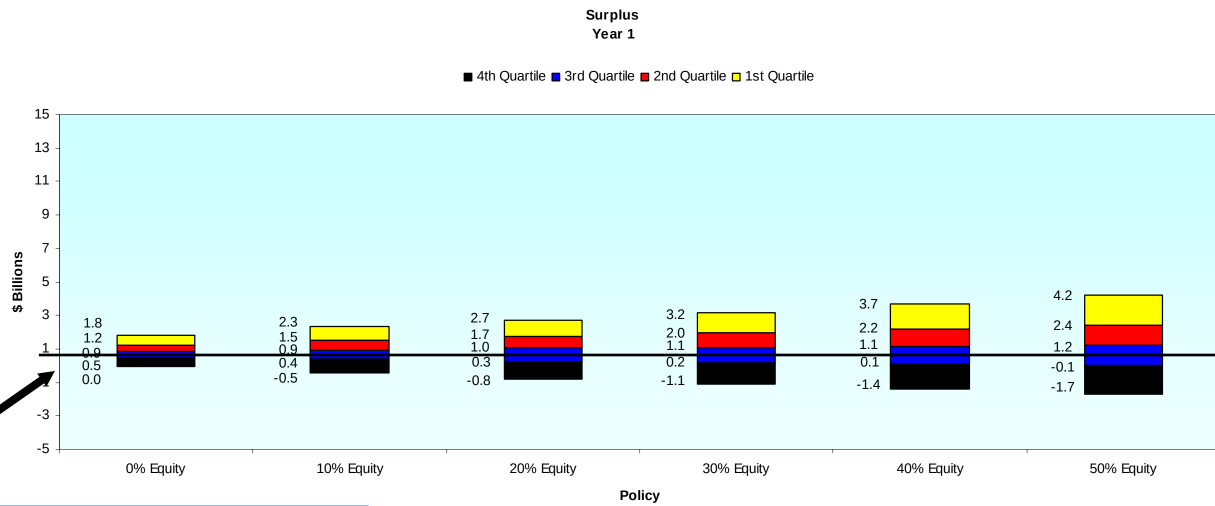
	"Market Enviornment"	0% Equity	10% Equity	20% Equity	30% Equity	40% Equity	50% Equity
1 Year	Top 5%	17.3	15.4	16.7	18.6	21.3	24.2
	Top Quartile	10.0	9.6	10.3	11.3	12.5	13.9
	Median	5.2	5.7	6.1	6.4	6.8	7.1
	Bottom Quartile	0.6	1.9	2.0	1.8	1.3	0.8
	Bottom 5%	-5.6	-3.2	-3.6	-4.5	-6.0	-7.6

	"Market Enviornment"	0% Equity	10% Equity	20% Equity	30% Equity	40% Equity	50% Equity
10 Years	Top 5%	8.9	8.7	9.3	10.1	11.2	12.3
	Top Quartile	6.7	6.9	7.4	8.0	8.6	9.2
	Median	5.2	5.7	6.1	6.4	6.8	7.1
	Bottom Quartile	3.8	4.5	4.8	4.9	5.0	5.1
	Bottom 5%	1.7	2.8	2.9	2.9	2.6	2.2

V. Asset-Liability Modeling

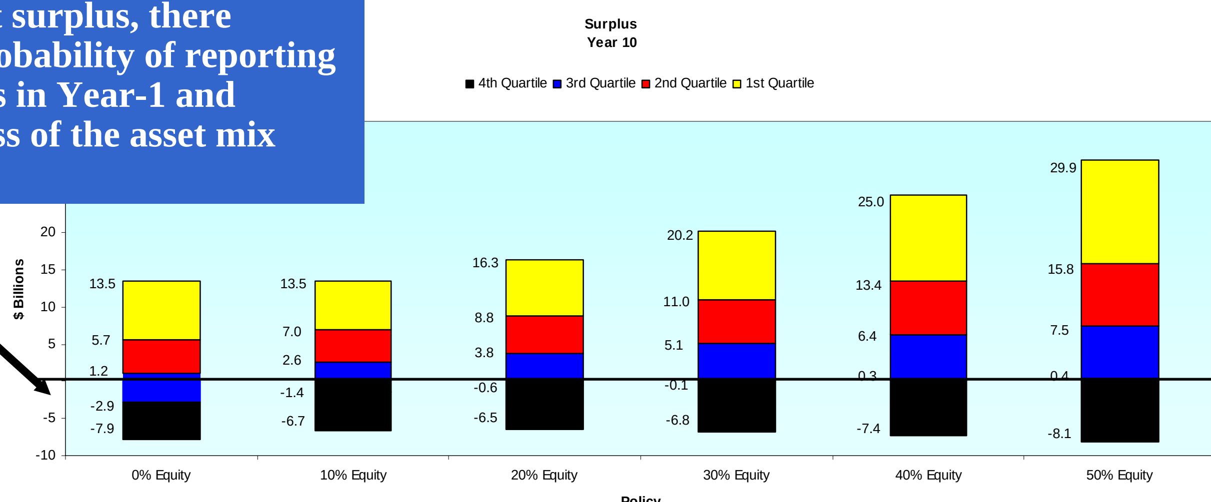
Stochastic Simulation of Surplus: Year 1 and Year 10

➢ **The floating bar charts incorporate a stochastic simulation of assets, premiums, claims and reserves under potential interest rate, inflation and capital market environments and illustrate the potential SIF surplus under various asset mixes over short and long-term time horizons:**



Current Surplus

Given the current surplus, there is a fairly high probability of reporting a negative surplus in Year-1 and Year-10 regardless of the asset mix selected



Current Surplus

Source: Mercer and Wilshire

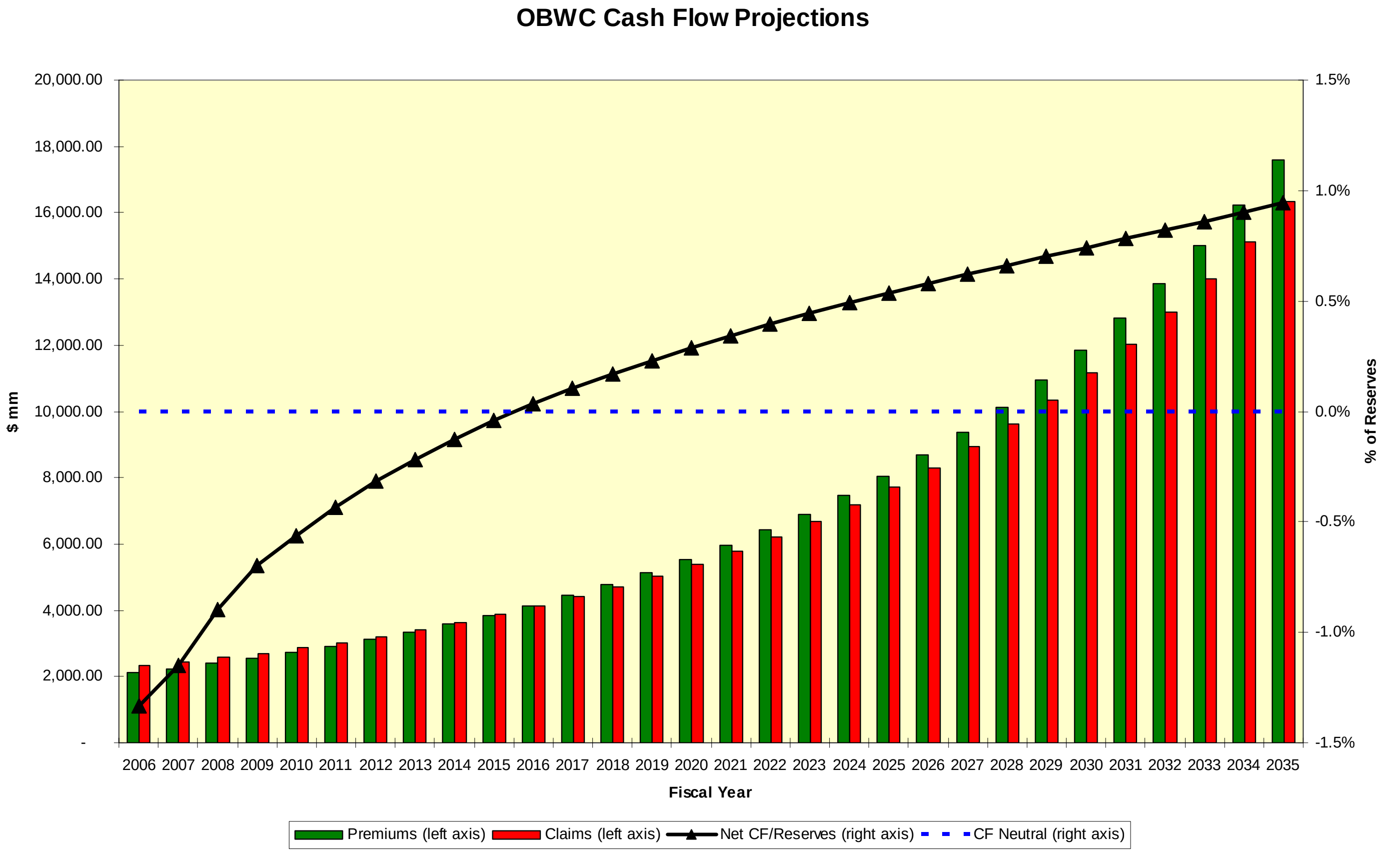
Potential Outcomes: Surplus

➢ **The data table below illustrates the impact on possible market environments on surplus over a 5-year time horizon:**

	"Market Enviornment"	0% Equity	10% Equity	20% Equity	30% Equity	40% Equity	50% Equity
1 Year	Top 5%	1.8	2.3	2.7	3.2	3.7	4.2
	Top Quartile	1.2	1.5	1.7	2.0	2.2	2.4
	Median	0.9	0.9	1.0	1.1	1.1	1.2
	Bottom Quartile	0.5	0.4	0.3	0.2	0.1	-0.1
	Bottom 5%	0.0	-0.5	-0.8	-1.1	-1.4	-1.7
2 Years	Top 5%	2.6	3.1	3.8	4.6	5.4	6.4
	Top Quartile	1.5	1.9	2.3	2.7	3.2	3.6
	Median	0.9	1.0	1.2	1.3	1.5	1.6
	Bottom Quartile	0.3	0.2	0.1	0.0	-0.2	-0.3
	Bottom 5%	-0.6	-1.1	-1.5	-1.9	-2.3	-2.7
3 Years	Top 5%	3.2	3.9	4.8	5.9	7.1	8.4
	Top Quartile	1.8	2.3	2.9	3.4	4.0	4.6
	Median	0.9	1.2	1.4	1.6	1.9	2.0
	Bottom Quartile	0.1	0.1	0.0	-0.1	-0.2	-0.3
	Bottom 5%	-1.1	-1.6	-2.0	-2.4	-2.9	-3.3
4 Years	Top 5%	4.0	4.6	5.9	7.3	8.9	10.6
	Top Quartile	2.2	2.7	3.4	4.1	4.9	5.7
	Median	1.0	1.3	1.6	2.0	2.3	2.6
	Bottom Quartile	-0.2	0.0	0.0	-0.1	-0.1	-0.3
	Bottom 5%	-1.8	-1.9	-2.4	-3.0	-3.7	-4.1
5 Years	Top 5%	5.0	5.6	7.0	8.6	10.6	12.8
	Top Quartile	2.5	3.2	4.1	5.0	5.9	6.8
	Median	1.0	1.4	1.9	2.3	2.7	3.1
	Bottom Quartile	-0.5	-0.2	-0.1	-0.2	-0.3	-0.4
	Bottom 5%	-2.5	-2.5	-3.0	-3.5	-4.2	-4.8

OBWC Cash Flow Projections

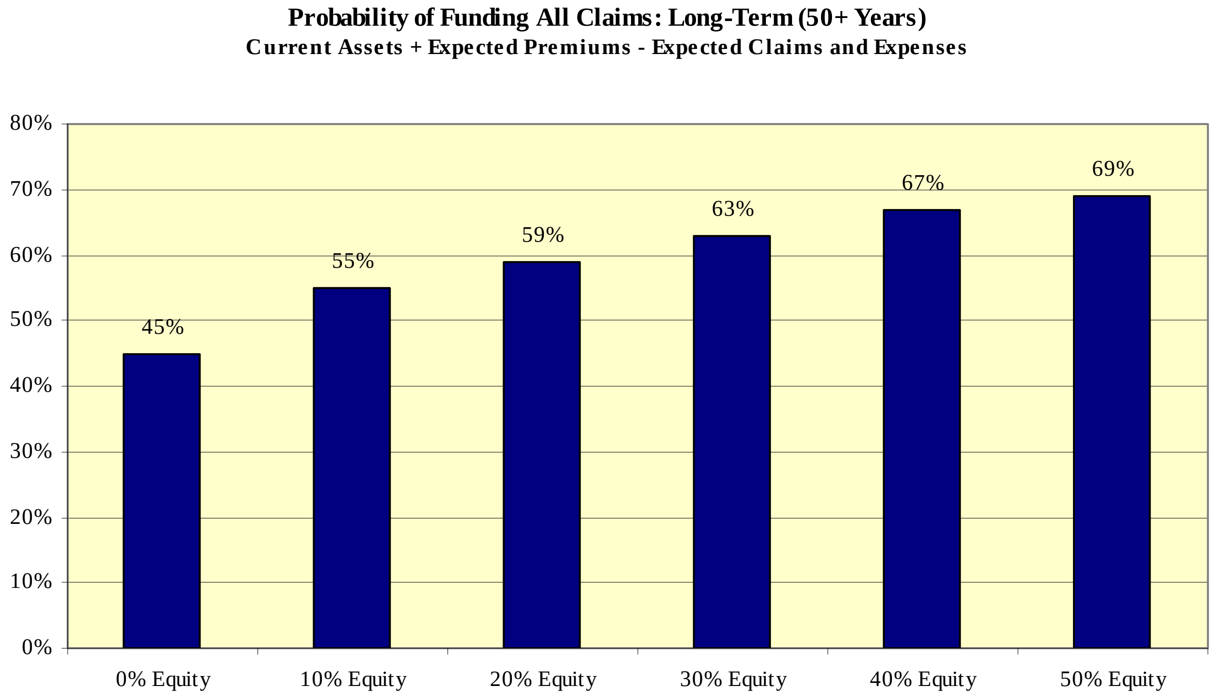
- **Modest negative cash flows (premiums less claims) are expected over the next 10 years, followed by positive cash flows**
- **This illustration excludes expected investment income**



Source: Mercer Oliver Wyman Projections

Probability of Success

- **The graph below illustrates the probability of OBWC funding all future expected claims and expenses given current assets, expected premiums and assessments and investment returns over a long-term (50+ years) horizon:**



Observations

- **The optimal asset mix is highly dependent on the Fund's ultimate objective and time horizon:**
  - If minimizing short term volatility of the accounting surplus is the sole objective, then the "Immunized" fixed income portfolio is optimal
  - If minimizing the long-term (10-year) downside risk of the accounting surplus is the objective, then a 20% equity allocation is optimal
  - If maximizing the safety of benefit claims is the objective (and the Fund can withstand downside risk to the accounting surplus), then an equity allocation greater than 20% may be justified
- **The immunized bond portfolio will not likely preserve the surplus in periods when medical and/or wage inflation exceed current expectations**
  - There is no financial instrument that can effectively hedge this inflation risk
- **Regardless of the asset mix selected, Wilshire recommends that OBWC build a larger surplus before considering future premium refunds to employers**
  - Given the current level of surplus, under any asset allocation policy mix, there exists the probability of a shortfall in the future
  - Because of the positive cash flow characteristics of the SIF, any shortfall would likely not be an issue until well into the future

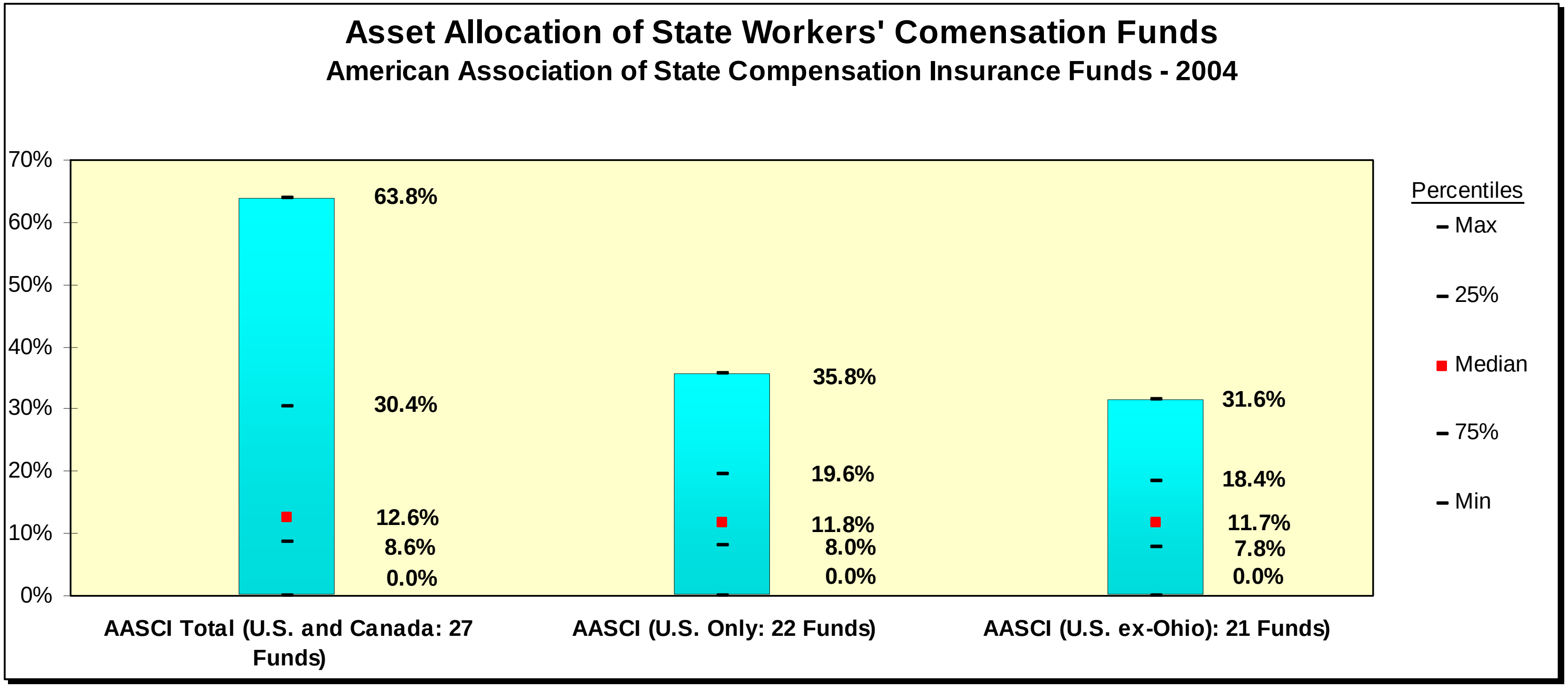
VI. Industry Peer Comparisons

Legislative Background: Industry Standards

- **Ohio Revised Code § 4121.125**
  - (A) The Workers' Compensation Oversight Commission may contract with one or more other actuarial firms and other professional persons as the Oversight Commission determines necessary, to assist the Oversight Commission in measuring the performance of Ohio Workers' Compensation System to other state and private workers' compensation systems. The Oversight Commission, actuarial firms or firms, and professional persons shall make such measurements and comparisons using accepted insurance industry standards, including, but not limited to, standards promulgated by the National Council on Compensation Insurance.

Industry Comparison

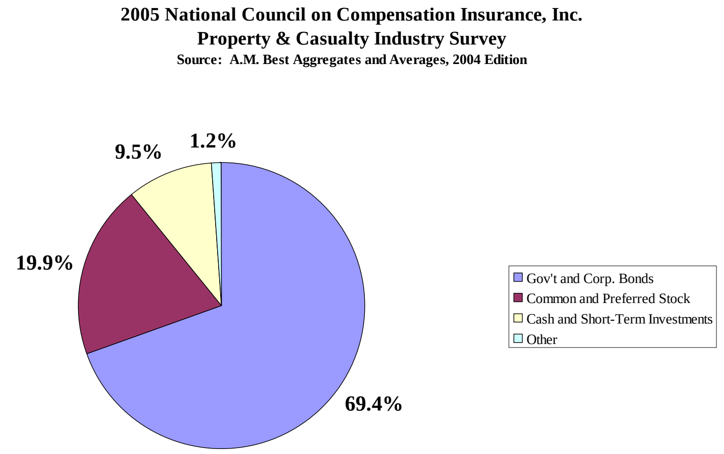
- The American Association of State Workers' Compensation Funds 2005 Survey (based on year-end 2004 data) provides the range of equity allocations of 27 U.S. and Canadian State and Province-run funds:



- The median equity allocation of all funds was 12.6% at year end 2004
- The equal-weighted average equity allocation for this group was 22%.

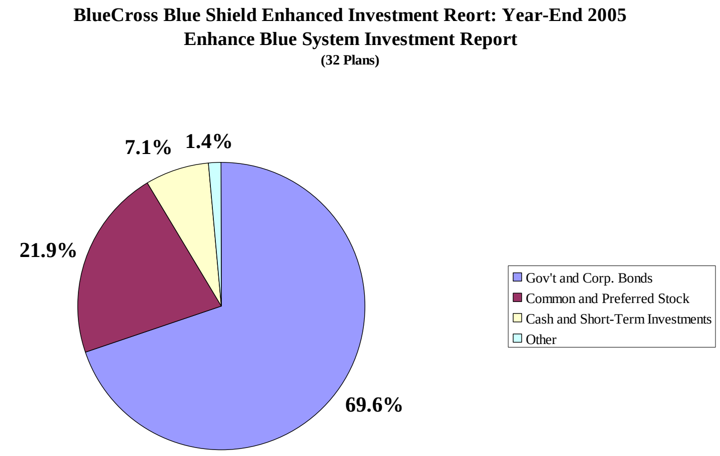
Industry Comparison

- The chart below highlights the average asset allocation of Property & Casualty carriers as measured by the National Council on Compensation Insurance, Inc.:



- The average equity allocation was 19.9% as of December 31, 2003

- This chart displays the average asset allocation of 32 BlueCross BlueShield Plans' investment portfolios in the healthcare insurance industry (not a direct industry comparison):



- The average equity allocation was 21.9% as of December 31, 2005

Peer Comparison: State Monopoly Funds

American Association of State Workers' Compensation Funds - 2004						
Fund	Assets	Reserves	Surplus	Discount Rate	Equity Allocation	
					% of Investments	% of Surplus
North Dakota	1,442,415	977,119	465,296	5.00%	24%	74%
Ohio	21,331,936	20,471,166	860,770	5.25%	36%	892%
Washington	9,334,583	8,546,394	788,189	4.60%	19%	225%
West Virginia	1,312,627	4,277,696	(2,965,069)	1.96%	5%	N.A.
Wyoming[1]	490,000	629,000	(139,000)	5.00%	No Data Provided	

Source: AASCIF 2005 Survey except Wyoming, which is based on Mercer estimates

- **This AASCIF survey from 2004 provides comparative data vs. other state monopoly workers' compensation funds.**
- **OBWC's equity as a percent of surplus was significantly higher than peers (ex. West Virginia) that reported.**
  - Two factors contributed to this status:
    - Premium refunds exceeding $5 billion over the past 7 years
    - Negative equity market returns during 2000-2002
- **Even at a 20% equity allocation, equities as a percent of surplus would be approximately 500%**

VII. Proposed Dividend / Adequate Surplus Policy

Ohio Revised Code: Dividends

- **Ohio Revised Code § 4123.32**

  The administrator of workers' compensation, with the advice and consent of the Workers' Compensation Oversight Commission, shall adopt rules with respect to the collection, maintenance, and disbursements of the state insurance fund including all of the following:

  - (A) A rule providing that in the event there is developed as of any given rate revision date a surplus of earned premium over all losses which in the judgment of the administrator, is larger than is necessary adequately to safeguard the solvency of the fund, the administrator may return such excess surplus to the subscriber to the fund in either the form of cash refunds or a reduction of premiums, regardless of when the premium obligations have accrued

- **Wilshire's recommended asset allocation assumes that the OBWC will grow and maintain an adequate surplus**

  - An equity allocation requires that the Fund maintain a sufficient surplus to protect the Fund in times of poor equity returns
  - The Fund's current thin surplus (approx. $870 million) is primarily the result of dividends (or premium refunds) that totaled over $5 billion in the past six years

VIII. Asset Class Structure and Implementation

Investment Structure

- **Wilshire recommends the following investment structure for implementing the asset allocation policy:**

	SIF Allocation		
Asset Class	***%***	***$ mm***	***Benchmark***
U.S. Equity	**15**	**2,265**	**Wilshire 5000**
Large Cap	*12*	*1,812*	*S&P 500*
Active (0%)	0	-	
Passive (100%)	12	1,812	
Small/Mid Cap	*3*	*453*	*Wilshire 4500 / Russell 2500*
Active (100%)	3	453	
Passive (0%)	0	-	
Non-U.S. Equity	**5**	**755**	**MSCI ACWI ex-U.S.**
Active (80%)	4	604	
Passsive (20%)	1	151	
Fixed Income - Long Duration	**54**	**8,153**	**Lehman Long Government/Credit**
Active (50%)	27	4,076	
Passive (50%)	27	4,076	
High Yield	**5**	**755**	**Merrill Lynch High Yield Master II**
Active (100%)	5	755	
Passive (0%)	0	-	
Inflation-Protected Securities	**20**	**3,020**	**Lehman U.S. TIPS**
Active (0%)	0	-	
Passive (100%)	20	3,020	
Cash Equivalents	**1**	**151**	**90-Day T-Bill**

Please refer to the following page for an analysis of the long-duration fixed income benchmark.

Illustrative Transition Timeline

Jun-06
Present asset allocation recommendation to WCOC
Present revised Investment Policy Statement to WCOC for approval
Issue RFPs for transition management and index managers

Jul-06
Issue RFPs for long-duration fixed income active managers

Aug-06
Evaluate RFP responses for transition management and index managers
Issue RFP for non-U.S. equity active managers

Sep-06
Evaluate RFP responses for transition management and index managers
Evaluate RFP responses for active long-duration fixed income managers
Issue RFP for small cap U.S. equity active managers

Oct-06
Present transition management and index manager recommendations to WCOC
Commence allocating assets to U.S. equity, non-U.S. equity, fixed income and TIPS index manager(s) (6 months)
Evaluate RFP responses for active long-duration fixed income managers
Evaluate RFP responses for non-U.S. equity active managers

The above calendar is for illustrative purposes only. Actual implementation may differ due to a variety of factors. Expected completion during Q2 2007.

Illustrative Transition Timeline

Nov-06
Present long-duration fixed income active manager recommendations to WCOC
Commence implementing active long-duration fixed income allocation (4 months)
Evaluate RFP responses for non-U.S. equity active managers
Evaluate small cap U.S. equity active managers
Issue RFP for high yield active managers

Dec-06
Present non-U.S. equity active manager recommendations to WCOC
Commence implementing non-U.S. equity active manager allocation (4 months)
Evaluate small cap U.S. equity active managers
Evaluate high yield active managers

Jan-07
Present small cap U.S. equity active manager recommendations to WCOC
Commence implementing small cap U.S. equity allocation (3 months)
Evaluate high yield active managers

Feb-07
Present high yield active manager recommendations to WCOC
Commence implementing high yield allocation (3 months)

The above calendar is for illustrative purposes only. Actual implementation may differ due to a variety of factors. Expected completion during Q2 2007.

<u>Julia K. Bonafede, CFA</u>
Senior Managing Director and Principal

Julia joined Wilshire in 1991 initially as a member of the Consulting Division. She moved to the Analytics Division in 1993 and, in 1996, started Wilshire's European Analytics business in London. Beginning in 1999, Julia headed the Analytics Division's U.S.-based client service group, a staff of 30, located in Wilshire's New York and Santa Monica offices. Currently Julia directs Wilshire's Consulting Division.

Julia has a B.A. in Marketing from the University of Colorado and an M.B.A. in Finance and Entrepreneurship from the Marshall School of Business at the University of Southern California. She is a member of the Association for Investment Management and Research and is a founding member of the United Kingdom Society of Investment Professionals. Her publications include, "The Wilshire 5000 Total Market Index: The Logistics Behind Managing Broad-Based Indexes", *Journal of Indexes*, 3rd Quarter 2003; and "A Multi-Period Linking Algorithm that Has Stood the Test of Time", *The Journal of Performance Measurement*, Volume 7: Number 1.

<u>Mark E. Brubaker, CFA</u>
Managing Director

Mark joined the Pittsburgh, PA office of Wilshire Associates as a Senior Consultant in 1997. Mark works with a broad range of fund sponsors including public and corporate pensions, endowments and foundations and insurance companies. In addition to his client responsibilities, he serves on Wilshire's investment committee and chairs Wilshire's small cap value and growth manager research committees. He is a frequent speaker on investment-related topics including asset/liability management, alternative investments and emerging markets.

Mark earned a B.A. from Yale University and an MBA from Carnegie Mellon University with a concentration in finance. Before joining Wilshire, Mark worked at Westinghouse Electric Corporation, where he was responsible for over $9 billion in defined benefit, defined contribution and foundation assets and at PNC Bank where he managed pension client relationships for the Investment Management and Trust Division.

He holds the Chartered Financial Analyst designation and is a member of the CFA Institute and Pittsburgh Society of Financial Analysts.

Appendix XII: Ohio Revised Code Section 4123.44

R.C. § 4123.44

Baldwin's Ohio Revised Code Annotated Currentness

Title XLI. Labor and Industry
Chapter 4123. Workers' Compensation (Refs & Annos)
Funds and Premiums
4123.44 Investment powers of administrator

The voting members of the workers' compensation oversight commission, the administrator of workers' compensation, and the bureau of workers' compensation chief investment officer are the trustees of the state insurance fund. The administrator of workers' compensation, in accordance with sections 4121.126 and 4121.127 of the Revised Code and the investment objectives, policies, and criteria established by the workers' compensation oversight commission pursuant to section 4121.12 of the Revised Code, and in consultation with the bureau of workers' compensation chief investment officer, may invest any of the surplus or reserve belonging to the state insurance fund.

The administrator shall not invest in any type of investment specified in divisions (G)(6)(a) to (j) of section 4121.12 of the Revised Code.

The administrator and other fiduciaries shall discharge their duties with respect to the funds with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, and by diversifying the investments of the assets of the funds so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

To facilitate investment of the funds, the administrator may establish a partnership, trust, limited liability company, corporation, including a corporation exempt from taxation under the Internal Revenue Code, 100 Stat. 2085, 26 U.S.C. 1, as amended, or any other legal entity authorized to transact business in this state.

When reporting on the performance of investments, the administrator shall comply with the performance presentation standards established by the association for investment management and research.

All investments shall be purchased at current market prices and the evidences of title to the investments shall be placed in the custody of the treasurer of state, who is hereby designated as custodian, or in the custody of the treasurer of state's authorized agent. Evidences of title of the investments so purchased may be deposited by the treasurer of state for safekeeping with an authorized agent selected by the treasurer of state who is a qualified trustee under section 135.18 of the Revised Code. The treasurer of state or the agent shall collect the principal, dividends, distributions, and interest as they become due and payable and place them when collected into the state insurance fund.

The treasurer of state shall pay for investments purchased by the administrator on receipt of written or electronic instructions from the administrator or the administrator's designated agent authorizing the purchase, and pending receipt of the evidence of title of the investment by the treasurer of state or the treasurer of state's authorized agent. The administrator may sell investments held by the administrator, and the treasurer of state or the treasurer of state's authorized agent shall accept payment from the purchaser and deliver evidence of title of the investment to the purchaser, on receipt of written or electronic instructions from the administrator or the administrator's designated agent authorizing the sale, and pending receipt of the moneys for the investments. The amount received shall be placed in the state insurance fund. The administrator and the treasurer of state may enter into agreements to establish procedures for the purchase and sale of investments under this division and the custody of the investments.

No purchase or sale of any investment shall be made under this section, except as authorized by the administrator.

Any statement of financial position distributed by the administrator shall include the fair value, as of the statement date, of all investments held by the administrator under this section.

When in the judgment of the administrator it is necessary to provide available funds for the payment of compensation or benefits under this chapter, the administrator may borrow money from any available source and pledge as security a sufficient amount of bonds or other securities in which the state insurance fund is invested. The aggregate unpaid amount of loans existing at any one time for money so borrowed shall not exceed ten million dollars. The bonds or other securities so pledged as security for such loans to the administrator shall be the sole security for the payment of the principal and interest of any such loan. The administrator shall not be personally liable for the payment of the principal or the interest of any such loan. No such loan shall be made for a longer period of time than one year. Such loans may be renewed but no one renewal shall be for a period in excess of one year. Such loans shall bear such rate of interest as the administrator determines and in negotiating the loans, the administrator shall endeavor to secure as favorable interest rates and terms as circumstances will permit.

The treasurer of state may deliver to the person or governmental agency making such loan, the bonds or other securities which are to be pledged by the administrator as security for such loan, upon receipt by the treasurer of state of an order of the administrator authorizing such loan. Upon payment of any such loan by the administrator, the bonds or other securities pledged as security therefor shall be returned to the treasurer of state as custodian of such bonds.

The administrator may pledge with the treasurer of state such amount of bonds or other securities in which the state insurance fund is invested as is reasonably necessary as security for any certificates issued, or paid out, by the treasurer of state upon any warrants drawn by the administrator.

The administrator may secure investment information services, consulting services, and other like services to facilitate investment of the surplus and reserve belonging to the state insurance fund. The administrator shall pay the expense of securing such services from the state insurance fund.

(2005 H 66, eff. 9-29-05; 1996 S 82, eff. 3-7-97; 1995 H 7, eff. 9- 1-95; 1994 S 179, eff. 3-10-95; 1993 H 107, eff. 10-20-93; 1989 H 222; 1986 H 562; 1985 H 201; 1984 H 469; 1976 S 545; 1975 H 1; 1974 S 129; 1973 H 406; 1969 S 176; 131 v S 58; 129 v 582; 128 v 1206; 1953 H 1; GC 1465-58)

HISTORICAL AND STATUTORY NOTES

Pre-1953 H 1 Amendments: 118 v 324, § 1; 117 v 469, § 1; 115 v 79; 111 v 51, 218; 109 v 525; 103 v 76, § 11; 102 v 528

Amendment Note: 2005 H 66 added first sentence; inserted "sections 4121.126 and 4121.127 of the Revised Code and" and ", and in consultation with the bureau of workers' compensation chief investment officer" in the first paragraph; added the second paragraph; and inserted "of state" after the second occurrence of "treasurer" in the second sentence of the sixth paragraph.

Amendment Note: 1996 S 82 rewrote this section. See Baldwin's Ohio Legislative Service, 1996, p 12/L-4356, or the OH-LEGIS or OH-LEGIS-OLD database on WESTLAW, for prior version of this section.

Amendment Note: 1995 H 7 added ", in accordance with the investment policy established by the workers' compensation oversight commission pursuant to section 4121.12 of the Revised Code," to division (A).

Amendment Note: 1994 S 179 inserted "the international finance corporation or by" and "; however, the administrator may invest not more than the aggregate of fifteen per cent of the value of the funds described in division (A) of this section in such obligations" in division (A)(6).

Amendment Note: 1993 H 107 deleted ", with the approval of the workers' compensation board and the industrial commission," prior to "may invest" in the first paragraph of division (A); added division (A)(1)(d); substituted "four" for "three" and "fourth" for "third", respectively, in divisions (A)(2)(f)(iv), (A)(3)(a)(iv), and (A)(4)(a); substituted "A-2 or higher quality according to the Standard and Poor's rating service and P-2 or higher quality according to the Moody's rating service, or an equivalent rating according to" for "prime by" and inserted "other" prior to "standard rating services" in division (A)(4)(b); inserted "and section 4123.441 of the Revised Code" in, and deleted a reference to section 4123.442 from the last sentence of, division (B); and added division (G).

CROSS REFERENCES

Bureau of workers' compensation, duties of administrator, 4121.121
Coal-workers pneumoconiosis fund established, investments, 4131.03
Safety and hygiene fund, investment powers of administrator, 4121.37
Self-insuring employers' surety bond fund, investments, 4123.351
State administrative procedure, exceptions to application, 119.01

LIBRARY REFERENCES

Workers' Compensation ⚷1049.

Westlaw Topic No. 413.
C.J.S. Workmen's Compensation § 358.
Baldwin's Ohio Legislative Service, 1989 Laws of Ohio, H 222--LSC Analysis, p 5-832
Baldwin's Ohio Legislative Service, 1993 Laws of Ohio, H 107--LSC Analysis, p 5-941

RESEARCH REFERENCES

Encyclopedias

OH Jur. 3d Administrative Law § 6, Ohio Administrative Procedure Act (Ohio Apa)--Agency and Rulemaking Agency Defined and Exempted by Ohio Apa.

OH Jur. 3d Administrative Law § 67, Filing With Joint Committee on Agency Rule Review--Exceptions.

OH Jur. 3d Workers' Compensation § 51, Rulemaking Powers; Rules Generally.

OH Jur. 3d Workers' Compensation § 427, State Insurance Fund and Surplus; Successors in Interest.

Treatises and Practice Aids

Ohio Personal Injury Practice App. B, Appendix B.

Ohio Personal Injury Practice App. B, Appendix B.

NOTES OF DECISIONS

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1. Constitutional issues

The transfer of state insurance fund investment income to the disabled workers' relief fund, pursuant to RC 4123.411, violates neither O Const Art II §28 nor 35. Thompson v. Industrial Com'n of Ohio (Ohio 1982) 1 Ohio St.3d 244, 438 N.E.2d 1167, 1 O.B.R. 265. Workers' Compensation 🔑1049

Unconstitutional in its attempt to require taxing districts before advertising a bond issue for sale to offer same to the industrial commission of Ohio at less than market value. State ex rel. City of Cleveland Heights v. Frazine (Ohio 1924) 110 Ohio St. 523, 144 N.E. 289, 2 Ohio Law Abs. 407, 22 Ohio Law Rep. 177.

Workmen's compensation fund can be raised only by contributions levied on employers. To divert the premium on bonds, which belongs to a taxing district, is to burden such district as compared with a district not issuing bonds or whose bonds are not accepted by the commission, and hence amounts to a tax without uniformity. State ex rel. City of Cleveland Heights v. Frazine (Ohio 1924) 110 Ohio St. 523, 144 N.E. 289, 2 Ohio Law Abs. 407, 22 Ohio Law Rep. 177.

2. In general

If the assessment levied against employers pursuant to RC 4123.411 is insufficient to carry out the provisions of RC 4123.412 to 4123.418 then the additional amount necessary must be provided from the income produced as a result of investments made pursuant to RC 4123.44. OAG 76-039.

Responsibility of the state treasurer for collection of installments of interest and principal of so-called FHA insured mortgages bought by state retirement boards or state industrial commission, begins when, under the terms of the accompanying contract for the servicing of said mortgages, the proceeds of these payments are remitted by the servicer or the servicing agent to the investors; the title to notes and the mortgage securing the same, representing the investment, vests in the retirement board of the industrial commission making the investment. 1940 OAG 1723.

3. Disbursements; investments

The formation of a partnership by the administrator of workers' compensation and a private corporation for the purpose of investing a portion of the surplus or reserve of the state insurance fund in a project to construct and operate a parking garage does not violate O Const Art VIII §4, provided that no moneys belonging to the state will ever be obligated for the purpose of reimbursing the state insurance fund for any losses it incurs as a result of such investment. OAG 99-002.

Pursuant to RC 4123.44, the administrator of workers' compensation may form a partnership with a private corporation for the purpose of investing a portion of the surplus or reserve of the state insurance fund in a project to construct and operate a parking garage, provided such investment is in accordance with the investment objectives, policies, and criteria established by the workers' compensation oversight commission. However, in making such an investment, the administrator must discharge his investment duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. OAG 99- 002.

Neither the administrator of the bureau of workers' compensation nor the industrial commission has the authority to invest moneys of the safety and hygiene fund not needed for current operations. Such moneys may, however, be invested by the treasurer of state in accordance with RC Ch 135. OAG 79-110.

The department of administrative services and industrial commission have no authority to create a rotary fund in the state insurance fund for payment of administrative costs of managing investments made pursuant to RC 4123.44, and disbursements from the state insurance fund for payment of such administrative costs are limited to those provided for in the appropriations act and RC 4123.341 and 4123.342. OAG 74-067.

Neither the workmen's compensation fund nor the teachers' retirement fund can lawfully be used for the purpose of erecting a state building. 1927 OAG 110.

4. Fiduciary obligations

The industrial commission has a fiduciary responsibility to preserve and safeguard the financial integrity and solvency of the state insurance fund, including an obligation to adhere to certain standards of judgment and care when taking actions such as approving the sale of industrial rehabilitation centers for prices less than their construction and development costs, modifying or renegotiating the terms of the lease agreements for such centers, or agreeing to a reduction in the rent paid under such lease agreements. OAG 89-033.

5. Effective date

Any section of a law which changes the permanent law of the state is subject to referendum under the powers reserved to the people by O Const Art II § 1, even though the law also contains a section providing for an appropriation for the current expenses of the state government and state institutions, which under O Const Art II § 1d becomes immediately effective; thus, the nonappropriation provisions of 1993 Am.Sub.H.B. 107 are stayed for ninety days, during which period relators may undertake to petition for a referendum on the provisions of such act that change the permanent law of the state. State ex rel. Ohio AFL-CIO v. Voinovich (Ohio, 04-08-1994) 69 Ohio St.3d 225, 631 N.E.2d 582, 1994-Ohio-1, opinion clarified 69 Ohio St.3d 1208, 632 N.E.2d 907.

R.C. § 4123.44, OH ST § 4123.44

Current through 2005 File 63 and 2006 File 64 of the 126th GA (2005-2006)
apv. by 1/30/06, and filed with the Secretary of State by 1/31/06.

Appendix XIII: Legal Requirements Summary

This section of the Statement of Investment Policy and Guidelines contains the Ohio Revised Code citations that form the legal basis for the duties and requirements of the Workers' Compensation Oversight Commission, the Administrator, and the Chief Investment Officer relating to Bureau of Workers' Compensation investments. The text of relevant statutory provisions that form the basis of the Statement of Investment Policy and Guidelines is included in this section for reference. This section does not include all Revised Code sections relating to the WCOC, Administrator, BWC, and Chief Investment Officer, but only those Revised Code sections that relate to the Investment Policy.

Am. Sub. H.B. 66, the General Revenue budget bill for the operation of state government, amended or enacted many of these statutes affecting BWC investments. The provisions of Sub. H.B. 66 were effective September 29, 2005.

I. General Investment Authority and Criteria

R.C. 4123.44 contains the chief authority for the investment of the State Insurance Fund. The statute establishes the "prudent person" standard for investment decisions. The statute cross references R.C. 4121.12(G)(6)(a) to (j) for prohibited investments, cited below in the section on "Workers' Compensation Oversight Commission duties."

> 4123.44: The voting members of the workers' compensation oversight commission, the administrator of workers' compensation, and the bureau of workers' compensation chief investment officer are the trustees of the state insurance fund. The administrator of workers' compensation, in accordance with sections 4121.126 and 4121.127 of the Revised Code and the investment objectives, policies, and criteria established by the workers' compensation oversight commission pursuant to section 4121.12 of the Revised Code, and in consultation with the bureau of workers' compensation chief investment officer, may invest any of the surplus or reserve belonging to the state insurance fund.
>
> The administrator shall not invest in any type of investment specified in divisions (G)(6)(a) to (j) of section 4121.12 of the Revised Code.
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> The administrator and other fiduciaries shall discharge their duties with respect to the funds with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, and by diversifying the investments of the assets of the funds so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
>
> To facilitate investment of the funds, the administrator may establish a partnership, trust, limited liability company, corporation, including a corporation exempt from taxation under the Internal Revenue Code, 100 Stat. 2085, 26 U.S.C. 1, as amended, or any other legal entity authorized to transact business in this state.
>
> When reporting on the performance of investments, the administrator shall comply with the performance presentation standards established by the association for investment management and research.

All investments shall be purchased at current market prices and the evidences of title to the investments shall be placed in the custody of the treasurer of state, who is hereby designated as custodian, or in the custody of the treasurer of state's authorized agent. Evidences of title of the investments so purchased may be deposited by the treasurer of state for safekeeping with an authorized agent selected by the treasurer of state who is a qualified trustee under section 135.18 of the Revised Code. The treasurer of state or the agent shall collect the principal, dividends, distributions, and interest as they become due and payable and place them when collected into the state insurance fund.

The treasurer of state shall pay for investments purchased by the administrator on receipt of written or electronic instructions from the administrator or the administrator's designated agent authorizing the purchase, and pending receipt of the evidence of title of the investment by the treasurer of state or the treasurer of state's authorized agent. The administrator may sell investments held by the administrator, and the treasurer of state or the treasurer of state's authorized agent shall accept payment from the purchaser and deliver evidence of title of the investment to the purchaser, on receipt of written or electronic instructions from the administrator or the administrator's designated agent authorizing the sale, and pending receipt of the moneys for the investments. The amount received shall be placed in the state insurance fund. The administrator and the treasurer of state may enter into agreements to establish procedures for the purchase and sale of investments under this division and the custody of the investments.

No purchase or sale of any investment shall be made under this section, except as authorized by the administrator.

Any statement of financial position distributed by the administrator shall include the fair value, as of the statement date, of all investments held by the administrator under this section.

When in the judgment of the administrator it is necessary to provide available funds for the payment of compensation or benefits under this chapter, the administrator may borrow money from any available source and pledge as security a sufficient amount of bonds or other securities in which the state insurance fund is invested. The aggregate unpaid amount of loans existing at any one time for money so borrowed shall not exceed ten million dollars. The bonds or other securities so pledged as security for such loans to the administrator shall be the sole security for the payment of the principal and interest of any such loan. The administrator shall not be personally liable for the payment of the principal or the interest of any such loan. No such loan shall be made for a longer period of time than one year. Such loans may be renewed but no one renewal shall be for a period in excess of one year. Such loans shall bear such rate of interest as the administrator determines and in negotiating the loans, the administrator shall endeavor to secure as favorable interest rates and terms as circumstances will permit.

The treasurer of state may deliver to the person or governmental agency making such loan, the bonds or other securities which are to be pledged by the administrator as security for such loan, upon receipt by the treasurer of state of an order of the administrator authorizing such loan. Upon payment of any such loan by the administrator, the bonds or other securities pledged as security therefor shall be returned to the treasurer of state as custodian of such bonds.

The administrator may pledge with the treasurer of state such amount of bonds or other securities in which the state insurance fund is invested as is reasonably necessary as security for any certificates issued, or paid out, by the treasurer of state upon any warrants drawn by the administrator.

The administrator may secure investment information services, consulting services, and other like services to facilitate investment of the surplus and reserve belonging to the state insurance fund. The administrator shall pay the expense of securing such services from the state insurance fund.

II. Workers' Compensation Oversight Commission Investment Duties

R.C. 4121.12(G)(6) requires the WCOC to establish an investment policy with certain criteria, and to monitor the Administrator's progress in investments. The WCOC shall review the investment policy annually. The WCOC shall prohibit BWC from investing in certain specified assets.

> 4121.12(G): The commission shall . . . (6) Establish objectives, policies, and criteria for the administration of the investment program that include asset allocation targets and ranges, risk factors, asset class benchmarks, time horizons, total return objectives, and performance evaluation guidelines, and monitor the administrator's progress in implementing the objectives, policies, and criteria on a quarterly basis. The commission shall review and publish the objectives, policies, and criteria no less than annually and shall make copies available to interested parties. The commission shall prohibit, on a prospective basis, any specific investment it finds to be contrary to its investment objectives, policies, and criteria.
>
> The objectives, policies, and criteria adopted by the commission for the operation of the investment program shall prohibit investing assets of funds, directly or indirectly, in vehicles that target any of the following:
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> (a) Coins;
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> (b) Artwork;
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> (c) Horses;
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> (d) Jewelry or gems;
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> (e) Stamps;
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> (f) Antiques;
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> (g) Artifacts;
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> (h) Collectibles;
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> (i) Memorabilia;
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> (j) Similar unregulated investments that are not commonly part of an institutional portfolio, that lack liquidity, and that lack readily determinable valuation.

R.C. 4121.12(G)(7) requires the WCOC to specify in the investment policy that the Administrator is permitted to invest in an investment class only if the WCOC opens that class. The WCOC shall adopt rules establishing due diligence standards for BWC employees to follow when investing in that class. The WCOC shall establish policies and procedures to monitor and review the performance and value of each investment class. The WCOC shall report annually on the performance and value of each investment class.

> 4121.12(G): The commission shall . . . (7) Specify in the objectives, policies, and criteria for the investment program that the administrator is permitted to invest in an investment class only if the commission, by a majority vote, opens that class. After the commission opens a class but prior to the administrator investing in that class, the commission shall adopt rules establishing due diligence standards for employees' of the bureau to follow when investing in that class and shall establish policies and procedures to review and monitor the performance and value of each investment class. The commission shall submit a report annually on the performance and value of each investment class to the governor, the president and minority

leader of the senate, and the speaker and minority leader of the house of representatives. The commission may vote to close any investment class.

III. Administrator's Investment Duties

R.C. 4121.121(B)(7) states the general power for the Administrator to invest, prohibits the Administrator from investing in prohibited investment classes, and requires the Administrator to make investments in consultation with the Chief Investment Officer.

R.C. 4121.121: (B) The administrator is responsible for the management of the bureau of workers' compensation and for the discharge of all administrative duties imposed upon the administrator in this chapter and Chapters 4123., 4127., 4131., and 4167. of the Revised Code, and in the discharge thereof shall do all of the following: . . .

(7) Exercise the investment powers vested in the administrator by section 4123.44 of the Revised Code in accordance with the investment objectives, policies, and criteria established by the oversight commission pursuant to section 4121.12 of the Revised Code and in consultation with the chief investment officer of the bureau of workers' compensation. The administrator shall not engage in any prohibited investment activity specified by the oversight commission pursuant to division (G)(6) of section 4121.12 of the Revised Code and shall not invest in any type of investment specified in division (G)(6)(a) to (j) of that section. All business shall be transacted, all funds invested, all warrants for money drawn and payments made, and all cash and securities and other property held, in the name of the bureau, or in the name of its nominee, provided that nominees are authorized by the administrator solely for the purpose of facilitating the transfer of securities, and restricted to the administrator and designated employees.

IV. Chief Investment Officer Duties

R.C. 4123.441 requires BWC, with the advice and consent of the WCOC, to employ a licensed BWC chief investment officer and who is a chartered financial analyst. The chief investment officer shall reasonably supervise BWC employees who handle investments to prevent specified securities and investment violations. The chief investment officer shall establish a policy to monitor and evaluate the effectiveness of BWC investments.

R.C. 4123.441: (A) The bureau of workers' compensation, with the advice and consent of the workers' compensation oversight commission shall employ a person or designate an employee of the bureau who is designated as a chartered financial analyst by the CFA institute and who is licensed by the division of securities in the department of commerce as a bureau of workers' compensation chief investment officer to be the chief investment officer for the bureau of workers' compensation. After ninety days after the effective date of this section, the bureau of workers' compensation may not employ a bureau of workers' compensation chief investment officer, as defined in section 1707.01 of the Revised Code, who does not hold a valid bureau of workers' compensation chief investment officer license issued by the division of securities in the department of commerce. The oversight commission shall notify the division of securities of the department of commerce in writing of its designation and of any change in its designation within ten calendar days after the designation or change.

(B) The bureau of workers' compensation chief investment officer shall reasonably supervise employees of the bureau who handle investment of assets of funds specified in this chapter and Chapters 4121., 4127., and 4131. of the Revised Code with a view toward preventing violations of Chapter 1707. of the Revised Code, the "Commodity Exchange Act," 42 Stat. 998, 7 U.S.C. 1, the "Securities Act of 1933," 48 Stat. 74, 15 U.S.C. 77a, the "Securities Exchange Act of 1934," 48 Stat. 881, 15 U.S.C. 78a, and the rules and regulations adopted under those statutes. This duty of reasonable supervision shall include the adoption, implementation, and enforcement of written policies and procedures reasonably designed to prevent employees of the bureau who handle investment of assets of the funds specified in this chapter and Chapters 4121., 4127., and 4131. of the Revised Code, from misusing material, nonpublic information in violation of those laws, rules, and regulations.

For purposes of this division, no bureau of workers' compensation chief investment officer shall be considered to have failed to satisfy the officer's duty of reasonable supervision if the officer has done all of the following:

(1) Adopted and implemented written procedures, and a system for applying the procedures, that would reasonably be expected to prevent and detect, insofar as practicable, any violation by employees handling investments of assets of the funds specified in this chapter and Chapters 4121., 4127., and 4131. of the Revised Code;

(2) Reasonably discharged the duties and obligations incumbent on the bureau of workers' compensation chief investment officer by reason of the established procedures and the system for applying the procedures when the officer had no reasonable cause to believe that there was a failure to comply with the procedures and systems;

(3) Reviewed, at least annually, the adequacy of the policies and procedures established pursuant to this section and the effectiveness of their implementation.

(C) The bureau of workers' compensation chief investment officer shall establish and maintain a policy to monitor and evaluate the effectiveness of securities transactions executed on behalf of the bureau.

R.C. 1707.164 and R.C. 1707.165 provide that the BWC Chief Investment Officer shall be licensed by the Division of Securities in the Department of Commerce.

R.C. 1707.164: (A) No person shall act as a bureau of workers' compensation chief investment officer unless the person is licensed as a bureau of workers' compensation chief investment officer by the division of securities.

(B) No bureau of workers' compensation chief investment officer shall act as a dealer, salesperson, investment advisor, or investment advisor representative.

R.C. 1707.165: (A) Application for a bureau of workers' compensation chief investment officer's license shall be made in accordance with this section by filing with the division of securities the information, materials, and forms specified in rules adopted by the division.

(B) The division may investigate any applicant for a license and may require any additional information as it considers necessary to determine the applicant's business repute and qualifications to act as a chief investment officer. If the application for a bureau of workers' compensation chief investment officer's license involves investigation outside of this state, the applicant may be required by the division to advance sufficient funds to pay any of the actual expenses of the investigation. The division shall furnish the applicant with an itemized statement of the expenses the applicant is required to pay.

(C) The division shall by rule require an applicant for a bureau of workers' compensation chief investment officer's license to pass an examination designated by the division or achieve a specified professional designation unless the applicant meets both of the following requirements:

(1) Acts as a bureau of workers' compensation chief investment officer on the effective date of this section;

(2) Has experience or education acceptable to the division.

(D) If the division finds that the applicant is of good business repute, appears to be qualified to act as a bureau of workers' compensation chief investment officer, and has complied with this chapter and rules adopted by the division under this chapter, the division, upon receipt of the fees prescribed by division (B) of section 1707.17 of the Revised Code, shall issue to the applicant a license authorizing the applicant to act as a bureau of workers' compensation chief investment officer.

V. Investment Manager Requirements

R.C. 4123.444 and R.C. 4123.445 require the Administrator, prior to awarding a contract to an investment manager, to have criminal background checks conducted on the investment manager's employees who will be investing BWC funds. The statutes prohibit BWC from entering into a contract with an investment manager if any employee of that manager who will be investing assets of BWC funds has been convicted of or pleaded guilty to a financial or investment crime.

R.C. 4123.444: (A) As used in this section and section 4123.445 of the Revised Code:

(1) "Bureau of workers' compensation funds" means any fund specified in Chapter 4121., 4123., 4127., or 4131. of the Revised Code that the administrator of workers' compensation has the authority to invest, in accordance with the administrator's investment authority under section 4123.44 of the Revised Code.

(2) "Investment manager" means any person with whom the administrator of workers' compensation contracts pursuant to section 4123.44 of the Revised Code to facilitate the investment of assets of bureau of workers' compensation funds.

(3) "Business entity" means any person with whom an investment manager contracts for the investment of assets of bureau of workers' compensation funds.

(4) "Financial or investment crime" means any criminal offense involving theft, receiving stolen property, embezzlement, forgery, fraud, passing bad checks, money laundering, drug trafficking, or any criminal offense involving money or securities, as set forth in Chapters 2909., 2911., 2913., 2915., 2921., 2923., and 2925. of the Revised Code or other law of this state, or the laws of any other state or the United States that are substantially equivalent to those offenses.

(B)(1) Before entering into a contract with an investment manager to invest bureau of workers' compensation funds, the administrator shall do both of the following:

(a) Request from any investment manager with whom the administrator wishes to contract for those investments a list of all employees who will be investing assets of bureau of workers' compensation funds. The list shall specify each employee's state of residence for the five years prior to the date of the administrator's request.

(b) Request that the superintendent of the bureau of criminal investigation and identification conduct a criminal records check in accordance with this section and section 109.579 of the Revised Code with respect to every employee the investment manager names in that list.

(2) After an investment manager enters into a contract with the administrator to invest bureau of workers' compensation funds and before an investment manager enters into a contract with a business entity to facilitate those investments, the investment manager shall request from any business entity with whom the investment manager wishes to contract to make those investments a list of all employees who will be

investing assets of the bureau of workers' compensation funds. The list shall specify each employee's state of residence for the five years prior to the investment manager's request. The investment manager shall forward to the administrator the list received from the business entity. The administrator shall request the superintendent to conduct a criminal records check in accordance with this section and section 109.579 of the Revised Code with respect to every employee the business entity names in that list. Upon receipt of the results of the criminal records check, the administrator shall forward a copy of those results to the investment manager.

(3) If, after a contract has been entered into between the administrator and an investment manager or between an investment manager and a business entity for the investment of assets of bureau of workers' compensation funds, the investment manager or business entity wishes to have an employee who was not the subject of a criminal records check under division (B)(1) or (B)(2) of this section invest assets of the bureau of workers' compensation funds, that employee shall be the subject of a criminal records check pursuant to this section and section 109.579 of the Revised Code prior to handling the investment of assets of those funds. The investment manager shall submit to the administrator the name of that employee along with the employee's state of residence for the five years prior to the date in which the administrator requests the criminal records check. The administrator shall request that the superintendent conduct a criminal records check on that employee pursuant to this section and section 109.579 of the Revised Code.

(C)(1) If an employee who is the subject of a criminal records check pursuant to division (B) of this section has not been a resident of this state for the five-year period immediately prior to the time the criminal records check is requested or does not provide evidence that within that five-year period the superintendent has requested information about the employee from the federal bureau of investigation in a criminal records check, the administrator shall request that the superintendent obtain information from the federal bureau of investigation as a part of the criminal records check for the employee. If the employee has been a resident of this state for at least that five-year period, the administrator may, but is not required to, request that the superintendent request and include in the criminal records check information about that employee from the federal bureau of investigation.

(2) The administrator shall provide to an investment manager a copy of the form prescribed pursuant to division (C)(1) of section 109.579 of the Revised Code and a standard impression sheet for each employee for whom a criminal records check must be performed, to obtain fingerprint impressions as prescribed pursuant to division (C)(2) of section 109.579 of the Revised Code. The investment manager shall obtain the completed form and impression sheet either directly from each employee or from a business entity and shall forward the completed form and sheet to the administrator, who shall forward these forms and sheets to the superintendent.

(3) Any employee who receives a copy of the form and the impression sheet pursuant to division (C)(2) of this section and who is requested to complete the form and provide a set of fingerprint impressions shall complete the form or provide all the information necessary to complete the form and shall complete the impression sheets in the manner prescribed in division (C)(2) of section 109.579 of the Revised Code.

(D) For each criminal records check the administrator requests under this section, at the time the administrator makes a request the administrator shall pay to the superintendent the fee the superintendent prescribes pursuant to division (E) of section 109.579 of the Revised Code.

R.C. 4123.445: (A) The administrator of workers' compensation shall not enter into a contract with an investment manager for the investment of assets of the bureau of workers' compensation funds if any employee of that investment manager who will be investing assets of bureau of workers' compensation funds has been convicted of or pleaded guilty to a financial or investment crime.

(B) An investment manager who has entered into a contract with the bureau of workers' compensation for the investment of assets of bureau of workers' compensation funds shall not contract with a business entity for the investment of those assets if any employee of that business manager who will be investing assets of bureau of workers' compensation funds has been convicted of or pleaded guilty to a financial or investment crime.

(C) The administrator shall not enter into a contract with an investment manager who refuses to submit the list of the investment manager's employees required under division (B) of section 4123.444 of the Revised Code. An investment manager shall not enter into a contract with a business entity that refuses to submit the list of the business entity's employees required under division (B) of section 4123.444 of the Revised Code.

(D) If, after a contract has been awarded to an investment manager or business entity for the investment of assets of bureau of workers' compensation funds, the investment manager or business entity discovers that an employee who is handling the investment of those assets has been convicted of or pleaded guilty to a financial or investment crime, the investment manager or business entity immediately shall notify the administrator.

R.C. 3517.13(Y) and (Z) prohibits the BWC from conducting business with or awarding a contract, other than by competitive bidding, for goods or services costing more than $500 entities who, within the two previous calendar years, have made contributions totaling more than $1,000 to the campaign committees of the Governor or Lieutenant Governor or candidates for those offices.

R.C. 3517.13: (Y) The administrator of workers' compensation and the employees of the bureau of workers' compensation shall not conduct any business with or award any contract, other than one awarded by competitive bidding, for the purchase of goods costing more than five hundred dollars or services costing more than five hundred dollars to any individual, partnership, association, including, without limitation, a professional association organized under Chapter 1785. of the Revised Code, estate, or trust, if the individual has made, or the individual's spouse has made, or any partner, shareholder, administrator, executor, or trustee, or the spouses of any of those individuals has made, as an individual, within the two previous calendar years, one or more contributions totaling in excess of one thousand dollars to the campaign committee of the governor or lieutenant governor or to the campaign committee of any candidate for the office of governor or lieutenant governor.

(Z) The administrator of workers' compensation and the employees of the bureau of workers' compensation shall not conduct business with or award any contract, other than one awarded by competitive bidding, for the purchase of goods costing more than five hundred dollars or services costing more than five hundred dollars to a corporation or business trust, except a professional association organized under Chapter 1785. of the Revised Code, if an owner of more than twenty per cent of the corporation or business trust, or the spouse of the owner, has made, as an individual, within the two previous calendar years, taking into consideration only owners for all of such period, one or more contributions totaling in excess of one thousand dollars to the campaign committee of the governor or lieutenant governor or to the campaign committee of any candidate for the office of governor or lieutenant governor.

VI. Fiduciary Requirements

R.C. 4121.126 prohibits BWC employees and WCOC members from having any interest in any investment made by the Administrator or receiving any pay for the employee's or member's services. The statute prohibits any member or person connected with the BWC from borrowing any of its funds or using the funds except to make necessary payments authorized by the Administrator. The Administrator shall not make investments or purchases from or do any business with an entity that is owned or controlled by a person who within the preceding three years was employed by BWC or was a WCOC member, or was employed by or was an officer holding a fiduciary position in which the person was involved in decisions affecting the investment policy of BWC.

R.C. 4121.126: Except as provided in this chapter, no member of the workers' compensation oversight commission or employee of the bureau of workers' compensation shall have any direct or indirect interest in the gains or profits of any investment made by the administrator of workers' compensation or shall receive directly or indirectly any pay or emolument for the member's or employee's services. No member or person connected with the bureau directly or indirectly, for self or as an agent or partner of others, shall borrow any of its funds or deposits or in any manner use the funds or deposits except to make current and necessary payments that are authorized by the administrator. No member of the oversight commission or employee of the bureau shall become an indorser or surety or become in any manner an obligor for moneys loaned by or borrowed from the bureau.

The administrator shall make no investments through or purchases from, or otherwise do any business with, any individual who is, or any partnership, association, or corporation that is owned or controlled by, a person who within the preceding three years was employed by the bureau, a board member of, or an officer of the oversight commission, or a person who within the preceding three years was employed by or was an officer holding a fiduciary, administrative, supervisory, or trust position, or any other position in which such person would be involved, on behalf of the person's employer, in decisions or recommendations affecting the investment policy of the bureau, and in which such person would benefit by any monetary gain.

R.C. 4121.127 prohibits a BWC fiduciary from engaging in a transaction if the fiduciary knows that the transaction constitutes a prohibited activity, prohibits a fiduciary from engaging in certain activities concerning the fiduciary acting with the fiduciary's own interest, and specifies circumstances in which a fiduciary will be liable to the BWC for a breach of fiduciary duty.

R.C. 4121.127: (A) Except as provided in division (B) of this section, a fiduciary shall not cause the bureau of workers' compensation to engage in a transaction, if the fiduciary knows or should know that such transaction constitutes any of the following, whether directly or indirectly:

(1) The sale, exchange, or leasing of any property between the bureau and a party in interest;

(2) Lending of money or other extension of credit between the bureau and a party in interest;

(3) Furnishing of goods, services, or facilities between the bureau and a party in interest;

(4) Transfer to, or use by or for the benefit of a party in interest, of any assets of the bureau;

(5) Acquisition, on behalf of the bureau, of any employer security or employer real property.

(B) Nothing in this section shall prohibit any transaction between the bureau and any fiduciary or party in interest if both of the following occur:

(1) All the terms and conditions of the transaction are comparable to the terms and conditions that might reasonably be expected in a similar transaction between similar parties who are not parties in interest.

(2) The transaction is consistent with fiduciary duties under this chapter and Chapters 4123., 4127., and 4131. of the Revised Code.

(C) A fiduciary shall not do any of the following:

(1) Deal with the assets of the bureau in the fiduciary's own interest or for the fiduciary's own account;

(2) In the fiduciary's individual capacity or in any other capacity, act in any transaction involving the bureau on behalf of a party, or represent a party, whose interests are adverse to the interests of the bureau or to the injured employees served by the bureau;

(3) Receive any consideration for the fiduciary's own personal account from any party dealing with the bureau in connection with a transaction involving the assets of the bureau.

(D) In addition to any liability that a fiduciary may have under any other provision, a fiduciary, with respect to bureau, shall be liable for a breach of fiduciary responsibility in any the following circumstances:

(1) If the fiduciary knowingly participates in or knowingly undertakes to conceal an act or omission of another fiduciary, knowing such act or omission is a breach;

(2) If, by the fiduciary's failure to comply with this chapter or Chapter 4123., 4127., or 4131. of the Revised Code, the fiduciary has enabled another fiduciary to commit a breach;

(3) If the fiduciary has knowledge of a breach by another fiduciary of that fiduciary's duties under this chapter and Chapters 4123., 4127., and 4131. of the Revised Code, unless the fiduciary makes reasonable efforts under the circumstances to remedy the breach.

(E) Every fiduciary of the bureau shall be bonded or insured for an amount of not less than one million dollars for loss by reason of acts of fraud or dishonesty.

(F) As used in this section, "fiduciary" means a person who does any of the following:

(1) Exercises discretionary authority or control with respect to the management of the bureau or with respect to the management or disposition of its assets;

(2) Renders investment advice for a fee, directly or indirectly, with respect to money or property of the bureau;

(3) Has discretionary authority or responsibility in the administration of the bureau.

R.C. 109.981 authorizes the Attorney General to maintain a civil action against a voting member of the WCOC who breaches the member's fiduciary duty to the BWC for harm resulting from that breach, and allows the WCOC to retain independent legal counsel if informed of an allegation that the entire WCOC has breached its fiduciary duty to the BWC.

If a voting member of workers' compensation oversight commission breaches the member's fiduciary duty to the bureau of workers' compensation, the attorney general may maintain a civil action against the board member for harm resulting from that breach. Notwithstanding section 4121.128 of the Revised Code, after being informed of an allegation that the entire oversight commission has breached its fiduciary duty, the oversight commission may retain independent legal counsel, including legal counsel provided by the oversight commission's fiduciary insurance carrier, to advise the board and to represent the board. The attorney general may recover damages or be granted injunctive relief, which shall include the enjoinment of specified activities and the removal of the member from the board. Any damages awarded shall be paid to the bureau. The authority to maintain a civil action created by this section is in addition to any authority the attorney general possesses under any other provision of the Revised Code.

The Ohio Bureau of Workers' Compensation
Statement of Investment Policy and Guidelines

Legal tab for Investment Policy rev (2-21-06).doc
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Appendix XIV: Campaign Contribution Policy

The Ohio Bureau of Workers' Compensation
Statement of investment Policy and Guidelines

APPENDIX XIV: CAMPAIGN CONTRIBUTION POLICY

It is the policy of the Ohio Bureau of Workers' Compensation ("OBWC") and the Workers' Compensation Oversight Commission ("WCOC") to ensure that the selection of investment management firms to provide investment management services, or the selection of consulting firms to provide consulting services, or the selection of independent auditors to provide auditing services, to the State Insurance Fund (the "Fund") is based on the merits of such firms and not on the political contributions made by such firms. This policy is designed to protect the beneficiaries of the Fund by prohibiting investment management firms, consulting firms or auditing firms, or such other persons who may contract with the Administrator or WCOC to provide services, from being engaged to provide such services to the Fund if certain political contributions have been made.

In furtherance of this goal, those individuals and firms conducting business with the Administrator or the WCOC, and those desiring to do business with the Administrator and the WCOC, shall adhere to the political contribution requirements that are set forth in Ohio Revised Code Chapter 3517. Such individuals and firms should pay particular attention to the restrictions set forth in O.R.C. 3517.13 (Y) and (Z), which expressly restrict the Administrator of OBWC from doing business with persons or business entities that had made contributions to candidates for Ohio Governor or Lieutenant Governor. These provisions are set forth below:

(Y) The administrator of workers' compensation and the employees of the bureau of workers' compensation shall not conduct any business with or award any contract, other than one awarded by competitive bidding, for the purchase of goods costing more than five hundred dollars or services costing more than five hundred dollars to any individual, partnership, association, including, without limitation, a professional association organized under Chapter 1785. of the Revised Code, estate, or trust, if the individual has made, or the individual's spouse has made, or any partner, shareholder, administrator, executor, or trustee, or the spouses of any of those individuals has made, as an individual, within the two previous calendar years, one or more contributions totaling in excess of one thousand dollars to the campaign committee of the governor or lieutenant governor or to the campaign committee of any candidate for the office of governor or lieutenant governor.

(Z) The administrator of workers' compensation and the employees of the bureau of workers' compensation shall not conduct business with or award any contract, other than one awarded by competitive bidding, for the purchase of goods costing more than five hundred dollars or services costing more than five hundred dollars to a corporation or business trust, except a professional association organized under Chapter 1785. of the Revised Code, if an owner of more than twenty per cent of the corporation or business trust, or the spouse of the owner, has made, as an individual, within the two previous calendar years, taking into consideration only owners for all of such period, one or more contributions totaling in excess of one thousand dollars to the campaign committee of the governor or lieutenant governor or to the campaign committee of any candidate for the office of governor or lieutenant governor.

This campaign contribution policy is not intended to limit participation in the political process by individuals and business entities doing business with the Administrator or the WCOC, or those who may seek to do so in the future. However, such individuals and business entities should be aware that there are restrictions on political contributors, and also upon the award of contracts by officials who receive campaign contributions, in addition to those provisions of Ohio law that are specifically cited in this statement of policy. Any individual or business entity that makes political contributions and also seeks to do business with Ohio governmental agencies should review those provisions carefully. In particular, O.R.C. 3599.03 expressly forbids the payment of corporate funds or use of corporate assets to support a candidate for office, a political party or legislative campaign fund, while O.R.C. 3517.082 and O.R.C. 3599.031 allow bona fide political action committees to make campaign contributions to Ohio candidates.

Appendix XV: Investment Committee – Financial and Operational Requirements

Model of infrastructure data to be provided to the IC

To: The Commissioners of the Investment Committee

The following is a model of portfolio and operational information that is needed by Investment Committee in order that the body can function effectively and comply with its fiduciary duties. The Chief Investment Office will be responsible for the delivery of such information.

Based upon my experiences, of being chairman, committee member and CIO of various insurance companies, pensions and foundations, these reports are standard and ordinary.

It is anticipated that the CIO may not be fully compliant with the first reporting, but that with the passage of a reporting cycle the reports will be compliant and will continue to improve over the ensuing years.

I will be bringing the following motion to the next Investment Committee:
I move that the Investment Committee direct the CIO report the following information. Such list can be modified to meet the needs of the organization, but the theme of full portfolio and operational disclosure is maintained.

Respectfully submitted,

Michael C. Koetters

Monthly Report to IC - 12 reports annually

- CIO written staff report - activities, issues, concerns and action plan
- Portfolio Performance vs. Benchmark by Asset Class by Manager
- Asset changes by manager - monthly, YTD

Quarterly Report to IC – 4 reports annually

- Review Progress on Goals and Action Plan
- Sarbanes-Oxley report – CIO Certification and report
- Economic Review
- Budget vs. Actual -
  - Qtr and YTD
  - For Cash Flow, Investment Income, Dept Expenses

1st Quarter Reporting - July, August and September

- Auditor Report
  - Internal auditor
  - External Auditor
- B-Team list – Managers in the wings

- CIO's Annual Report
    - Year in Review – portfolio performance
    - Environment
    - Outlook
    - Progress on last year's goals – outlook for next year's goals

2nd Quarter Reporting - October, November and December

- Annual Manager Review
- Annual Staff Personal Review
- Annual Fee and Performance Review
    - Managers, Consultants, Custodian vs. Benchmark
- Legal Review
- IT Review

3rd Quarter Reporting - January, February and March

- Review of investment duties and authorities of
    - WCOC, IC, CEO, and CIO
- Annual Economic and interest rate outlook
- Annual Review of customized benchmark for fixed income
    - Sensitivity analysis

4th Quarter Reporting - April, May and June

- Portfolio asset allocation review and recommendation
- Asset/Liability study review and recommendation
- Investment Policy and Mission statement review and recommendation
- Annual Goals and Action for next fiscal year
    - Need to support the mission of the BWC
- Annual Budget for next fiscal year
    - Net Income
    - Cash Flow
    - Assets under management
    - Operational Expenses
        - Staff expenses
        - Consultants
        - Custodian
        - Others
    - Capital Expenditures
    - Personnel staffing positions (additions/deductions)
- Review of Internal and External Auditor
    - Pre- audit preparation report on audit focus and review of prior audit
- Certification by Staff and CIO of no-conflict of interest