Agenda
Investment Committee
November 20, 2007
Level 2, Room 2
12:00 pm – 2:00 pm

Call to Order
Bob Smith, Committee Chair

Roll Call
Tom Woodruff, Scribe

Approve Minutes of the October 25, 2007 Meeting
Bob Smith

<u>New Business/Action Items</u>

1. Investment Committee Revised Charter
   Alison Falls
   vote to approve Charter

2. Passive Fixed Income Management
   - Credit Issuer Ownership Limits waiver
     Bob Smith and Bruce Dunn
     vote to recommend approval to the Board of Directors
   - Credit Issuer limits definition revision
     Bob Smith and Bruce Dunn
     vote to recommend approval to the Board of Directors

3. Small Ancillary Trust Funds Investment Strategy/Proposal
   - Background Information
     Bruce Dunn
   - Possible Request for Quote issuance
     Bob Smith and Bruce Dunn
     first consideration for issuance

<u>Discussion Items</u>

1. Portfolio Performance
   - Wilshire Quarterly – Third Quarter 2007
     Mark Brubaker and Mike Patalsky
   - JPMorgan Manager Monthly – September and/or October 2007
     Bruce Dunn

2. Asset Allocation Review of BWC Trust Funds
Bruce Dunn

3. Annual Calendar of Events/Reports
Bob Smith and Bruce Dunn

4. Securities Lending
- Introduction
  Bruce Dunn
- Overview Presentation
  Lee Damsel

5. Investment Consultant RFP Update
Bruce Dunn

6. CIO Report – October 2007
Bruce Dunn

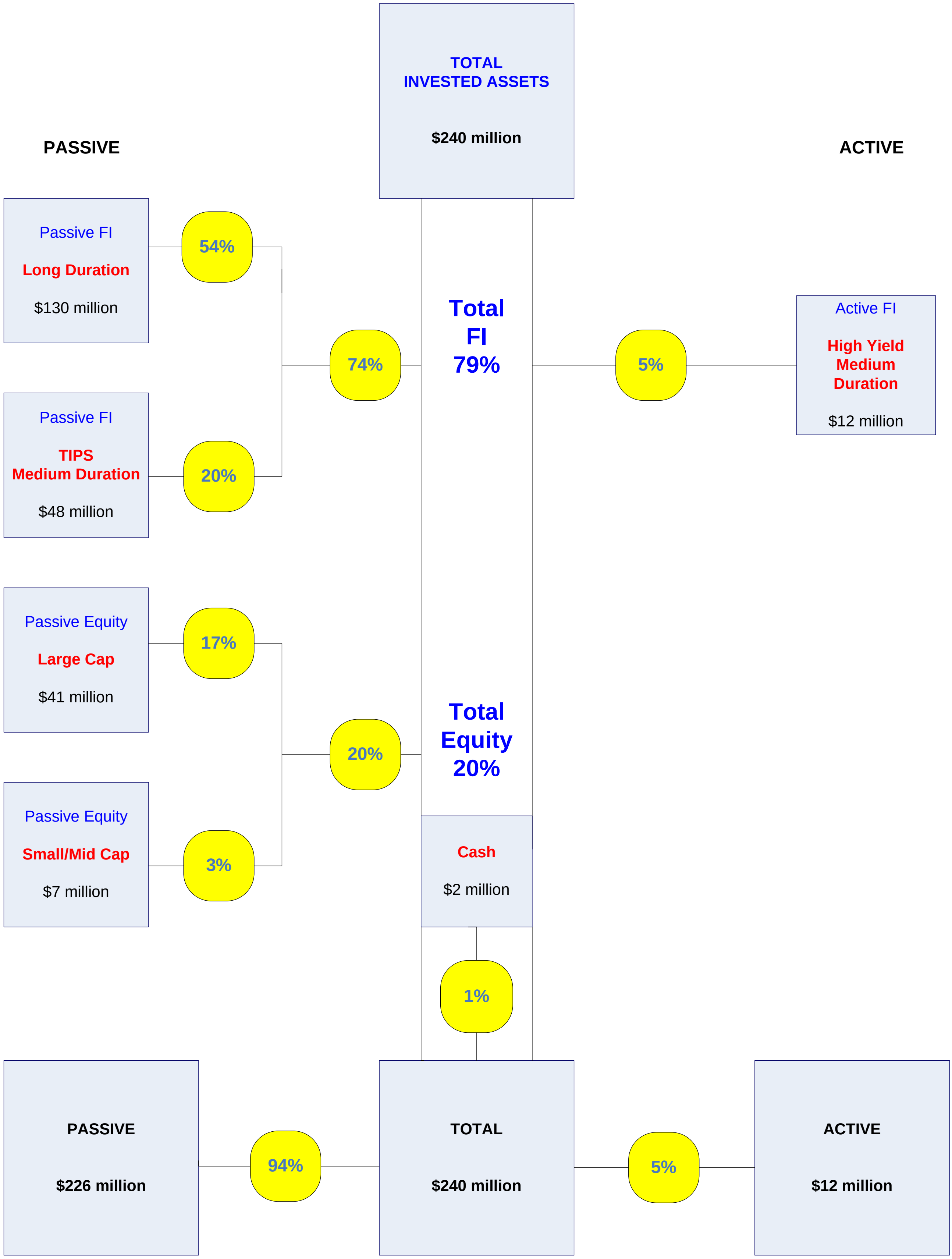
Adjourn

Next Meeting: December 19, 2007, 12:00 pm

BWC DISABLED WORKERS RELIEF FUND
ASSET ALLOCATION TARGETS
November 2007

Above amounts are rounded for illustrative purposes.

BWC COAL WORKERS PUNEUMOCONIOSIS FUND
ASSET ALLOCATION TARGETS
November 2007



Above amounts are rounded for illustrative purposes.

The Ohio Bureau of Workers' Compensation

Statement of Investment Policy and Guidelines

Adopted by the WCOC: July 26, 2007

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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 asset class at the time it is hired. For purposes of this constraint, "asset class" shall be broadly defined to include all styles, sub-sectors, or specialty portfolios managed by a firm within a particular asset class.

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 Fixed Income**
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	***7.5%***

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

By Credit Quality:

Credit Quality	Max. % of Fixed Income	Individual Security Max %
Governments/Agencies	100%	N.A.
Aaa/AAA or below	80%	1.00% (AAA only)
Aa/AA or below	65%	1.00% (AA only)
A/A or below	40%	0.75% (A only)
Baa/BBB or below	25%	0.50% (BBB only)
Ba/BB or below	7.5%	0.25% (BB only)
B/B or below	*	0.10% (B only)
CCC	**	0.05% (CCC only)
Below CCC	0%	0.00%

***Maximum of 70% of "Ba/BB or below" securities owned**
****Maximum of 20% of "Ba/BB or below" securities owned**

Maximum percentages refer to market value of each security owned for the Funds' Fixed Income portfolio in its aggregate. Credit ratings recognized are Moody's, Standard & Poor's and Fitch. Credit rating applicable is the lower of the two ratings if such security is rated by only two of the three rating agencies. Credit rating applicable is the middle rating if such security is rated by all three rating agencies, as consistent with the rules used by the sponsor of the fixed income benchmark index approved. The Chief Investment Officer will report to the WCOC the details of any guideline violation at the next scheduled WCOC meeting, or sooner if warranted in the judgment of the Chief Investment Officer. Each Investment Manager will be required to adhere to this Investment Policy in general and will be provided with specific investment security guidelines by the Chief Investment Officer consistent with these Credit Quality and Sector Allocation guidelines in the aggregate.

In the event that downgraded securities result in a violation of these constraints, the WCOC shall grant an exemption that would allow the 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 Chief Investment Officer. The Investment Manager shall also provide an action plan to bring the portfolio back in compliance with the applicable guidelines to the Chief Investment Officer. Such action plan will be reflected in the compliance report of the Chief Investment Officer to be presented at the next scheduled WCOC meeting.

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

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.

Diversification

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

iv. 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.

v. Cash Equivalents

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

vi. **Securities Lending**

Securities lending is not permitted by the Funds or their Investment Managers in order to accommodate the implementation of the asset allocation strategy reflected in Appendix XI.

vii. **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).

viii. **Commission Recapture / Directed Brokerage**

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

ix. **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***
Intermediate Duration	Lehman Intermediate U.S. Government Index
Long Duration	Lehman Customized U.S. Long Government/Credit Index
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 EAFE***
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: July 26, 2007

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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 reflected in the following table.

			Management Style	
Asset Class	**Policy Target[1]**	**Policy Range**	**Passive**	**Active**
Total Fixed Income:	***79%***	***76-82%***	***47%***	***32%***
Long Duration	54%	51-57%	27%	27%
High Yield	5%	4-6%	0%	5%
Inflation-Protected Securities	20%	17-23%	20%	0%
Cash Equivalents	***1%***	***0-6%***	***NA***	***NA***
Total Equity	***20%***	***17-23%***	***12%***	***8%***
U.S. Equity				
Large Cap	12%	9-15%	12%	0%
Small/Mid Cap	3%	2-4%	0%	3%
Alternative Investments	0%	NA	NA	NA
Non-U.S. Equity	5%	4-6%	0%	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.

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 reflected in the following table

			Management Style	
Asset Class	**Policy Target**	**Policy Range**	**Passive**	**Active**
Total Fixed Income:	***79%***	***76-82%***	***74%***	***5%***
Long Duration	54%	51-57%	54%	0%
High Yield	5%	4-6%	0%	5%
Inflation-Protected Securities	20%	17-23%	20%	0%
Cash Equivalents	***1%***	***0-6%***	***NA***	***NA***
Total Equity	***20%***	***17-23%***	***20%***	***0%***
U.S. Equity	20%			
Large Cap	17%	9-15%	17%	0%
Small/Mid Cap	3%	2-4%	3%	0%
Alternative Investments	0%	NA	NA	NA
Non-U.S. Equity	0%	NA	NA	NA

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.

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%[2]
Cash Equivalents	***1%***
Total Equity	***0%***

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

[2] Approval to invest the assets of the MIF on an interim basis in the institutional money market fund that is currently utilized for BWC's cash balance assets was passed in the April 26, 2007 Workers' Compensation Oversight Commission meeting.

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.

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 reflected in the following table

			Management Style	
Asset Class	**Policy Target**	**Policy Range**	**Passive**	**Active**
Total Fixed Income:	***79%***	***76-82%***	***47%***	***32%***
Long Duration	54%	51-57%	27%	27%
High Yield	5%	4-6%	0%	5%
Inflation-Protected Securities	20%	17-23%	20%	0%
Cash Equivalents	***1%***	***0-6%***	***NA***	***NA***
Total Equity	***20%***	***17-23%***	***12%***	***8%***
U.S. Equity	15%			
Large Cap	12%	9-15%	12%	0%
Small/Mid Cap	3%	2-4%	0%	3%
Alternative Investments	0%	NA	NA	NA
Non-U.S. Equity	5%	4-6%	0%	5%

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

The Public Work-Relief Employees' Fund ("PWRF") 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%[1]
Cash Equivalents	***1%***
Total Equity	***0%***

[1] Approval to invest the assets of the PWRF on an interim basis in the institutional money market fund that is currently utilized for BWC's cash balance assets was passed in the April 26, 2007 Workers' Compensation Oversight Commission meeting.

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.A

Ohio Bureau of Workers' Compensation State Insurance Fund

Asset-Liability Valuation

July 26, 2007

Mark E. Brubaker, CFA
Managing Director

Michael D. Patalsky, CFA
Senior Associate

Agenda

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Recommendation

- Wilshire recommends that the OBWC maintain a long-term orientation and utilize an asset mix with a minimum equity allocation target of 20%:

Asset Class	Portfolio Weights
U.S. Equity	15.0%
Non-U.S. Equity	5.0%
Total Equity	**20%**
Fixed Income - Core	0.0%
Fixed Income - Long Duration	54.0%
Fixed Income - High Yield	5.0%
Fixed Income - Inflation Protected	20.0%
Total Fixed Income	**79%**
Cash Equivalents	**1.0%**
Total Allocation	***100%***
Expected (Median) Return	**6.24%**
Standard Deviation of Return	**6.07%**

- The recommendation is based on the following factors:
  - The Obligations of the State Insurance Fund are long-term in nature, with a duration of approximately 10.3 years (versus 10.4 from the 2006 ALV report)
  - 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
- A mix with a minimum of 20% equities provides a balance between the long-term growth of the surplus with the preservation of the surplus over intermediate time horizons

II. 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.

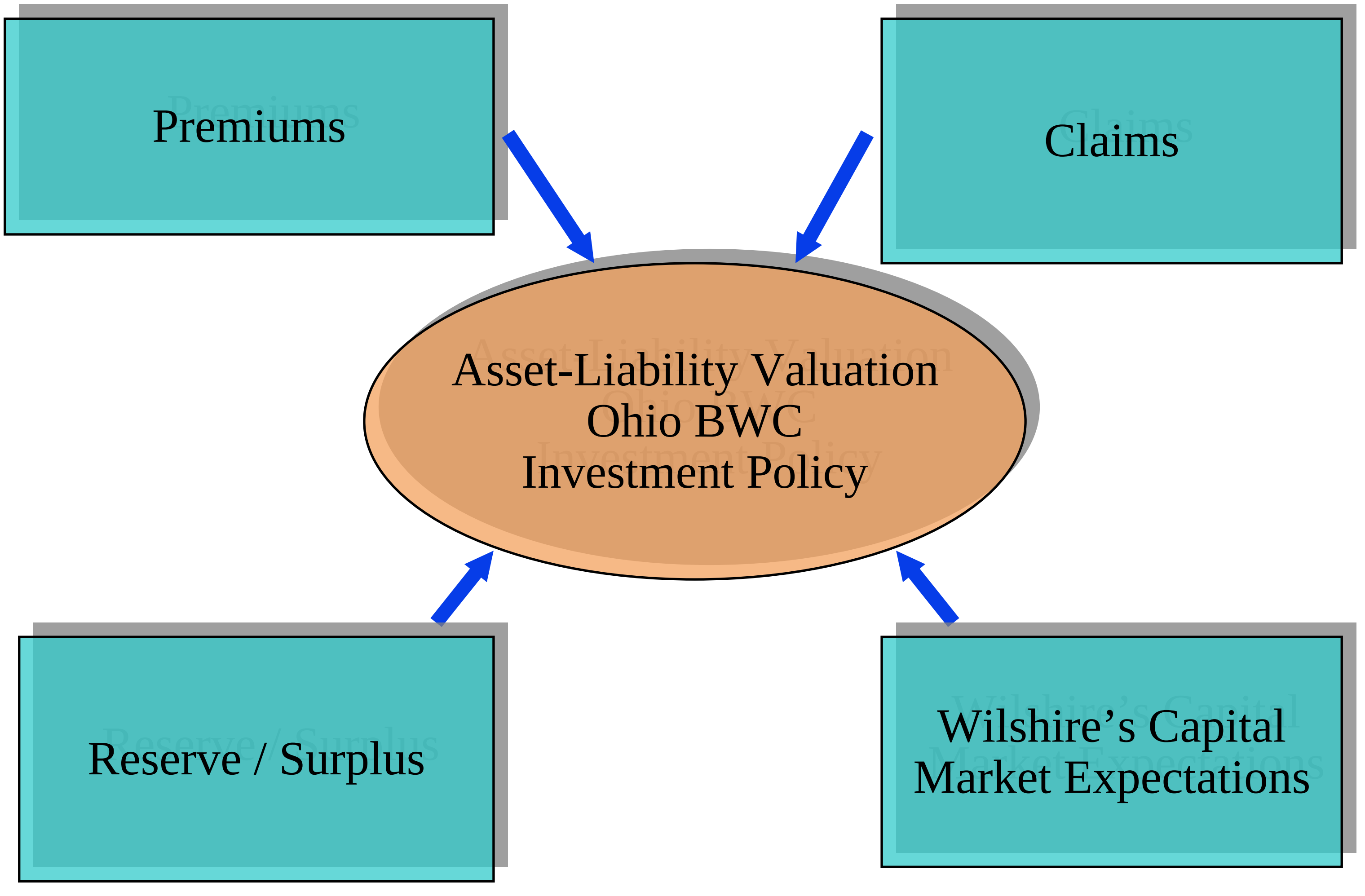
- Asset Allocation is the process of selecting a policy portfolio - allocating a portfolio's assets among asset classes that have the potential to serve the financial objectives of the fund.

- 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).

Asset-Liability Valuation Methodology

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



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Current BWC Accounting Status

- As of May 30, 2007, the BWC reported a surplus of $2.04 billion for the SIF

Assets ($ mm)	SIF	DWRF*	CWPF	PWREF	MIF	SBF	ACF	Eliminations	Total*
Total Cash and Investments	15,664	1,105	233	22	16	47	4		17,091
Accrued Premiums	2,078	112	-	0	-	611	255		3,056
Other Accounts Receivable	138	19	0	0	-	2	7		166
Investment Receivables	286	68	2	0	0	1	75	(154)	279
Other Assets	26	0	-	-	-	-	96		122
Total Assets	18,193	1,303	235	22	16	661	437	(154)	20,714
Liabilities ($ mm)	**SIF**	**DWRF**	**CWPF**	**PWREF**	**MIF**	**SBF**	**ACF**	**Eliminations**	**Total**
Reserve	15,678	98	61	5	2	611	997		17,452
Accounts Payable	137	-	1		-	-	1		139
Investment Payable	192	-	-		-	-	113		305
Other Liabilities	143	376	0	0	0	44	20	(154)	430
Total Liabilities	16,151	475	62	5	2	656	1,130	(154)	18,327
Net Assets ($ mm)	2,042	828	173	18	14	6	(693)	-	2,387

- Slide 14 provides a simulation of potential future surplus under different asset allocation scenarios.

Source: BWC Fiscal Year Books, Statement of Net Assets – May 2007

*Note: The DWRF fund net assets are estimated to account for the legislative change that impacts the booking of reserves that will significantly increase the value of the surplus of this fund. As a result, the total fund surplus is also an estimate as the DWRF fund is a component of this total value.

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III. Capital Markets Expectations and Efficient Frontier

A Long Term Capital Market Perspective

	1802-2005	1926-2006	*High Inflation* 1970-1979	*Bull Market* 1980-1999	*Wilshire* Forecast 2006	*Wilshire* Forecast 2007
Total Returns						
Stocks	8.2%	10.4%	5.9%	17.8%	8.25%	8.25%
Bonds	4.9	5.6	7.2	10.0	5.00	5.25
T-Bills	4.3	3.8	6.4	7.2	3.00	3.00
Inflation	1.4	3.0	7.4	4.0	2.30	2.25
Real Returns						
Stocks	6.8	7.4	-1.5	13.8	6.00	6.00
Bonds	3.5	2.6	-0.2	6.0	2.80	3.00
T-Bills	2.9	0.8	-1.0	3.2	0.80	0.75
Risk (Std. Dev.)						
Stocks		19.3	16.0	15.0	17.00	16.00
Bonds		5.2	6.4	6.6	5.00	5.00
T-Bills		1.0	0.6	1.0	1.00	1.00
Stocks minus Bonds	3.3	4.8	-1.3	7.8	3.30	3.00

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Wilshire's 10-Year Capital Market Assumptions

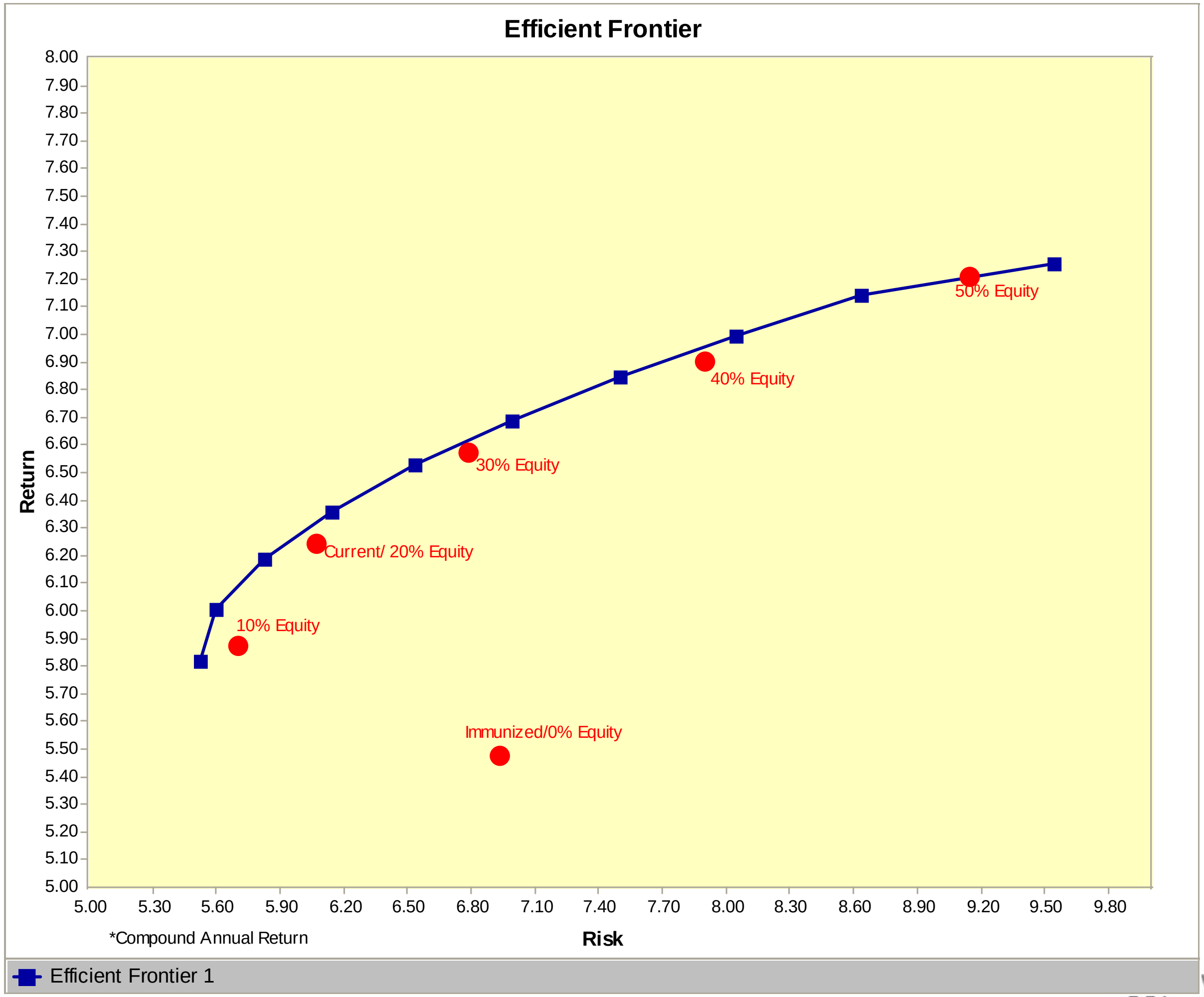
Asset Class	U.S. Equity	Non-U.S. Equity	Fixed Income - Core	Fixed Income - Long Duration/Dedicated	Fixed Income - High Yield	Fixed Income - Inflation Protected	Cash Equivalents
Return	8.25	8.25	5.25	5.50	6.75	5.00	3.00
Risk	16.00	18.00	5.00	7.00	10.00	6.00	1.00
Yield	1.70	2.45	5.25	5.50	6.75	5.00	3.00
Correlations							
U.S. Equity	1.00						
Non-U.S. Equity	0.77	1.00					
Fixed Income - Core	0.29	0.05	1.00				
Fixed Income - Long Duration/Dedicated	0.34	0.09	0.95	1.00			
Fixed Income - High Yield	0.48	0.35	0.39	0.40	1.00		
Fixed Income - Inflation Protected	-0.05	0.05	0.20	0.15	0.01	1.00	
Cash Equivalents	0.00	-0.09	0.10	0.10	0.00	0.15	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: 2007 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:

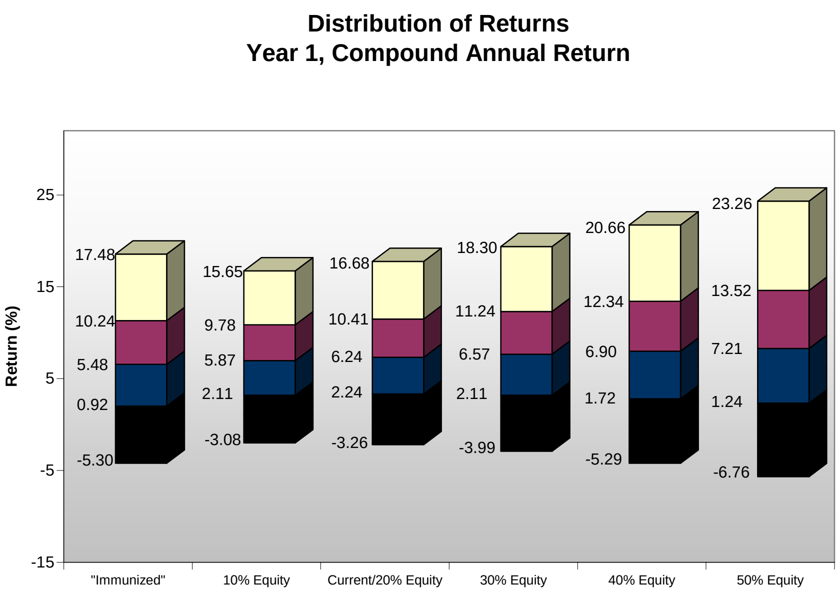


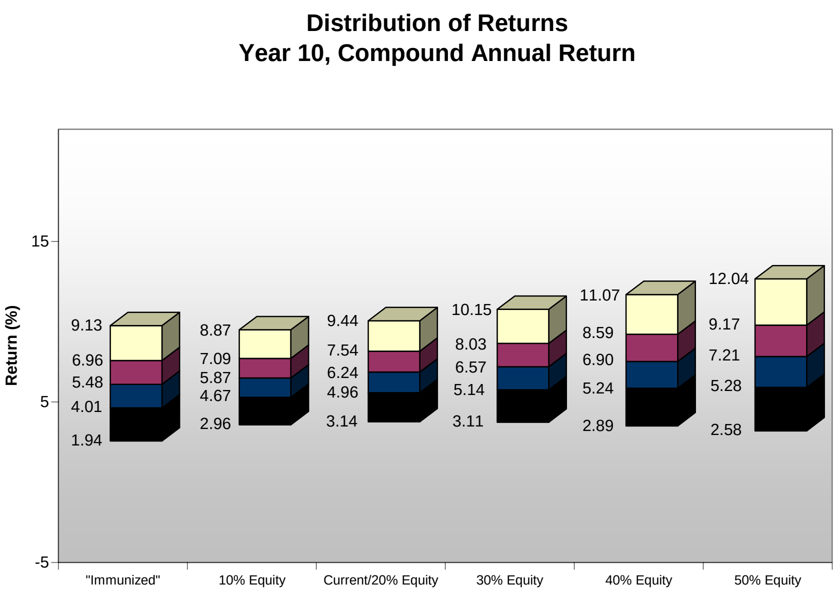
Efficient Portfolios

	Portfolio Weights					
	"Immunized"	Total Return				
Asset Class	**0% Equity**	**10% Equity**	**Current/20% Equity**	**30% Equity**	**40% Equity**	**50% Equity**
U.S. Equity	0.0%	7.5%	15.0%	22.5%	30.0%	37.5%
Non-U.S. Equity	0.0%	2.5%	5.0%	7.5%	10.0%	12.5%
Total Equity	**0%**	**10%**	**20%**	**30%**	**40%**	**50%**
Fixed Income - Core	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Fixed Income - Long Duration/Dedicated	99.0%	65.0%	54.0%	44.0%	39.0%	34.0%
Fixed Income - High Yield	0.0%	4.0%	5.0%	5.0%	5.0%	5.0%
Fixed Income - Inflation Protected	0.0%	20.0%	20.0%	20.0%	15.0%	10.0%
Total Fixed Income	**99%**	**89%**	**79%**	**69%**	**59%**	**49%**
Cash Equivalents	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Total Allocation	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***
Expected (Median) Return	**5.48%**	**5.87%**	**6.24%**	**6.57%**	**6.90%**	**7.21%**
Standard Deviation of Return	**6.93%**	**5.70%**	**6.07%**	**6.78%**	**7.90%**	**9.15%**

- 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





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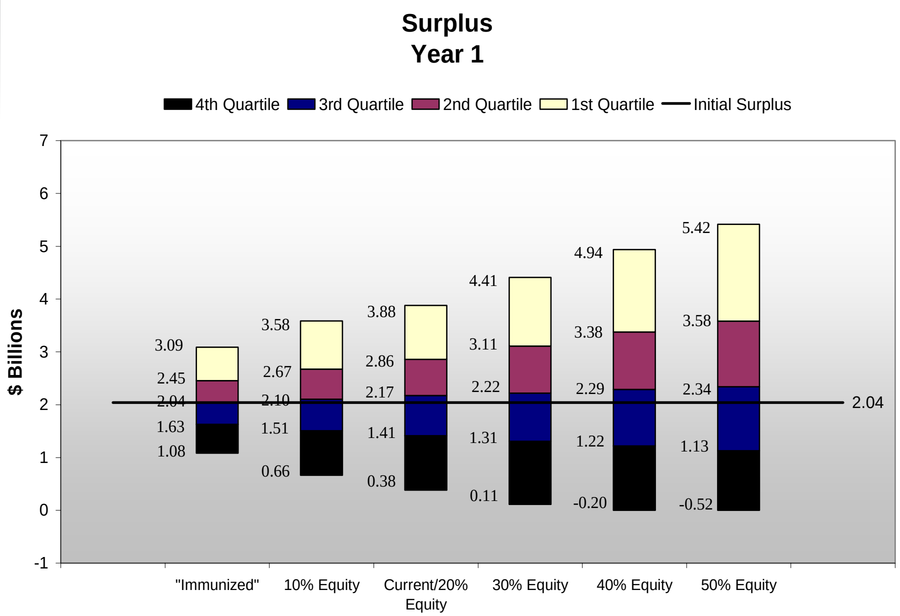
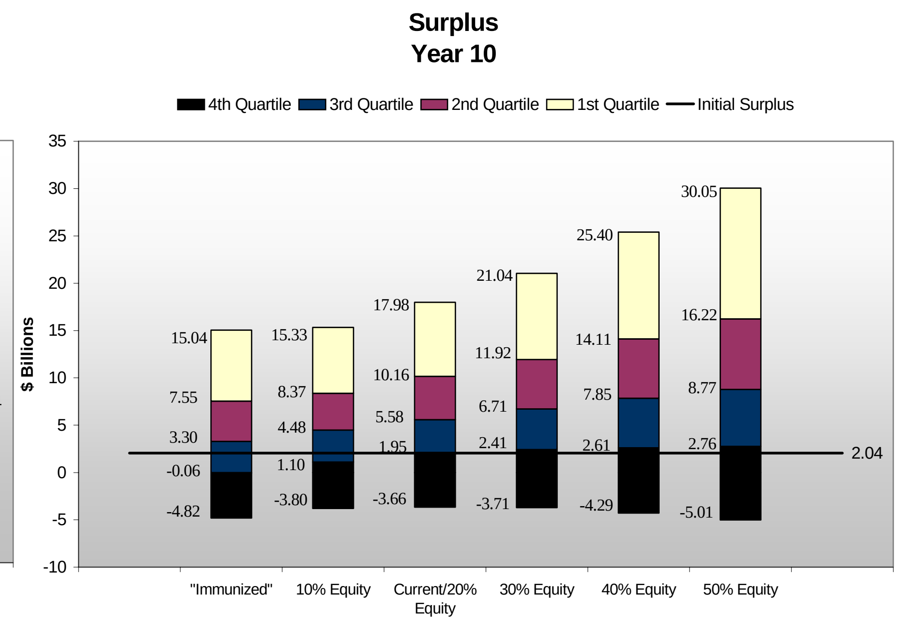
IV. Asset-Liability Modeling

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:





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 Environment"	"Immunized"	10% Equity	Current/20% Equity	30% Equity	40% Equity	50% Equity
Year 1	Bottom 5%	1.08	0.66	0.38	0.11	-0.20	-0.52
	Bottom Quartile	1.63	1.51	1.41	1.31	1.22	1.13
	Median	2.04	2.10	2.17	2.22	2.29	2.34
	Top Quartile	2.45	2.67	2.86	3.11	3.38	3.58
	Top 5%	3.09	3.58	3.88	4.41	4.94	5.42

	"Market Environment"	"Immunized"	10% Equity	Current/20% Equity	30% Equity	40% Equity	50% Equity
Year 2	Bottom 5%	0.71	0.25	-0.08	-0.43	-0.74	-1.09
	Bottom Quartile	1.56	1.50	1.43	1.30	1.17	1.06
	Median	2.17	2.35	2.49	2.60	2.72	2.87
	Top Quartile	2.87	3.25	3.61	3.96	4.37	4.74
	Top 5%	3.77	4.51	5.16	5.91	6.76	7.70

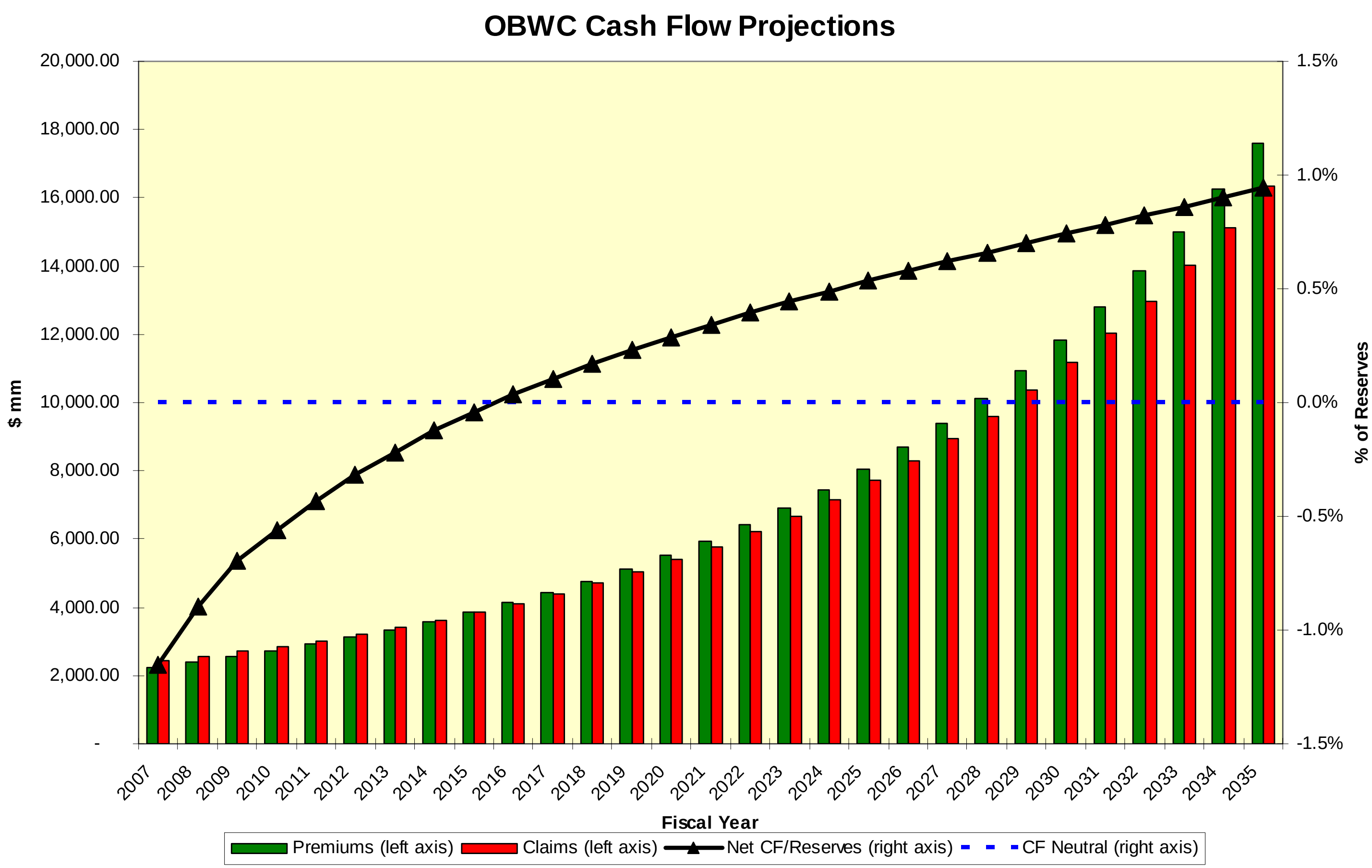
	"Market Environment"	"Immunized"	10% Equity	Current/20% Equity	30% Equity	40% Equity	50% Equity
Year 3	Bottom 5%	0.37	-0.13	-0.48	-0.94	-1.39	-1.78
	Bottom Quartile	1.42	1.46	1.43	1.36	1.20	1.04
	Median	2.35	2.52	2.75	2.94	3.14	3.35
	Top Quartile	3.28	3.69	4.12	4.65	5.18	5.77
	Top 5%	4.75	5.55	6.45	7.41	8.51	9.78

	"Market Environment"	"Immunized"	10% Equity	Current/20% Equity	30% Equity	40% Equity	50% Equity
Year 4	Bottom 5%	-0.27	-0.69	-0.88	-1.29	-1.62	-2.17
	Bottom Quartile	1.35	1.44	1.43	1.32	1.25	1.06
	Median	2.49	2.78	3.10	3.35	3.62	3.90
	Top Quartile	3.66	4.23	4.86	5.48	6.12	6.81
	Top 5%	5.55	6.52	7.74	8.85	10.49	11.97

	"Market Environment"	"Immunized"	10% Equity	Current/20% Equity	30% Equity	40% Equity	50% Equity
Year 5	Bottom 5%	-0.76	-1.05	-1.43	-1.96	-2.49	-2.97
	Bottom Quartile	1.15	1.42	1.50	1.53	1.46	1.34
	Median	2.66	3.07	3.47	3.74	4.11	4.50
	Top Quartile	4.16	4.68	5.49	6.24	7.10	7.92
	Top 5%	6.46	7.45	8.72	9.93	11.61	13.46

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

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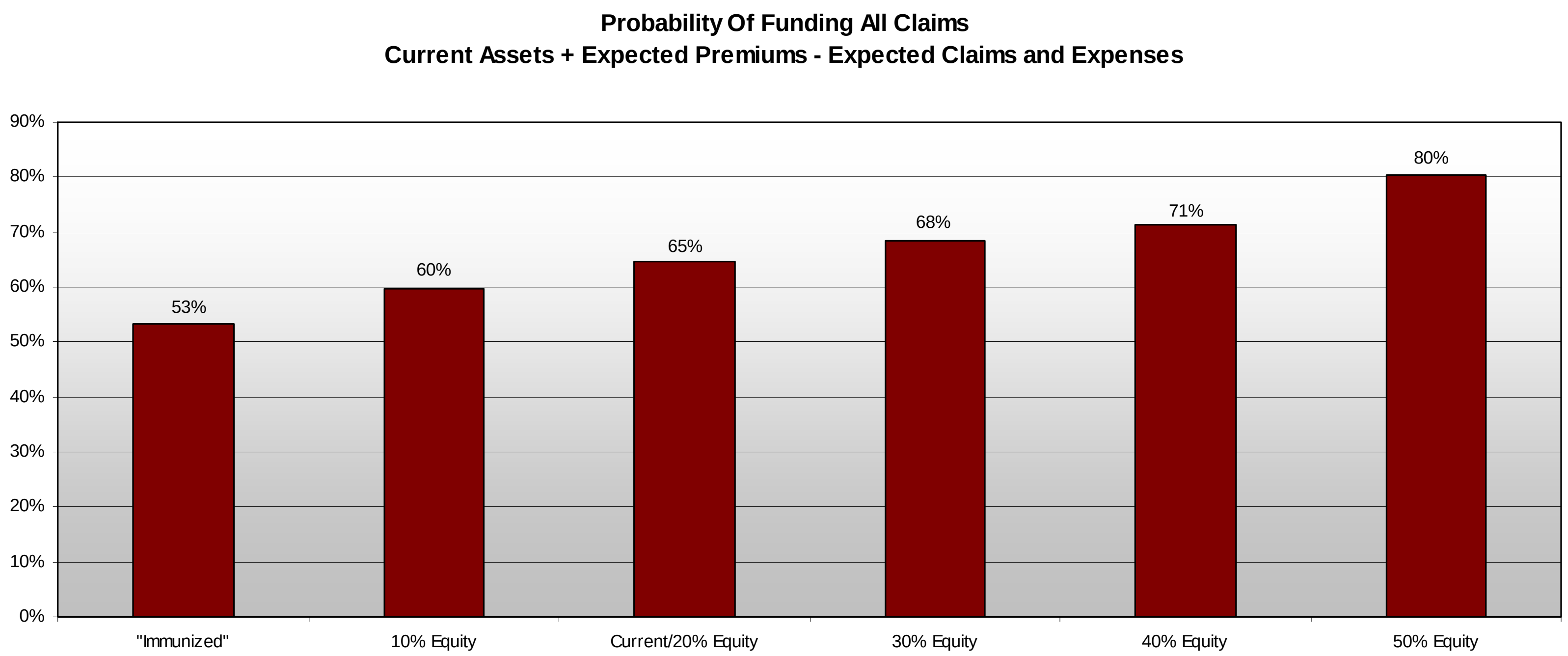
Probability of Success

- 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:



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Conclusion and Observations

- The mixes with at least a 20% allocation to equities provide a balance between regulating the volatility of the surplus in both the short term and long term periods, while acting to enhance the expected surplus
- The portfolio containing a 10% allocation to equities minimizes the volatility of the level of the surplus in the long term 10-year period, but expected growth of the surplus over the long term period is lower than in higher equity mixes
  - Expected surplus in year 10 with a 10% equity allocation is $4.48 Billion vs. an expected surplus of $5.58 Billion with a 20% allocation to equities or $6.71 Billion with a 30% allocation to equities
- The immunized bond portfolio is optimal is minimizing the surplus in the short term (1-year) period, but suboptimal in both minimizing the volatility of the surplus in the long term period and growing the surplus

V. Asset Class Structure

Investment Structure

- Wilshire recommends continuing to utilize the following investment structure for the asset allocation policy:

	SIF Allocation		
Asset Class	***%***	***$ mm***	***Benchmark***
U.S. Equity	**15**	**2,500**	**Wilshire 5000**
Large Cap	*12*	*2,000*	*S&P 500*
Active (0%)	0	-	
Passive (100%)	12	2,000	
Small/Mid Cap	*3*	*500*	*Wilshire 4500 / Russell 2500*
Active (100%)	3	500	
Passive (0%)	0	-	
Non-U.S. Equity	**5**	**833**	**MSCI EAFE**
Active (80%)	5	833	
Passsive (20%)	0	-	
Fixed Income - Long Duration	**54**	**8,999**	**Custom Lehman Long Government/Credit**
Active (50%)	27	4,499	
Passive (50%)	27	4,499	
High Yield	**5**	**833**	**Merrill Lynch High Yield Master II**
Active (100%)	5	833	
Passive (0%)	0	-	
Inflation-Protected Securities	**20**	**3,333**	**Lehman U.S. TIPS**
Active (0%)	0	-	
Passive (100%)	20	3,333	
Cash Equivalents	**1**	**167**	**90-Day T-Bill**

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Appendix – Wilshire’s 2007 Asset Allocation Report

Appendix XI.B

Ancillary Funds Asset Allocation Recommendation

Ohio Bureau of Workers' Compensation Investment Committee

September 28, 2006

Mark E. Brubaker, CFA
Managing Director
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Ancillary Funds Asset Allocation Recommendation

- Wilshire has conducted an asset allocation analysis for the Ohio Bureau of Workers' Compensation Ancillary Funds:

  - Disabled Workers'
  - Coal Workers'
  - Public Workers'
  - Marine
  - Self-Insured

- As of August 31, 2006, Ancillary Fund assets totaled $1.4 billion, representing approximately 8% of total OBWC Investments
  - ➔ All Fund assets, excluding the Self-Insured Fund, were invested in the SSgA Lehman Aggregate Index Fund
  - ➔ The Self-Insured Fund has historically been invested in short-term cash-equivalents
- The asset allocation recommendations are detailed on the following page

Asset Allocation Recommendation

Summary Statistics:

	SIF	Disabled Workers	Coal Workers	Public Workers	Marine	Self Insured	Totals
Cash and Investments ($mm)	15,470	1,086	228	21	15	30	16,849
Discount Rate	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%
Duration (years)	***10.4***	***10.0***	***10.6***	***3.4***	***3.4***	-	

Recommended Asset Allocation Policy:

	% Allocation						
Asset Class	**SIF**	**Disabled Workers**	**Coal Workers**	**Public Workers**	**Marine**	**Self Insured**	**Total OBWC**
U.S. Equity	**15**	**15**	~~15~~ **20**	**0**	**0**	**0**	**15**
Large Cap	*12*	*12*	*~~12~~ 17*	*0*	*0*	*0*	*12*
Active	0	0	0	0	0	0	0
Passive	12	12	~~12~~ 17	0	0	0	12
Small/Mid Cap	*3*	*3*	*3*	*0*	*0*	*0*	*3*
Active	3	3	0	0	0	0	3
Passive	0	0	3	0	0	0	0
Non-U.S. Equity	**5**	**5**	~~5~~ **0**	**0**	**0**	**0**	**5**
Active	~~4~~ 5	~~4~~ 5	0	0	0	0	~~4~~ 5
Passsive	~~1~~ 0	~~1~~ 0	~~5~~ 0	0	0	0	~~1~~ 0
Fixed Income - Long Duration	**54**	**54**	**54**	**0**	**0**	**0**	**54**
Active	27	27	0	0	0	0	27
Passive	27	27	54	0	0	0	27
Fixed Income - Intermediate	**0**	**0**	**0**	**99**	**99**	**0**	**0**
High Yield	**5**	**5**	**5**	**0**	**0**	**0**	**5**
Active	5	5	5	0	0	0	5
Passive	0	0	0	0	0	0	0
Inflation-Protected Securities	**20**	**20**	**20**	**0**	**0**	**0**	**20**
Active	0	0	0	0	0	0	0
Passive	20	20	20	0	0	0	20
Cash Equivalents	**1**	**1**	**1**	**1**	**1**	**100**	**1**

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Fund Descriptions

- 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
- 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
- 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

Fund Descriptions

- 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

- The Self-Insured Employers' Guarantee Fund (SIEGF)
  - Provides for payment of compensation and benefits to injured workers of bankrupt self-insured employers

Implementation Issues

- Wilshire is recommending that the WCOC adopt the same fixed income/equity split (80/20) for the DWRF and CWPF that it adopted for the SIF

- However, due to the smaller asset size of the Ancillary Funds, the proposed asset allocation policies may need to be implemented in a slightly different manner than that of the SIF:
  - Fewer managers
  - Commingled funds
  - More passive management
  - Potential elimination of high yield asset class for CWPF

- The PWRF, MIF and Self-Insured Funds also may require the use of commingled funds due to their smaller asset size.

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

In general 2
Constitutional issues 1
Disbursements; investments 3
Effective date 5
Fiduciary obligations 4

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.
>
> 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:
>
> (a) Coins;
>
> (b) Artwork;
>
> (c) Horses;
>
> (d) Jewelry or gems;
>
> (e) Stamps;
>
> (f) Antiques;
>
> (g) Artifacts;
>
> (h) Collectibles;
>
> (i) Memorabilia;
>
> (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

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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. As amended by the legislature in 2007, these Election Law proscriptions now apply to <u>competitively bid</u> contracts, as well as non-competitively bid contracts to which they applied under former law. The legislature has also expanded the categories of persons affiliated with firms seeking to conduct business with the Bureau whose political contributions may result in disqualification of the firm from public contracts. These provisions are set forth below:

> "(I)(1)(a) Subject to divisions (K), (L), (M), and (N) of this section, no agency or department of this state or any political subdivision shall award any contract for the purchase of goods costing more than five hundred dollars or services costing more than five hundred dollars to any individual, partnership or other unincorporated business, association, including, without limitation, a professional association organized under Chapter 1785. of the Revised Code, estate, or trust if any of the following has made, as an individual, within the two previous calendar years, one or more contributions totaling in excess of one thousand dollars to the holder of the public office having ultimate responsibility for the award of the contract or to the public officer's campaign committee:

(i) The individual;
(ii) Any partner or owner of the partnership or other unincorporated business;
(iii) Any shareholder of the association;
(iv) Any administrator of the estate;
(v) Any executor of the estate;
(vi) Any trustee of the trust;
(vii) The spouse of any person identified in divisions (I)(1)(a)(i) to (vi) of this section;
(viii) Any child seven years of age through seventeen years of age of any person identified in divisions (I)(1)(a)(i) to (vi) of this section.
(b) Subject to divisions (K), (L), (M), and (N) of this section, no agency or department of this state or any political subdivision shall award any contract for the purchase of goods costing more than five hundred dollars or services costing more than five hundred dollars to any individual, partnership or other unincorporated business, association, including, without limitation, a professional association organized under Chapter 1785. of the Revised Code, estate, or trust if any combination of the following has made, within the two previous calendar years, one or more contributions totaling in excess of two thousand dollars to the holder of the public office having ultimate responsibility for the award of the contract or to the public officer's campaign committee:
(i) The individual;
(ii) Any partner or owner of the partnership or other unincorporated business;
(iii) Any shareholder of the association;
(iv) Any administrator of the estate;
(v) Any executor of the estate;
(vi) Any trustee of the trust;
(vii) The spouse of any person identified in divisions (I)(1)(b)(i) to (vi) of this section;
(viii) Any child seven years of age through seventeen years of age of any person identified in divisions (I)(1)(b)(i) to (vi) of this section;
(ix) Any political action committee affiliated with the partnership or other unincorporated business, association, estate, or trust.
(2)(a) Subject to divisions (K), (L), (M), and (N) of this section, if any agency or department of this state or any political subdivision has awarded a contract for the purchase of goods costing more than five hundred dollars or services costing more than five hundred dollars to any individual, partnership or other unincorporated business, association, including, without limitation, a professional association organized under Chapter 1785. of the Revised Code, estate, or trust, none of the following shall, beginning on the date the contract is awarded and extending until one year following the conclusion of that contract, make one or more contributions totaling in excess of one thousand dollars to the holder of the public office having ultimate responsibility for the award of that contract:
(i) The individual;
(ii) Any partner or owner of the partnership or other unincorporated business;
(iii) Any shareholder of the association;
(iv) Any administrator of the estate;
(v) Any executor of the estate;
(vi) Any trustee of the trust;

(vii) The spouse of any person identified in divisions (I)(2)(a)(i) to (vi) of this section;
(viii) Any child seven years of age through seventeen years of age of any person identified in divisions (I)(2)(a)(i) to (vi) of this section.
(b) Subject to divisions (K), (L), (M), and (N) of this section, if any agency or department of this state or any political subdivision has awarded a contract for the purchase of goods costing more than five hundred dollars or services costing more than five hundred dollars to any individual, partnership or other unincorporated business, association, including, without limitation, a professional association organized under Chapter 1785. of the Revised Code, estate, or trust, no combination of any of the following shall, beginning on the date the contract is awarded and extending until one year following the conclusion of that contract, make one or more contributions totaling in excess of two thousand dollars to the holder of the public office having ultimate responsibility for the award of that contract:
(i) The individual;
(ii) Any partner or owner of the partnership or other unincorporated business;
(iii) Any shareholder of the association;
(iv) Any administrator of the estate;
(v) Any executor of the estate;
(vi) Any trustee of the trust;
(vii) The spouse of any person identified in divisions (I)(2)(b)(i) to (vi) of this section;
(viii) Any child seven years of age through seventeen years of age of any person identified in divisions (I)(2)(b)(i) to (vi) of this section;
(ix) Any political action committee affiliated with the partnership or other unincorporated business, association, estate, or trust.
(3) Subject to divisions (L), (M), and (N) of this section, no agency or department of this state or any political subdivision shall enter into any contract for the purchase of goods costing more than five hundred dollars or services costing more than five hundred dollars with an individual, partnership or other unincorporated business, association, including, without limitation, a professional association organized under Chapter 1785. of the Revised Code, estate, or trust unless the contract includes a certification by the individual, partnership or other unincorporated business, association, estate, or trust that all of the following persons, if applicable, are in compliance with division (I)(1) of this section:
(a) The individual;
(b) Each partner or owner of the partnership or other unincorporated business;
(c) Each shareholder of the association;
(d) Each administrator of the estate;
(e) Each executor of the estate;
(f) Each trustee of the trust;
(g) Each spouse of any person identified in divisions (I)(3)(a) to (f) of this section;
(h) Each child seven years of age to seventeen years of age of any person identified in divisions (I)(3)(a) to (f) of this section;
(i) Any combination of persons identified in divisions (I)(3)(a) to (h) of this section.
(4)(a) Subject to divisions (K), (L), (M), and (N) of this section, no agency or department of this state or any political subdivision shall award any contract for the purchase of goods costing more than five hundred dollars or services costing more than five hundred dollars to any partnership or other unincorporated business,

association, including, without limitation, a professional association organized under Chapter 1785. of the Revised Code, estate, or trust if a political action committee that is affiliated with the partnership or other unincorporated business, association, estate, or trust has made, within the two previous calendar years, one or more contributions totaling in excess of two thousand dollars to the holder of the public office having ultimate responsibility for the award of the contract or to the public officer's campaign committee.
(b) Subject to divisions (K), (L), (M), and (N) of this section, if any agency or department of this state or any political subdivision has awarded any contract for the purchase of goods costing more than five hundred dollars or services costing more than five hundred dollars to any partnership or other unincorporated business, association, including, without limitation, a professional association organized under Chapter 1785. of the Revised Code, estate, or trust, no political action committee that is affiliated with the partnership or other unincorporated business, association, estate, or trust shall, beginning on the date the contract is awarded and extending until one year following the conclusion of that contract, make one or more contributions totaling in excess of two thousand dollars to the holder of the public office having ultimate responsibility for the award of the contract or to the public officer's campaign committee.

(J)(1)(a) Subject to divisions (K), (L), (M), and (N) of this section, no agency or department of this state or any political subdivision shall award any contract 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 any of the following has made, as an individual, within the two previous calendar years, taking into consideration only owners for all of that period, one or more contributions totaling in excess of one thousand dollars to the holder of a public office having ultimate responsibility for the award of the contract or to the public officer's campaign committee:
(i) An owner of more than twenty per cent of the corporation or business trust;
(ii) A spouse of an owner of more than twenty per cent of the corporation or business trust;
(iii) A child seven years of age through seventeen years of age of an owner of more than twenty per cent of the corporation or business trust.
(b) Subject to divisions (K), (L), (M), and (N) of this section, no agency or department of this state or any political subdivision shall award any contract 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 any combination of the following has made, within the two previous calendar years, taking into consideration only owners for all of that period, one or more contributions totaling in excess of two thousand dollars to the holder of the public office having ultimate responsibility for the award of the contract or to the public officer's campaign committee:
(i) Owners of more than twenty per cent of the corporation or business trust;
(ii) Spouses of owners of more than twenty per cent of the corporation or business trust;

(iii) Children seven years of age through seventeen years of age of owners of more than twenty per cent of the corporation or business trust;

(iv) Any political action committee affiliated with the corporation or business trust.

(2)(a) Subject to divisions (K), (L), (M), and (N) of this section, if any agency or department of this state or any political subdivision has awarded a contract 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, none of the following shall, beginning on the date the contract is awarded and extending until one year following the conclusion of that contract, make one or more contributions totaling in excess of one thousand dollars to the holder of the public office having ultimate responsibility for the award of that contract:

(i) An owner of more than twenty per cent of the corporation or business trust;

(ii) A spouse of an owner of more than twenty per cent of the corporation or business trust;

(iii) A child seven years of age through seventeen years of age of an owner of more than twenty per cent of the corporation or business trust.

(b) Subject to divisions (K), (L), (M), and (N) of this section, if any agency or department of this state or any political subdivision has awarded a contract 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, no combination of any of the following shall, beginning on the date the contract is awarded and extending until one year following the conclusion of that contract, make one or more contributions totaling in excess of two thousand dollars to the holder of the public office having ultimate responsibility for the award of that contract:

(i) Owners of more than twenty per cent of the corporation or business trust;

(ii) Spouses of owners of more than twenty per cent of the corporation or business trust;

(iii) Children seven years of age through seventeen years of age of owners of more than twenty per cent of the corporation or business trust;

(iv) Any political action committee affiliated with the corporation or business trust.

(3) Subject to divisions (L), (M), and (N) of this section, no agency or department of this state or any political subdivision shall enter into any contract for the purchase of goods costing more than five hundred dollars or services costing more than five hundred dollars with a corporation or business trust, except a professional association organized under Chapter 1785. of the Revised Code, unless the contract includes a certification by the corporation or business trust that all of the following persons, if applicable, are in compliance with division (J)(1) of this section:

(a) Each owner of more than twenty per cent of the corporation or business trust;

(b) Each spouse of an owner of more than twenty per cent of the corporation or business trust;

(c) Each child seven years of age to seventeen years of age of an owner of more than twenty per cent of the corporation or business trust;

(d) Any combination of persons identified in divisions (J)(3)(a) to (c) of this section.

(4)(a) Subject to divisions (K), (L), (M), and (N) of this section, no agency or department of this state or any political subdivision shall award any contract for the purchase of goods costing more than five hundred dollars or services costing more than five hundred dollars to any corporation or business trust, except a professional association organized under Chapter 1785. of the Revised Code, if a political action committee that is affiliated with the corporation or business trust has made, within the two previous calendar years, one or more contributions totaling in excess of two thousand dollars to the holder of the public office having ultimate responsibility for the award of the contract or to the public officer's campaign committee.

(b) Subject to divisions (K), (L), (M), and (N) of this section, if any agency or department of this state or any political subdivision has awarded any contract for the purchase of goods costing more than five hundred dollars or services costing more than five hundred dollars to any corporation or business trust, except a professional association organized under Chapter 1785. of the Revised Code, no political action committee that is affiliated with the corporation or business trust shall, beginning on the date the contract is awarded and extending until one year following the conclusion of that contract, make one or more contributions totaling in excess of two thousand dollars to the holder of the public office having ultimate responsibility for the award of the contract or to the public officer's campaign committee."

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. "(Y) (1)(a) Subject to divisions (L), (M)(2), and (N) of this section, the administrator of workers' compensation and the employees of the bureau of workers' compensation shall not conduct any business with or award any contract for the purchase of goods costing more than five hundred dollars or services costing more than five hundred dollars to any individual, partnership or other unincorporated business, association, including, without limitation, a professional association organized under Chapter 1785. of the Revised Code, estate, or trust, if any of the following 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:

(i) The individual;

(ii) Any partner or owner of the partnership or other unincorporated business;

(iii) Any shareholder of the association;

(iv) Any administrator of the estate;

(v) Any executor of the estate;

(vi) Any trustee of the trust;

(vii) The spouse of any person identified in divisions (Y)(1)(a)(i) to (vi) of this section;

(viii) Any child seven years of age through seventeen years of age of any person identified in divisions (Y)(1)(a)(i) to (vi) of this section.

(b) Subject to divisions (L), (M)(2), and (N) of this section, the administrator of workers' compensation and the employees of the bureau of workers' compensation shall not conduct any business with or award any contract for the purchase of goods costing more than five hundred dollars or services costing more than five hundred dollars to any individual, partnership or other unincorporated business, association, including, without limitation, a professional association organized under Chapter 1785. of the Revised Code, estate, or trust if any combination of the following has made, within the two previous calendar years, one or more contributions totaling in excess of two 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:
(i) The individual;
(ii) Any partner or owner of the partnership or other unincorporated business;
(iii) Any shareholder of the association;
(iv) Any administrator of the estate;
(v) Any executor of the estate;
(vi) Any trustee of the trust;
(vii) The spouse of any person identified in divisions (Y)(1)(b)(i) to (vi) of this section;
(viii) Any child seven years of age through seventeen years of age of any person identified in divisions (Y)(1)(b)(i) to (vi) of this section;
(ix) Any political action committee affiliated with the partnership or other unincorporated business, association, estate, or trust.
(2)(a) Subject to divisions (L), (M)(2), and (N) of this section, if the administrator of workers' compensation or the employees of the bureau of workers' compensation has awarded a contract for the purchase of goods costing more than five hundred dollars or services costing more than five hundred dollars to any individual, partnership or other unincorporated business, association, including, without limitation, a professional association organized under Chapter 1785. of the Revised Code, estate, or trust, none of the following shall, beginning on the date the contract is awarded and extending until one year following the conclusion of that contract, make 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:
(i) The individual;
(ii) Any partner or owner of the partnership or other unincorporated business;
(iii) Any shareholder of the association;
(iv) Any administrator of the estate;
(v) Any executor of the estate;
(vi) Any trustee of the trust;
(vii) The spouse of any person identified in divisions (Y)(2)(a)(i) to (vi) of this section;
(viii) Any child seven years of age through seventeen years of age of any person identified in divisions (Y)(2)(a)(i) to (vi) of this section.
(b) Subject to divisions (L), (M)(2), and (N) of this section, if the administrator of workers' compensation or the employees of the bureau of workers' compensation has awarded a contract for the purchase of goods costing more than five hundred dollars or services costing more than five hundred dollars to any individual, partnership or other unincorporated business, association, including, without limitation, a professional association organized under Chapter 1785. of the Revised Code, estate, or trust, no combination of any of the following shall, beginning on the date the contract is awarded and extending until one year following the conclusion of that contract, make one or more contributions totaling in excess of two 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:
(i) The individual;

(ii) Any partner or owner of the partnership or other unincorporated business;
(iii) Any shareholder of the association;
(iv) Any administrator of the estate;
(v) Any executor of the estate;
(vi) Any trustee of the trust;
(vii) The spouse of any person identified in divisions (Y)(2)(b)(i) to (vi) of this section;
(viii) Any child seven years of age through seventeen years of age of any person identified in divisions (Y)(2)(b)(i) to (vi) of this section;
(ix) Any political action committee affiliated with the partnership or other unincorporated business, association, estate, or trust.
(3) Subject to divisions (L), (M)(2), and (N) of this section, the administrator of workers' compensation and the employees of the bureau of workers' compensation shall not enter into any contract for the purchase of goods costing more than five hundred dollars or services costing more than five hundred dollars with an individual, partnership or other unincorporated business, association, including, without limitation, a professional association organized under Chapter 1785. of the Revised Code, estate, or trust unless the contract includes a certification by the individual, partnership or other unincorporated business, association, estate, or trust that all of the following persons, if applicable, are in compliance with division (Y)(1) of this section:
(a) The individual;
(b) Each partner or owner of the partnership or other unincorporated business;
(c) Each shareholder of the association;
(d) Each administrator of the estate;
(e) Each executor of the estate;
(f) Each trustee of the trust;
(g) Each spouse of any person identified in divisions (Y)(3)(a) to (f) of this section;
(h) Each child seven years of age to seventeen years of age of any person identified in divisions (Y)(3)(a) to (f) of this section;
(i) Any combination of persons identified in divisions (Y)(3)(a) to (h) of this section.
(4)(a) Subject to divisions (L), (M)(2), and (N) of this section, the administrator of workers' compensation and the employees of the bureau of workers' compensation shall not conduct any business with or award any contract for the purchase of goods costing more than five hundred dollars or services costing more than five hundred dollars to any partnership or other unincorporated business, association, including, without limitation, a professional association organized under Chapter 1785. of the Revised Code, estate, or trust if a political action committee that is affiliated with the partnership or other unincorporated business, association, estate, or trust has made, within the two previous calendar years, one or more contributions totaling in excess of two 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.
(b) Subject to divisions (L), (M)(2), and (N) of this section, if the administrator of workers' compensation or the employees of the bureau of workers' compensation has awarded any contract for the purchase of goods costing more than five hundred dollars or services costing more than five hundred dollars to any partnership or other unincorporated business, association, including, without limitation, a professional

association organized under Chapter 1785. of the Revised Code, estate, or trust, no political action committee that is affiliated with the partnership or other unincorporated business, association, estate, or trust shall, beginning on the date the contract is awarded and extending until one year following the conclusion of that contract, make one or more contributions totaling in excess of two 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) (1)(a) Subject to divisions (L), (M)(2), and (N) of this section, the administrator of workers' compensation and the employees of the bureau of workers' compensation shall not conduct business with or award any contract 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 any of the following 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:
(i) An owner of more than twenty per cent of the corporation or business trust;
(ii) A spouse of an owner of more than twenty per cent of the corporation or business trust;
(iii) A child seven years of age through seventeen years of age of an owner of more than twenty per cent of the corporation or business trust.
(b) Subject to divisions (L), (M)(2), and (N) of this section, the administrator of workers' compensation and the employees of the bureau of workers' compensation shall not conduct any business with or award any contract 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 any combination of the following has made, within the two previous calendar years, taking into consideration only owners for all of that period, one or more contributions totaling in excess of two 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:
(i) Owners of more than twenty per cent of the corporation or business trust;
(ii) Spouses of owners of more than twenty per cent of the corporation or business trust;
(iii) Children seven years of age through seventeen years of age of owners of more than twenty per cent of the corporation or business trust;
(iv) Any political action committee affiliated with the corporation or business trust.
(2)(a) Subject to divisions (L), (M)(2), and (N) of this section, if the administrator of workers' compensation or the employees of the bureau of workers' compensation has awarded a contract 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, none of the following shall, beginning on the date the contract is awarded and extending until one year following the conclusion of that contract, make 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:
(i) An owner of more than twenty per cent of the corporation or business trust;
(ii) A spouse of an owner of more than twenty per cent of the corporation or business trust;
(iii) A child seven years of age through seventeen years of age of an owner of more than twenty per cent of the corporation or business trust.
(b) Subject to divisions (L), (M)(2), and (N) of this section, if the administrator of workers' compensation or the employees of the bureau of workers' compensation has awarded a contract 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, no combination of any of the following shall, beginning on the date the contract is awarded and extending until one year following the conclusion of that contract, make one or more contributions totaling in excess of two 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:
(i) Owners of more than twenty per cent of the corporation or business trust;
(ii) Spouses of owners of more than twenty per cent of the corporation or business trust;
(iii) Children seven years of age through seventeen years of age of owners of more than twenty per cent of the corporation or business trust;
(iv) Any political action committee affiliated with the corporation or business trust.
(3) Subject to divisions (L), (M)(2), and (N) of this section, the administrator of workers' compensation and the employees of the bureau of workers' compensation shall not enter into any contract for the purchase of goods costing more than five hundred dollars or services costing more than five hundred dollars with a corporation or business trust, except a professional association organized under Chapter 1785. of the Revised Code, unless the contract includes a certification by the corporation or business trust that all of the following persons, if applicable, are in compliance with division (Z)(1) of this section:
(a) Each owner of more than twenty per cent of the corporation or business trust;
(b) Each spouse of an owner of more than twenty per cent of the corporation or business trust;
(c) Each child seven years of age to seventeen years of age of an owner of more than twenty per cent of the corporation or business trust;
(d) Any combination of persons identified in divisions (Z)(3)(a) to (c) of this section.
(4)(a) Subject to divisions (L), (M)(2), and (N) of this section, the administrator of workers' compensation and the employees of the bureau of workers' compensation shall not conduct business with or award any contract for the purchase of goods costing more than five hundred dollars or services costing more than five hundred dollars to any corporation or business trust, except a professional association organized under Chapter 1785. of the Revised Code, if a political action committee that is affiliated with the corporation or business trust has made, within the two previous calendar years, one or more contributions totaling in excess of two 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.

(b) Subject to divisions (L), (M)(2), and (N) of this section, if the administrator of workers' compensation or the employees of the bureau of workers' compensation has awarded any contract for the purchase of goods costing more than five hundred dollars or services costing more than five hundred dollars to any corporation or business trust, except a professional association organized under Chapter 1785. of the Revised Code, no political action committee that is affiliated with the corporation or business trust shall, beginning on the date the contract is awarded and extending until one year following the conclusion of that contract, make one or more contributions totaling in excess of two 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.
(AA) No individual, partnership or other incorporated business, association, estate, trust, corporation, or business trust shall knowingly make a false statement on a certification required under division (I)(3), (J)(3), (Y)(3), or (Z)(3) of this section."

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

INVESTMENT DIVISION

TO: Marsha Ryan, Administrator
Robert Smith, Chairman, Investment Committee
Alison Falls, Vice Chair, Investment Committee
David Caldwell, Investment Committee
James Harris, Investment Committee
Larry Price, Investment Committee

FROM: Bruce Dunn, Chief Investment Officer

DATE: November 8, 2007

SUBJECT: CIO Report October, 2007

The Investment Division in October, 2007 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.

Fiscal Year 2008 Goals

The Investment Division has six major goals for fiscal year 2008. These goals are the following:

1. Execute and complete transition of BWC portfolios per new BWC Investment Policy

2. Complete establishment of new BWC Investment Division

3. Assist in establishment of new investment accounting system

4. Sell all 68 private equity funds

5. Establish proper investment controls and compliance procedures

6. Provide education to new BWC Board of Directors and Investment Committee

Strategic Goal One – PORTFOLIO TRANSITION

A pool of three Transition Managers (Barclays, Russell, State Street) were approved by the former Workers' Compensation Oversight Commission (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.

The State Insurance Fund had approximately $14.8 billion of investment assets involved in transitions to achieve its portfolio asset allocation and portfolio duration targets as per the new BWC Investment Policy. The State Insurance Fund asset transitions occurred over two stages between January, 2007 and April, 2007. The first two major asset class transitions for the State Insurance Fund were completed in January, 2007 by State Street Global Markets (SSGM) as BWC transition manager. These two important initial transitions involved a shift and sale of $5.5 billion of invested assets from the Ohio Fund managed by State Street Global Advisors (SSGA) to (i) a passive indexed managed U.S. TIPS fixed income portfolio ($3.0 billion) managed by SSGA and (ii) a passive indexed managed Large Cap S&P 500 equity portfolio ($2.5 billion) managed on an interim basis by SSGM as transition manager.

The other large transition from the State Insurance Fund involving approximately $9.3 billion was completed in April, 2007 by Barclays Global Investors as BWC transition manager. This major transition involved a shift of $9.3 billion of invested assets from the Ohio Bond Fund to (i) a passive indexed managed Long Duration fixed income portfolio ($7.8 billion) managed by SSGA and (ii) a similar passive indexed managed Long Duration fixed income portfolio ($1.5 billion) managed by Barclays Global Investors. It was critical that these three major asset class transitions involving the State Insurance Fund be completed before asset class transition activity could commence with respect to four BWC ancillary portfolios representing an aggregate of approximately $1.4 billion in invested assets.

The transition of assets of approximately $1.4 billion of assets involving four ancillary funds was completed in September, 2007. The transition of these ancillary trust funds also occurred in two distinct stages. After the completion and execution of a necessary tri-party agreement dated June 26, 2007 between the BWC, JPMorgan Chase Bank, as custodian, and the Ohio Treasurer of State involving the Ohio Public Workers Relief Fund and Ohio Marine Industry Fund, invested assets totalling $21.4 million for the Public Workers Fund and $15.2 million for the Marine Industry Fund were shifted in July, 2007 from the Ohio Bond Fund to the JPMorgan U.S. Government Money Market Fund. This money market fund serves as the current interim investment strategy for these two smaller ancillary trust funds.

The second stage of the ancillary trust funds asset transition strategy involved the transitioning of invested assets of the two large ancillary trust funds, the Disabled Workers Retirement Fund (DWRF) and the Coal Workers Pneumoconiosis Fund (CWPF). These two trust fund transitions totaled approximately $1.38 billion in invested assets, comprising approximately $1.14 billion for DWRF and $240 million for CWPF. The transition strategy for these two ancillary trust fund portfolios involved the transitioning and sale of assets from the Ohio Bond Fund to three respective asset class mandates per the investment policy targeted asset classes in the proportion 60% Long Duration fixed income, 20% TIPS fixed income and 20% S&P 500 index. SSGM was selected and engaged by BWC to serve as its transition manager for each of these three transitions for both DWRF and CWPF. SSGM executed each of these three transition stategies in September, 2007 for both ancillary funds. All targeted invested assets were delivered from the BWC transition accounts to the BWC passive indexed managers in late September and early October, 2007. SSGA is serving as the targeted passive indexed manager for these two fixed income mandates and Northern Trust serves as the targeted S&P 500 passive indexed manager.

Strategic Goal Two – BUILD INVESTMENT STAFF

The Investment Division began fiscal year 2008 commencing July 1, 2007 with a staff of seven individuals consisting of the CIO, Director of Investments, two Senior Investment Managers, two assistant Investment Managers and an administrative assistant. Upon the lifting of the temporary hiring freeze imposed on state agencies by the Governor's Office effective May, 2007, the two finalist candidates accepted offers extended in June, 2007 for the positions of Investment Administration Manager and Assistant Investment Manager that were initially posted in December, 2006. Both new hires joined the Investment Division in late July, 2007 and are making many immediate contributions.

Job postings for two additional staff positions also occurred in June, 2007. These positions are for a third senior investment manager position and an administrative assistant. It is anticipated that both the administrative assistant position and the senior investment manager position will be filled in the first quarter of 2008. These four additions to staff targeted for fiscal year 2008 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.

Strategic Goal Three – NEW INVESTMENT ACCOUNTING SYSTEM

A RFP process that began in November, 2006 for a new investment accounting and reporting system resulted in the selection of an integrated outsourced vendor solution. A finalist vendor for both an enhanced vendor software platform (insource solution) and an integrated outsourced vendor (outsource solution) was offered to BWC Administrator Marsha Ryan, with the recommendation made by the RFP Evaluation Committee that the outsource solution vendor be chosen. Administrator Ryan approved this recommendation in mid-June, 2007. BWC is currently in the implementation and conversion process to this web-based system with a goal for completion targeted for December 1, 2007. It is also the goal to have an improved accounting system available to BWC to accommodate the effective daily monitoring of both passive and active style asset managers in satisfaction of the current BWC Investment Policy.

Strategic Goal Four – PRIVATE EQUITY SALE

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. The auction sale process has been completed by UBS and progress continues towards the sale of the BWC private equity funds. The first private equity fund sale was completed in late June, 2007 and 32 additional private equity partnership sales have occurred over July-October, 2007. Proceeds received through 10/31/07 from private equity partnership sales have totalled $277 million, with all such proceeds received reinvested in the passive indexed Large Cap S&P 500 Equity portfolio managed by Northern Trust. It is expected that the sale of most remaining private equity partnerships will be completed by the end of 2007.

Strategic Goal Five – INTERNAL INVESTMENT PROCEDURES

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 is 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 oversight of the remaining private equity funds as well as the new passive style investment managers, performance reporting, and other investment activities to support the new Investment Policy. Internal procedures for the monitoring of active style investment managers are being developed well in advance of the selection of such managers.

Strategic Goal Six – BOARD OF DIRECTORS EDUCATION (*NEW GOAL ADDED*)

An added goal of the Investment Division is to provide investment-related fundamental training to the new BWC Board of Directors. Such training will assist the Board of Directors in carrying out its fiduciary responsibilities to the BWC trust funds. The Investment Division will provide educational presentations (written and oral) on relevant topics at scheduled public meetings. The Investment Division will also provide training through informal discussion, as appropriate under the Ohio Sunshine Laws. The CIO and Director of Investments encourage Board members to contact them with inquiries, comments or concerns.

At the September meetings, there were formal presentations made by the Investment Division on (i) the fundamentals of investments as relevant to the BWC portfolio of assets and current investment strategy, (ii) the BWC RFP process for securing external investment management services/products, and (iii) the advantages/disadvantages of the two types of alternative custodial structures for investment asset management. The BWC RFP process for securing a full service investment consulting firm and the roles of an evaluation committee in the RFP process was addressed in the October meetings. As determined by each of the Investment Division, BWC Investment Committee and Board of Directors, many additional investment topics will be addressed over the course of the current fiscal year.

Compliance

The investment portfolios in the aggregate were in compliance on September 30, 2007 with the BWC Investment Policy. There was one credit issuer name owned in each of the two passive indexed Long Duration fixed income portfolios for the State Insurance Fund (SIF) that exceeded imposed credit name maximum ownership limits on September 30, 2007. In the SIF LDFI portfolio managed by State Street, total bond holdings of AT&T Corp. and subsidiaries aggregated $88.3 million or 1.11% of total portfolio assets at market value on 9/30/07 compared with a BWC imposed limit of 0.90% ($71.4 million) of total assets at market value applicable for "A" rated credits. In the SIF LDFI portfolio managed by Barclays, total bond holdings of Sprint Nextel Corp. and subsidiaries aggregated $9.44 million or 0.62% of total portfolio assets at market value on 9/30/07 compared with a BWC imposed limit of 0.60% ($9.10 million) of total assets at market value applicable for "BBB" rated credits. The CIO has discussed these two exceptions with the respective portfolio managers and corrective actions have been addressed. Preliminary reports received from State Street for month-end October 2007 indicate that the ownership position for AT&T debt was back in compliance with the BWC imposed ownership limit as a result of the sale of certain AT&T securities. Barclays did some selling of Sprint Nextel bonds by month-end October 2007 to get back in compliance on this credit name.

<u>Legislative Updates</u>
(*comments herein provided by and courtesy of Laura Abu-Absi, BWC Deputy Legislative Liaison*)

The 2007 legislative year is winding down, with the Ohio House of Representatives meeting only once in November, with two weeks of December have session scheduled "if needed."

BWC is working with legislators from both the House and Senate who are developing legislation that would affect the filing of a claim in multi-state jurisdictions; and separately, that would address the concurrent jurisdiction that currently exists between the Ohio Marine Industry Fund and the Federal Longshore and Harbor Workers' Compensation Act. We are also coordinating with the Office of the Governor and the Ohio Department of Natural Resources to develop legislation that will allow a portion of the interest from the Coal-Workers' Pneumoconiosis Fund to be used to fund Ohio's Mine Safety Program.

In addition, BWC has had its focus on a number of pieces of introduced legislation. Below is a list of the bills of particular interest to BWC and their current status:

HB 101 (Brinkman)

- General Summary
  - This bill is formerly the Industrial Commission (IC) biennial budget. The House Insurance Committee decided to roll the IC budget in with House Bill 100 (BWC Budget) and reserve this bill number for various policy changes to BWC.
  - No language has been drafted yet.
- Current Status
  - BWC Interested Party hearings have been held regularly in the House Insurance Committee (chaired by Rep. William Batchelder:)
    - 10/02/07 – Administrator Ryan
    - *10/09/07 – committee canceled*
    - 10/16/07 – We've Had Enough
    - 10/23/07 – Ohio Retail Merchants, NFIB, and Ohio Chamber of Commerce
    - 10/30/07 – Ohio Automobile Dealers Association, Construction Employer Association, Mr. Bruce DeMarco, Cincinnati Chamber of Commerce
    - *11/06/07 – committee canceled*

Sub HB 79 (Batchelder) BWC Investments

- General Summary
  - Makes numerous changes to the investment policy of BWC, including specifying the classes of investments in which BWC funds may be invested in place of the current "prudent person" standard.
- Current Status
  - A substitute bill with some BWC suggested amendments was recommended for adoption by the House Commerce and Labor Committee. The vote, which had 3 nays, was cast with the understanding that should the bill pass the House, it will be examined concurrently by the Senate Insurance, Commerce and Labor Committee and the yet-to-be-formed Workers' Compensation Council (10/16/07)
  - At this time, the bill has not been scheduled for a vote by the full House.
- BWC Action
  - At Representative Batchelder's request, Bruce Dunn and Lee Damsel appeared before House Commerce and Labor Committee to offer impact testimony (5/08/07)
  - Letter including impact information and proposed recommendations was submitted to Representative Batchelder (6/14/07)
  - As a result of the proposed alternatives set forth in the letter from BWC (6/14/07 prepared in conjunction with the BWC Investment Division), the Committee amended the bill in the following ways: (6/26/07)
    - Expanding the scope of the bill to include all BWC funds, not just the State Insurance Fund;
    - Specifying Moody's, Standard and Poor's, or Fitch rating services for rating bond investments;
    - Elimination of duration of existence requirement (5 years) and payment of dividend requirement for certain corporate investments;
    - Expansion of investment authority to money market funds that have received the highest credit rating in Standard and Poor's or Moody's;
    - Authorizes the hiring of external investment managers and consultants, subjects them to background checks, and prohibits the Administrator from hiring those who have pleaded guilty to or been convicted of a financial crime;
    - LSC technical amendment

HB166 (Schindel) OBM Office of Internal Audits

- General Summary
  - Requires all state agency internal auditors to be centralized under an OBM Office of Internal Auditing.
- Current Status – Passed.
  - House concurred with Senate amendments (9/7/07)
- BWC Action.
  - BWC Chief of Internal Auditing prepared a memo detailing the impact that enactment of this legislation will have on BWC for use in Executive coordinated lobbying effort.

HB 151 (Mandel) Retirement System Investments

- General Summary
  - This bill specifies procedures for divesting investments a public investor holds in directly held publicly traded companies conducting specified types of business in the Islamic Republic of Iran and the Republic of Sudan.
- Current Status
  - Passed by House Real Estate and Securities Committee (5/30/07)
  - Prior to consideration by the full House of Representatives, the Ohio Retirement Systems agreed to voluntarily comply with the legislation.
  - Statements have been made by members of the Ohio Retirement Study Council that Ohio Police and Fire Pension Fund did not uphold bargain; will continue to track legislation closely for potential movement.

HB 179 (Blessing) BWC Claims Employee Reimbursement

- General Summary
  - This bill requires a health insurer, and allows an injured worker, during the time the injured worker's claim is pending approval, to pay for medical services, and requires BWC to reimburse an injured worker once the claim is deemed compensable.
- Current Status.
  - One hearing in House Commerce, and Labor (5/15/07)

House Bill 181 (Stebelton) Missing Children

- General Summary
  - This bill requires public and nonpublic schools to mark the records of students identified as missing children and to notify law enforcement officials if those students' records are requested.
  - It also specifies that law enforcement officials of this state rendering services related to the location of these children are entitled to workers' compensation benefits under Revised Code Chapter 4123 regardless of whether the services are rendered inside this state or in another state.
- Current Status
  - Passed House Education Committee (6/18/07)
  - Passed full House (9/11/07)
  - Sponsor testimony given in front of House Judiciary-Criminal Justice Committee (10/17/07)

BWC Board of Directors

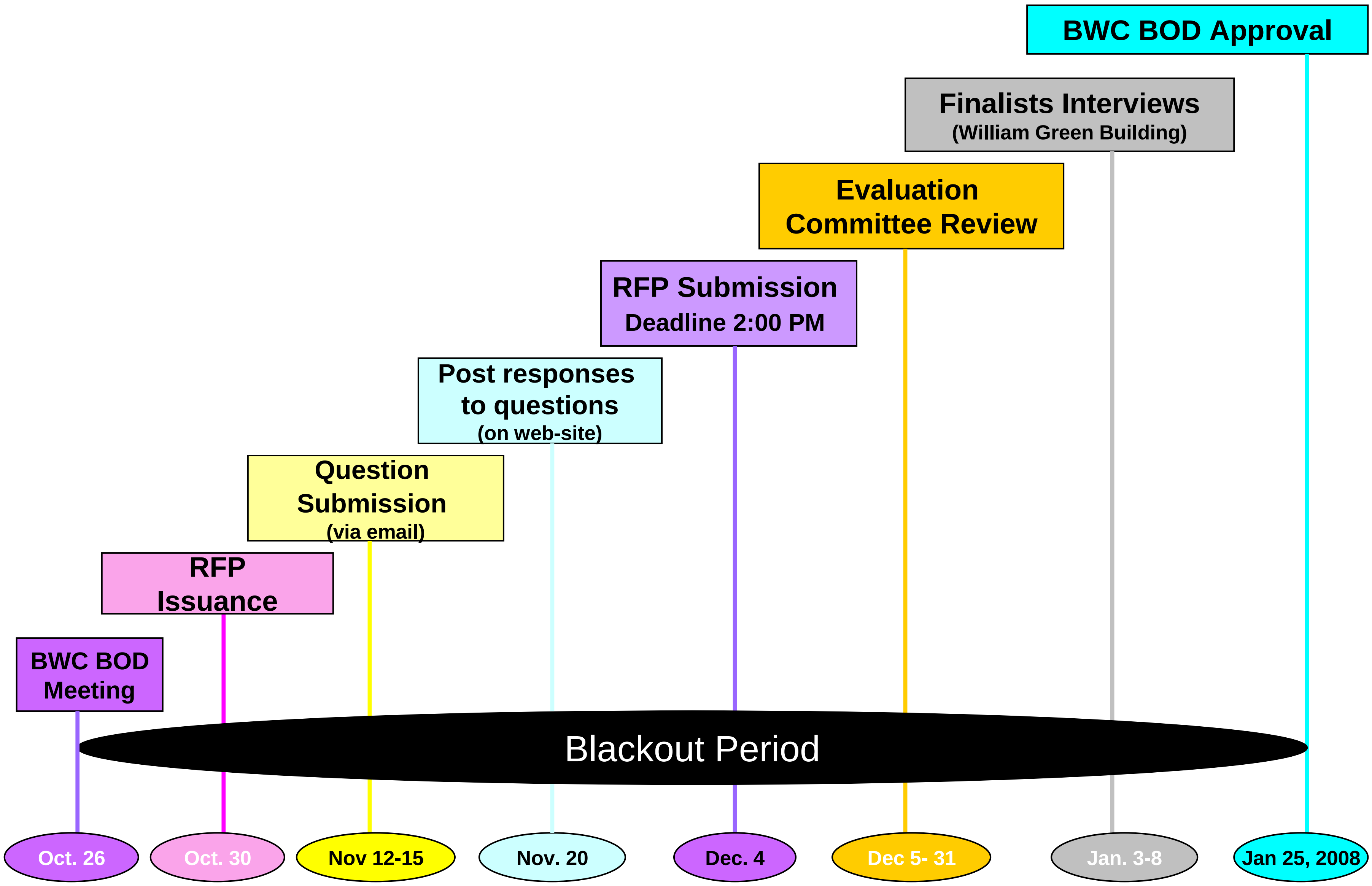
Full Service Investment Consultant RFP

November 20-21, 2007

Full Service Investment Consultant RFP Timeline

RFP ACTION ITEM	**TIMELINE**
Investment Committee and BOD MEETING *(BWC requested to issue RFP)*	***Oct. 25-26, 2007-COMPLETE***
Issue RFP	Oct. 30, 2007 **COMPLETE**
RFP Advertisement to Newspaper/Journal	Oct. 30 - Nov.12, 2007 **COMPLETE**
Open Period for respondents' question submission via email	Nov.12-15, 2007
Post responses to questions on BWC website on or before	Nov. 20, 2007
Investment Committee and BOD MEETING	***Nov. 20-21, 2007***
Deadline for submissions of Proposals 2:00 PM	***Dec. 4, 2007***
Initial review of proposals	Dec. 5-21, 2007
Investment Committee and BOD MEETING	***Dec. 19-20, 2007***
Evaluation Committee finalist candidates identified	Dec. 22-31, 2007
Interviews at William Green Building	Jan. 3-8, 2008
On-site visit of finalists	Jan. 9-11, 2008
BWC BOD Meeting printing deadline	Jan. 14, 2008
Investment Committee and BOD MEETING *(Final Approval)*	***Jan. 24-25, 2008***

Full Service Investment Consultant RFP Timeline



BWC

Better Worker's Compensation

Built with *you* in mind.

Securities Lending

Lee Damsel, CFA

Director of Investments

NOVEMBER 20, 2007

What is Securities Lending?

- An *investment strategy* in which investors make short-term loans of portfolio securities to generate increased revenues. These loans are secured with collateral assets.
- Securities loaned typically include bonds and stocks
- Lender continues to receive bond and dividend income

Securities Lending

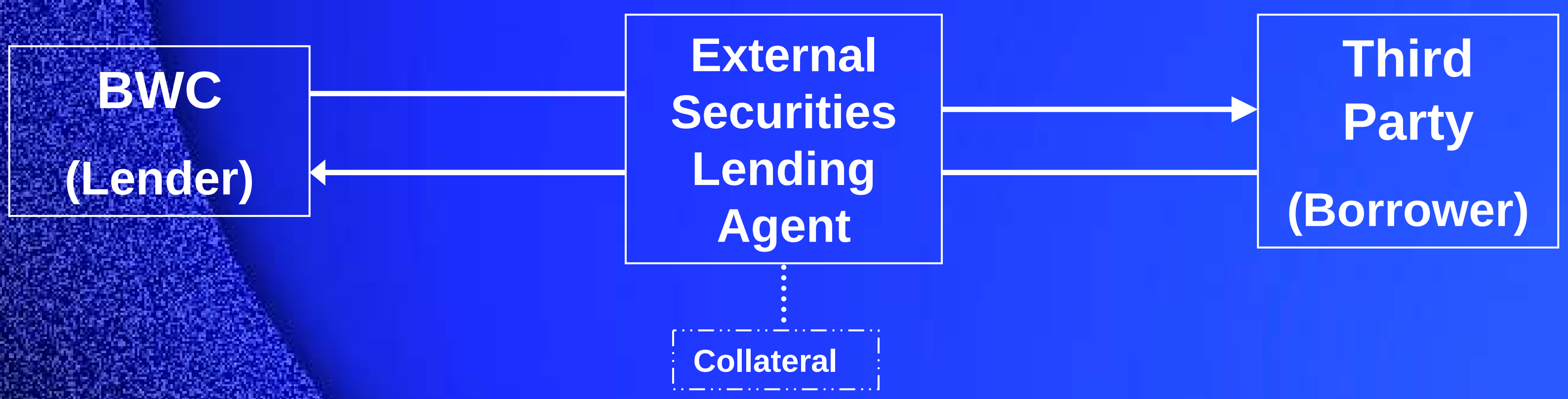
Who is Lending?	Who is Borrowing?
• Public Pension Funds • Public Funds (State, County, Local) • Corporate Pension/Treasury Funds • Endowments/Foundations • Mutual Funds • Central Banks	• Banks • Brokers/Dealers • Mutual Funds • Hedge Funds

What Securities are Loaned?

- U.S. Treasury Bonds
- U.S. Agency Bonds
- U.S. Corporate Bonds
- U.S. Stocks (small and mid caps)

Securities lending involves:

- Securities loaned to borrower
- Securities income received monthly by BWC
- Collateral balance maintained throughout loan
- Securities returned from borrower
- Collateral released



Why Lend Securities?

Maximize Revenue

- Incremental income on portfolio investments
- Offset expenses associated with maintaining portfolio
- Increase overall portfolio performance

Minimize Risk

- Manageable risk with a risk control process
- Securities lending is a prudent person practice used by similar institutional investors

Legal Obligations of Borrowers

- Return identical securities to BWC at the time of loan termination
- Collateralize all loan transactions and honor mark to market requests
- Pay a spread /fee for the use of BWC securities
- Return to BWC any distributions/corporate actions (i.e.; dividends, interest etc.) accrued on borrowed security during life of the loan

What are the risks?

Risk	Risk Control
1. Borrower Risk	
• Borrower defaults or is insolvent, failing to re-deliver borrowed securities	• Capital and rating requirements, and extensive ongoing credit reviews • Daily collateral mark-to-market • Indemnification insurance provided by third party in the event of borrower default
2. Collateral Risk	
• Investment default, credit risk and liquidity or duration mismatch in the cash reinvestment portfolio	• Monitor and manage • Establish conservative reinvestment guidelines

What are the risks? *(cont.)*

Risk	Risk Control

3. External Securities Lender Risk

Risk	Risk Control
• Process mistakes and errors in administering lending programs	• Daily reconciliation • Controlled process and procedures in a controlled environment • Compliance monitoring

4. BWC Legal/Contractual Risk

Risk	Risk Control
• Compliance with program guidelines	• Standardized documentation • Audit/compliance oversight

Summary

- Revenue enhancement with manageable risk
- Prudent Person Practice used by similar institutional investors

Questions

Investment Committee Calendar

November	December
Investment Committee Revised Charter, approval vote Passive Fixed Income management credit issuer ownership limits, possible vote Investment Consultant Performance Report 3Q07 Public Work-Relief / Marine Industry trust funds investment strategy, RFQ issuance, first consideration IPS asset allocation review of trust funds Securities Lending overview presentation	Securities Lending detailed presentation, possible vote Public Work-Relief / Marine Industry trust funds RFQ issuance, approval vote Commingled Index Manager RFP, first consideration LDFI benchmark discussion IPS review of required reports discussion

January	February
Investment Consultant RFP Finalist recommendation, approval vote Commingled Index Manager RFP issuance recommendation, approval vote Public Work-Relief / Marine Industry trust funds RFQ Finalist recommendation, approval vote LDFI benchmark recommendation, approval vote Securities Lending, approval vote	Investment Consultant Performance Report 4Q07 Investment risk tolerance discussion/education Derivatives utilization discussion

March	April
Minority Manager/Consultant discussion	Investment Consultant Asset/Liability Report and recommendation, possible vote Commingled Index Manager RFP Finalist recommendations, approval votes Minority Manager/Consultant RFP issuance, first consideration, possible vote

May	June
Commingled Index Manager RFP Finalist recommendations, approval votes Minority Manager/Consultant RFP issuance, approval vote Investment Consultant Performance Report 1Q08 Annual CIO review and BWC Investment staff review (certification/ethics/conflict of interests/compliance)	Investment Division Goals FY2009 Annual BWC Investment Division staffing review Annual economist outlook presentation

July	August
BWC Investment Income Projections FY09 IPS annual review	Minority Manager/Consultant RFP Finalist recommendation, approval vote Investment Consultant Performance Report 2Q08

September	October
Annual Investment Committee Charter Review	Annual Custodial Review

Ohio Bureau of Workers' Compensation

Summary Performance Gross of Fees

September 30, 2007

Portfolio Name	Benchmark Reference		Market Value	BWC Monthly ROR	Bmk Monthly ROR	BWC YTD ROR	Bmk YTD ROR	BWC 3 Mo. Trailing ROR	Bmk 3 Mo. Trailing ROR	BWC 12 Mo. Trailing ROR	Bmk 12 Mo. Trailing ROR	BWC Inception to Date ROR	BWC 1 Month Variance	BWC YTD Variance	BWC 3 Mo. Variance	BWC 12 Mo. Variance
Total Fund	**NR**	$	17,684,823,735	1.22	NR	4.14	NR	3.52	NR	5.49	NR	6.77				
Total Fund ex Alternatives	**Interim Benchmark**	$	17,296,346,474	1.25	1.34	3.93	4.77	3.52	3.40	5.33	-	6.61	(0.10)	(0.83)	0.12	
	Target Benchmark				1.58		4.80		3.20		-		(0.33)	(0.87)	0.32	
Total SIF	**NR**	$	16,214,582,923	1.28	NR	4.17	NR	3.60	NR	5.53	NR	6.81				
Total SIF ex Alternatives	**Interim Benchmark**	$	15,826,105,662	1.32	1.34	3.95	4.77	3.60	3.40	5.35	-	6.77	(0.02)	(0.81)	0.20	
	Target Benchmark				1.58		4.80		3.20		-		(0.26)	(0.85)	0.40	
SIF Bond Composite	**Interim Benchmark**	$	12,629,597,637	0.83	0.85	3.47	4.01	3.97	3.75	-	-	3.47	(0.02)	(0.54)	0.22	
	Target Benchmark				0.96		3.80		3.57		-		(0.12)	(0.33)	0.40	
. **Long Duration**	**L.B. Custom Long G/C**	$	9,454,863,642	0.68	0.69	-	2.54	3.79	3.49	-	3.58	1.54	(0.01)		0.30	
. **TIPS**	L.B. U.S. TIPS	$	3,174,733,995	1.30	1.33	-	-	4.52	4.54	-	-	6.19	(0.04)		(0.02)	
. **State Street LDFI Passive**	**L.B. Custom Long G/C**	$	7,938,428,357	0.68	0.69	-	2.54	3.83	3.49	-	3.58	1.58	(0.02)		0.34	
. **Barclays LDFI Passive**	**L.B. Custom Long G/C**	$	1,516,435,285	0.69	0.69	-	2.54	3.57	3.49	-	3.58	1.32	(0.00)		0.08	
SIF Cash	**M.L. 91 day T-Bill**	$	381,865,028	0.42	0.38	3.92	3.91	1.30	1.34	5.25	5.22	4.90	0.03	0.01	(0.03)	0.04
SIF Equity	**Interim Benchmark**	$	3,168,117,245	3.25	3.78	9.39	9.51	2.29	2.15	-	-	9.39	(0.53)	(0.12)	0.15	
	Target Benchmark				4.07		9.93		1.77		-		(0.82)	(0.54)	0.52	
. **Public Equity**	**S & P 500**	$	2,789,007,853	3.73	3.74	8.87	8.88	2.02	2.05	-	-	8.87	(0.01)	(0.00)	(0.03)	
. **Alternatives**	**Wilshire 5000 + 5%**	$	379,109,392	(0.07)	4.02	11.91	13.13	3.39	2.67	11.46	22.86	11.68	(4.09)	(1.22)	0.72	(11.40)
SIF Misc. Accounts		$	35,003,014	0.37		17.19		7.26		-		17.19				
Total Non-SIF	**Interim Benchmark**	$	1,470,240,812	0.48	1.04	3.74	4.15	2.64	3.10	5.03	-	4.44	(0.55)	(0.41)	(0.46)	
	Target Benchmark				1.52		4.72		3.14		-		(1.04)	(0.98)	(0.50)	
. **Non-SIF Bonds**	**Interim Benchmark**	$	5,120,734	1.26	1.32	4.53	4.43	3.47	3.42	-	-	4.53	(0.06)	0.10	0.06	
	Target Benchmark				0.96		3.86		3.56		-		0.30	0.68	(0.09)	
. **Transition - DWRF**	**NR**	$	897,023,158	(1.17)		-		-		-		(1.17)	(1.17)			
. **Transition - Black Lung**	**NR**	$	197,268,485	(1.18)		-		-		-		(1.18)	(1.18)			
. **Non-SIF Public Equity**	**Interim Benchmark**	$	278,715,465	0.63	0.62	-	-	-	-	-	-	0.63	0.01			
	Target Benchmark				4.00		-		1.76		-		(3.38)			
. **Non-SIF Cash**	**M.L. 91 day T-Bill**	$	92,112,971	0.41	0.38	3.91	3.91	1.29	1.34	-	5.22	3.91	0.03	0.01	(0.04)	

Note: Returns less than 12 months are cumulative and returns of 12 months or longer are annualized

Note: Interim and Target benchmarks began January 2007

Prepared by JPMorgan Investment Analytics & Consulting

Ohio Bureau of Workers' Compensation

Wilshire Consulting

Ohio Bureau of Workers' Compensation

Executive Summary of Investment Performance

Quarter Ending September 30, 2007

WILSHIRE CONSULTING

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Market Review (Periods Ending September 30, 2007)

Market Observations

The Federal Reserve lowered rates from 5.25% to 4.75% during the 3rd quarter of 2007. In response to tightening credit conditions, the Fed Funds target was cut for the first time since June 2003, following an inter-meeting cut in the Fed's discount rate as well. Longer rates, such as the 10-year Treasury Yield, were volatile in the quarter, trading from 5.19% in early July to 4.34% in mid September before ending the 3rd quarter at 4.59%.

Second quarter real GDP rose considerably from the 1st quarter rate of 0.6%, expanding at a rate of 3.8%. Exports aided the growth by continuing their expansion (+10.5% year over year).

Year-over-year Core CPI and Core PCE have continued to moderate (2.0% & 1.8% in August, respectively), providing some comfort for the Fed to ease rates. Core CPI (2.0%) and PCE (1.8%) fell in the comfort range of 1%-2% in August. Energy prices soared in September with crude oil reaching above $80 per barrel, achieving all-time highs.

Job growth has decelerated dramatically with only 133,000 jobs created from June through August. August showed a reduction of 4,000 jobs, the first decrease since 2003. Unemployment ticked up to 4.6% from 4.5% in May.

The housing market continued to drag on the economy. Both new and existing home sales fell 21.2% & 12.8% respectively in August.

US Stock Market

The U.S. stock market, as measured by the DJ Wilshire 5000, posted a respectable 1.46% advance in the third quarter, but traveled a bumpy ride along the way. After reaching all-time highs in early-July, stocks sold off sharply in late-July and early-August before rebounding in mid-August and rallying strongly through the end of September. Investor jitters focused on short-term credit conditions and housing's continued drag on the economy, while the Fed's rate cuts were received enthusiastically by the market.

Building off of their recent leadership established in the 2nd quarter, large capitalization stocks dominated smaller stocks during the quarter with the DJ Wilshire Large Cap Index returning 2.12% versus a -2.36% pullback for the DJ Wilshire Small Cap Index. The trend was even more pronounced for micro-caps, which retreated by -4.79%. Growth stocks expanded their recent advantage outpacing value stocks by 2.70% and 4.19% within the large and small-cap universes, respectively. The best performance for a sector was 7.93% in the Oil & Gas sector, while Financials suffered from investor concerns surrounding subprime and other credit related woes.

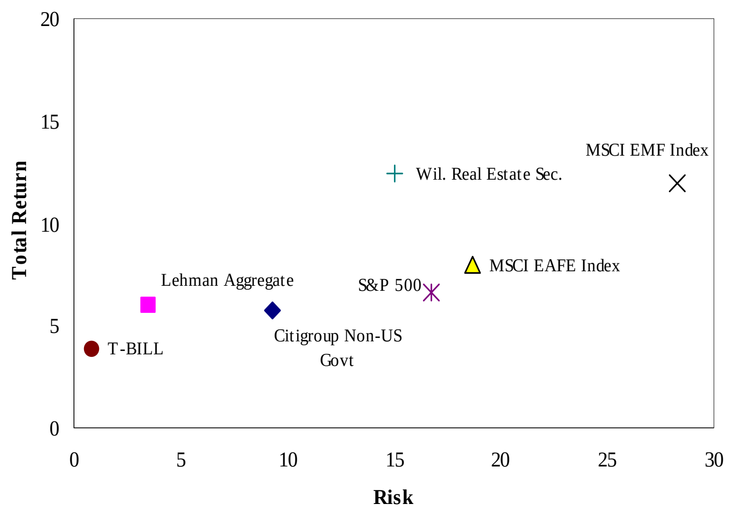
The short-term credit crunch and subprime concerns peaked in mid-August, as yields on risk free paper plummeted to 2.35% on August 20th, the Monday following the 50 basis point cut on interest rates. Yields quickly rebounded to 4.50%, but trended downward throughout the end of the third quarter ending near 3.25%.

Capital Markets Review (Periods Ending September 30, 2007)

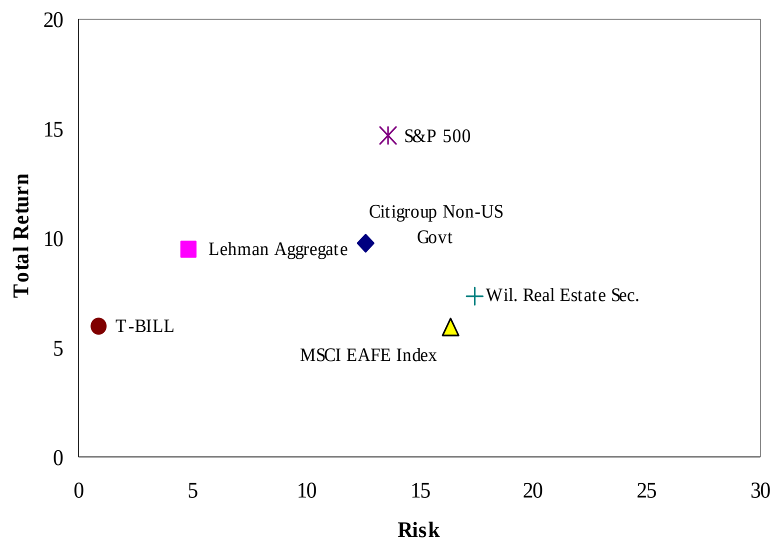
Major Asset Class Returns (%)

	QTR	YTD	1 yr	3 yr	5 yr	10yr
Equity						
Dow Jones - Wilshire 5000	1.5	9.1	17.0	14.0	16.5	6.8
Standard and Poor's 500	2.0	9.1	16.4	13.1	15.5	6.6
International Stock (MSCI EAFE)(USD)	2.2	13.1	24.9	23.2	23.6	8.0
Emerging Markets (MSCI EMF)(USD)	14.5	34.9	58.6	41.3	39.1	11.9
Dow Jones - Wilshire Real Estate Securities	1.4	-4.6	3.9	19.7	22.5	12.4
Fixed Income						
Lehman Aggregate Bond	2.9	3.9	5.1	3.9	4.1	6.0
First Boston High Yield	0.1	3.8	8.4	7.5	12.5	6.4
International Bonds (Citigroup Non-US)	8.1	7.3	9.5	4.8	8.0	5.8
Treasury Bills (91 Day)	1.3	3.9	5.2	4.1	2.9	3.8
Consumer Price Index	0.1	3.3	2.8	3.2	2.9	2.6

Risk versus Return (9/30/97 – 9/30/07)



Risk versus Return (9/30/87 – 9/30/97)



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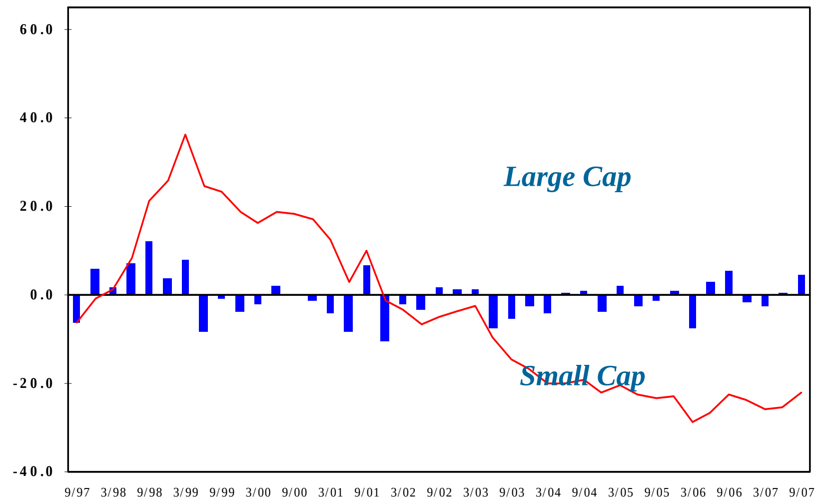
Domestic Equity Markets (Periods Ending September 30, 2007)

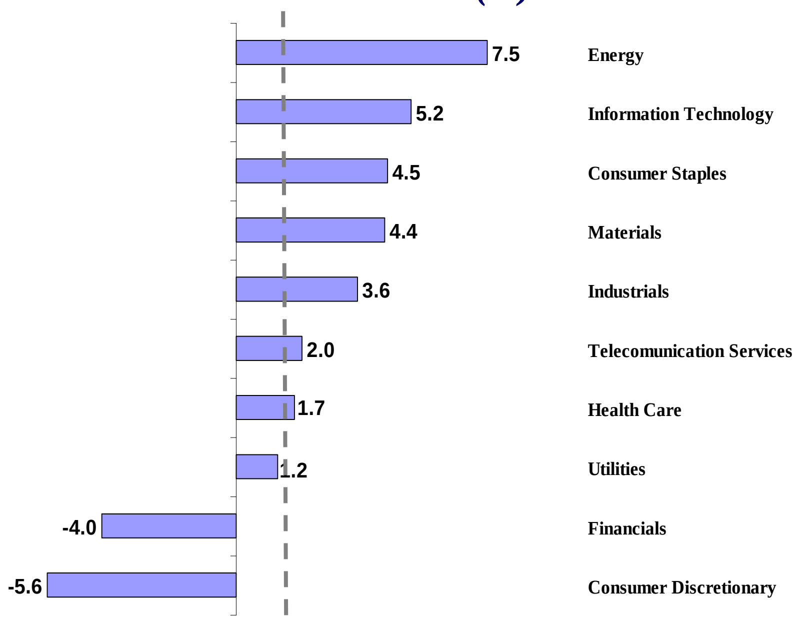
US Equity Returns (%)

	QTR	YTD	1 yr	3 yr	5 yr	10yr
DJ Wilshire 4500	-0.6	9.0	18.8	16.2	19.9	7.9
DJ Wilshire 5000	1.5	9.1	17.0	14.0	16.5	6.8
DJ Wilshire Real Est. Secs	1.4	-4.6	3.9	19.7	22.5	12.4
DJ Wilshire Large Cap	2.1	9.6	17.2	13.9	15.9	6.8
DJ Wilshire Mid Cap	-1.7	9.9	19.3	16.2	19.4	9.5
DJ Wilshire Small Cap	-2.4	7.2	16.5	15.2	20.7	8.8
DJ Wilshire Micro Cap	-4.8	-0.1	9.5	10.8	22.4	11.2
DJ Wilshire Large Growth	3.5	11.7	18.6	12.3	14.5	4.5
DJ Wilshire Large Value	0.8	7.6	15.8	15.3	17.2	8.7
DJ Wilshire Mid Growth	1.0	15.0	24.9	19.7	22.4	6.6
DJ Wilshire Mid Value	-5.0	3.8	12.6	12.4	16.3	10.6
DJ Wilshire Small Growth	-0.3	12.0	21.6	16.9	22.1	6.0
DJ Wilshire Small Value	-4.5	2.4	11.4	13.5	19.1	10.6

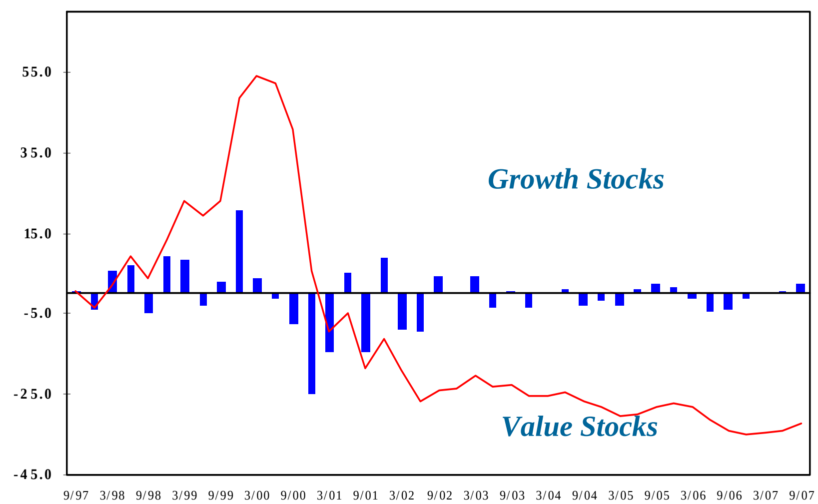
Large Cap Vs. Small Cap



DJ Wilshire 5000 Sector Returns (%)



Growth Stocks Vs. Value Stocks



- - - Represents DJ Wilshire 5000 Quarterly Return

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Domestic Fixed Income Markets (Periods Ending September 30, 2007)

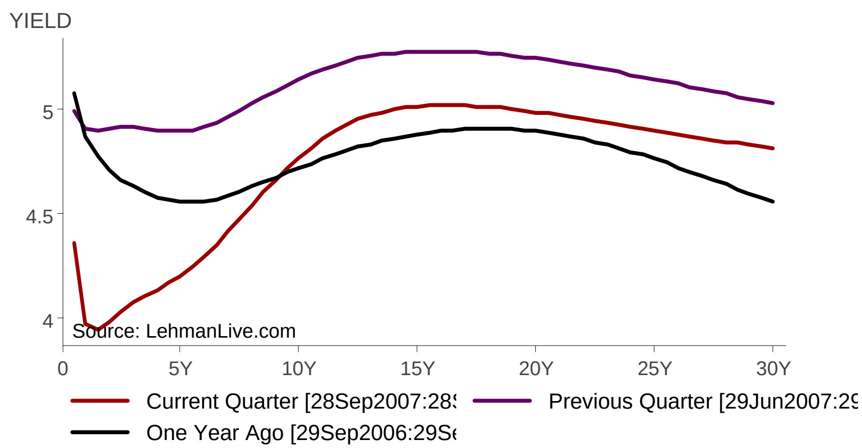
US Fixed Income Returns (%)

	QTR	YTD	1 yr	3 yr	5 yr	10yr
Lehman Aggregate	2.9	3.9	5.1	3.9	4.1	6.0
Lehman ABS	1.4	3.0	4.1	3.4	3.5	5.7
Lehman Credit	2.1	2.8	4.2	3.5	5.0	6.1
Lehman Gov't	3.6	4.8	5.6	3.8	3.5	5.9
Lehman Gov / Credit	3.0	4.0	5.1	3.7	4.2	6.0
Lehman Long Treasury	4.9	3.9	4.4	4.6	4.5	7.2
Lehman Mortgage	2.7	3.8	5.5	4.3	4.2	5.8
Lehman Agency	3.2	4.5	5.7	4.0	3.7	5.9
First Boston High Yield	0.1	3.8	8.4	7.5	12.5	6.4
Citigroup World Gov't Bond	7.2	6.8	8.7	4.6	7.0	5.9
Citigroup Non-US Bond	8.1	7.3	9.5	4.8	8.0	5.8
Lehman US TIPS	4.5	6.4	5.0	4.0	5.4	7.1
BGI Inflation-Linked Bond Index	4.5	6.2	4.7	4.0	5.4	7.1

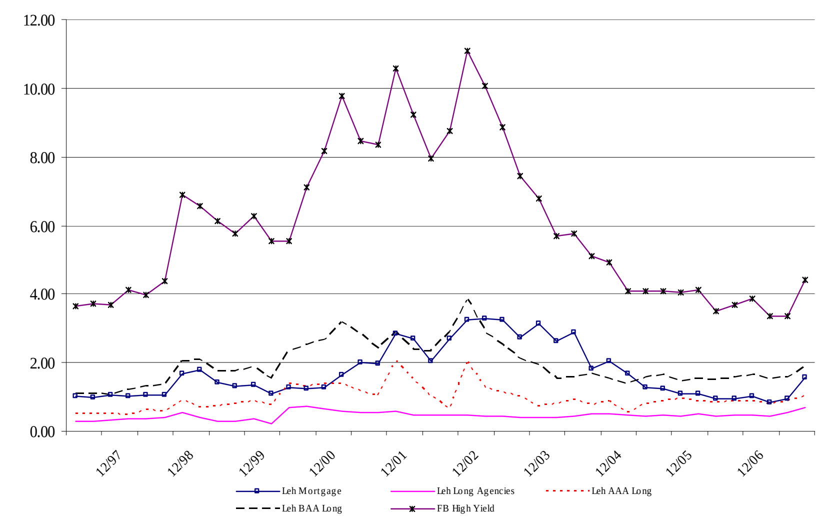
Market Commentary

The Fed tapped its primary credit discount window August 17th in response to the commercial paper market seizure, lowering the interest rate charged to commercial banks. On Tuesday, September 18th, the Federal Reserve followed up the former action by lowering both the Federal Funds Rate and Discount Rate by 0.50% to 4.75% and 5.25% respectively. The decision was made to alleviate existing stress in the financial markets as a result of tightening credit conditions. Looking forward the action is intended to decrease the probability for future market dislocation and promote liquidity in the credit markets. The treasury market reaction to the Fed's easing was a 7.9 basis points rise in the 30 year TSY Bond yield, a 6.8 basis point rise in the 10 year TSY Note yield, and a 26.3 basis point decline in the 1 month T-bill yield.

Treasury Yield Curve



Historical Yield Spread Comparison to Treasuries



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International Equity Markets (Periods Ending September 30, 2007)

International Index Returns (%)

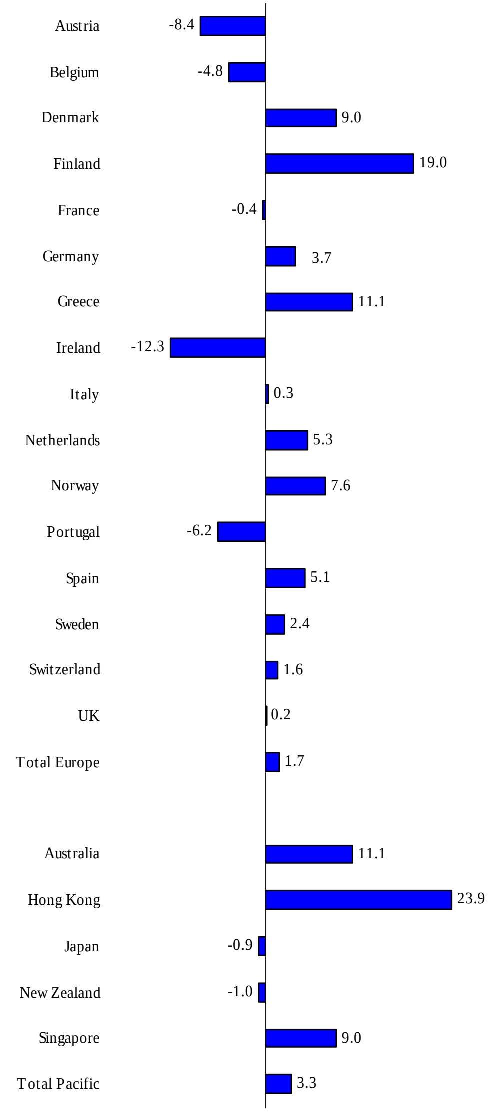
Equity (in U.S. $)	QTR	YTD	1 yr	3 yr	5 yr	10yr
Non U.S. (ACWI X U.S)	4.7	17.9	31.1	26.5	26.3	9.2
Developed (EAFE)	2.2	13.1	24.9	23.2	23.6	8.0
Emerging (EMF)	14.5	34.9	58.6	41.3	39.1	11.9
Europe	1.7	14.4	27.5	24.7	25.5	9.6
Pacific	3.3	10.4	19.2	20.1	19.4	4.9
France	-0.4	12.5	24.3	24.1	25.9	11.3
Germany	3.7	28.7	47.2	31.9	32.4	9.3
Japan	-0.9	2.0	7.1	15.4	15.1	2.9
United Kingdom	0.2	11.0	22.4	20.6	21.7	7.7
Currencies (% change)						
Euro vs Dollar	5.3	7.9	12.3	4.6	7.6	--
Yen vs Dollar	7.4	3.6	2.7	-1.4	1.1	0.5
Pound vs Dollar	1.6	4.1	9.1	4.0	5.3	2.4

Market Commentary

The Non-U.S. equity market finished the 3rd quarter outperforming the U.S. equity market with a return of 4.69%, marking the 4th consecutive quarter that international stocks topped the U.S. market. While most Non-US Equity Market indexes finished the quarter in the black, the MSCI Japan Index finished in the red. MSCI Emerging Markets posted a sharp gain of 14.42%, aided in part by countries with that maintain either a hard peg or close currency band with the U.S. Federal Reserve's rate cut. Stress on equity market indexes resulting from the subprime contagion are evident in relative return performance between quarter to date and month to date returns. In local currency terms, quarter to date draw-drown for the indices is much more pronounced with all indices posting negative returns except MSCI AC World ex U.S. and MSCI Emerging Markets.

MSCI EAFE Index

Quarterly Returns in USD



Country	Weight
Austria	0.6
Belgium	1.3
Denmark	0.9
Finland	1.9
France	10.2
Germany	8.5
Greece	0.8
Ireland	0.8
Italy	3.8
Netherlands	3.6
Norway	1.1
Portugal	0.4
Spain	4.2
Sweden	2.6
Switzerland	6.6
UK	22.3
Total Europe	**69.4**
Australia	6.6
Hong Kong	2.1
Japan	20.6
New Zealand	0.2
Singapore	1.1
Total Pacific	**30.6**
Other Countries	**0.0**

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Total Fund Results Summary

	$'000	Qtr %	YTD %	1 Year %	3 Years %	5 Years %	Inception %
Ohio BWC Total Fund (6/30/05)	**17,764,219**	**3.5**	**3.8**	**5.1**	**--**	**--**	**6.5**
Ohio BWC Total Fund Ex Alts (6/30/06)	**17,296,346**	**3.5**	**3.6**	**5.0**	**--**	**--**	**7.1**
Total Fund Custom Policy		*3.4*	*3.7*	5.0	--	--	*5.7*
State Insurance Fund (6/30/05)		**3.5**	**3.8**	**5.2**	**--**	**--**	**6.7**
State Insurance Fund Ex Alts (6/30/06)	**15,826,106**	**3.6**	**3.6**	**5.0**	**--**	**--**	**7.1**
SIF Custom Policy		*3.4*	*3.7*	5.0	--	--	*5.7*
Equity Composite (12/31/06)	**3,247,513**	**2.0**	**9.2**	**--**	**--**	**--**	**9.2**
S&P 500 Index		*2.1*	*9.2*	--	--	--	**9.2**
U.S. Equity Composite (12/31/06)	**2,789,008**	**2.0**	**8.8**	**--**	**--**	**--**	**8.8**
S&P 500 Index		*2.1*	*9.2*	--	--	--	**9.2**
Large Cap S&P 500 Index (7/31/07)	*2,789,008*	--	--	--	--	--	--
Alternative Investments Composite (12/31/06)	**458,505**	**1.8**	**11.8**	**--**	**--**	**--**	**11.8**
Restricted Stock Liquidation (3/31/06)	*1,967*	19.7	40.8	42.8	--	--	24.5
Alternative Investments (12/31/05)	*456,538*	1.8	11.7	11.8	--	--	11.6
Fixed Income Composite (3/31/06)	**12,629,598**	**4.0**	**3.2**	**4.5**	**--**	**--**	**5.6**
Fixed Income Custom Policy		*3.8*	*2.7*	**4.0**	--	--	*5.2*
Long Duration Passive Composite (3/31/07)	**9,454,864**	**3.8**	**--**	**--**	**--**	**--**	**1.5**
Customized Lehman Long G/C index		*3.5*	--	--	--	--	*1.6*
Barclays LDFI Passive Acct (3/31/07)	*1,516,435*	3.6	--	--	--	--	1.3
State Street LDFI Passive Acct (3/31/07)	*7,938,428*	3.8	--	--	--	--	1.6
TIPS Composite (1/31/07)	**3,174,734**	**4.5**	**6.2**	**--**	**--**	**--**	**6.2**
Lehman Bros. US TIPS		*4.5*	*6.4*	--	--	--	*6.4*
TIPS Index FI (1/31/07)	*3,174,734*	4.5	6.2	--	--	--	6.2
Cash Composite (6/30/05)	**381,865**	**1.3**	**3.9**	**7.3**	**--**	**--**	**6.2**
91 Day T-Bill		*1.3*	*3.9*	*5.2*	--	--	*4.7*
Miscellaneous Composite	**35,003**	**7.3**	**15.2**	**--**	**--**	**--**	**15.2**
Tranche #3 (12/31/05)	8,851	--	--	--	--	--	--
Tranche #4 (12/31/05)	0	--	--	--	--	--	--
Coin Acct (03/31/07)	9,368	--	--	--	--	--	--
Miscellaneous Holding Acct (03/31/07)	16,784	--	--	--	--	--	--
Ancillary Composite (6/30/05)	**1,470,241**	**2.6**	**3.7**	**5.0**	**--**	**--**	**4.4**
Lehman Aggregate		*2.9*	*3.8*	5.1	--	--	*3.6*
Black Lung 2000 (6/30/05)	874	4.8	5.9	7.2	--	--	5.6
Black Lung 2000 S&P 500 (7/31/07)	42,710	--	--	--	--	--	--
Black Lung 2000 TM (7/31/07)	197,268	--	--	--	--	--	--
Disabled Workers Retirement (6/30/05)	4,247	4.9	5.9	7.2	--	--	5.3
Disabled Workers S&P 500 (7/31/07)	236,005	--	--	--	--	--	--
Disabled Workers TM (7/31/07)	897,023	--	--	--	--	--	--
Marine 2005 (6/30/05)	15,995	1.3	2.4	3.6	--	--	4.2
Public Workers Relief Fund (6/30/05)	21,997	1.3	2.3	3.6	--	--	3.7
Self Insured Bond Fund 200 (6/30/05)	54,121	1.3	3.9	5.3	--	--	4.8

Periods Ending September 30, 2007

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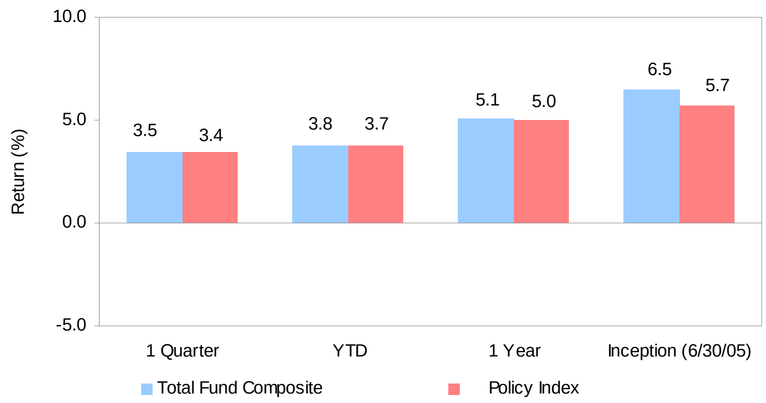
Composite Results

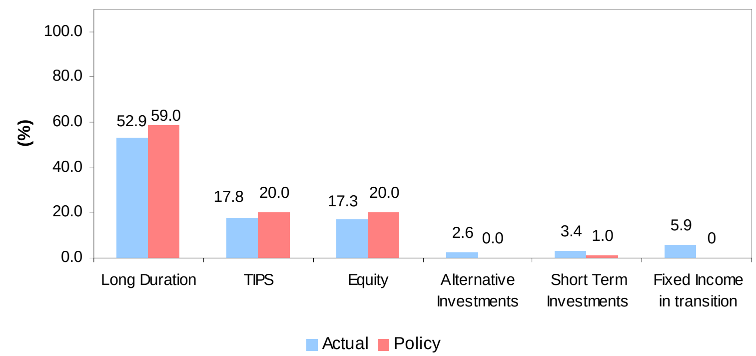
- **Ohio BWC Total Fund**
- **State Insurance Fund**
- **Ancillary Total Fund**

Total Fund Results

Investment Performance



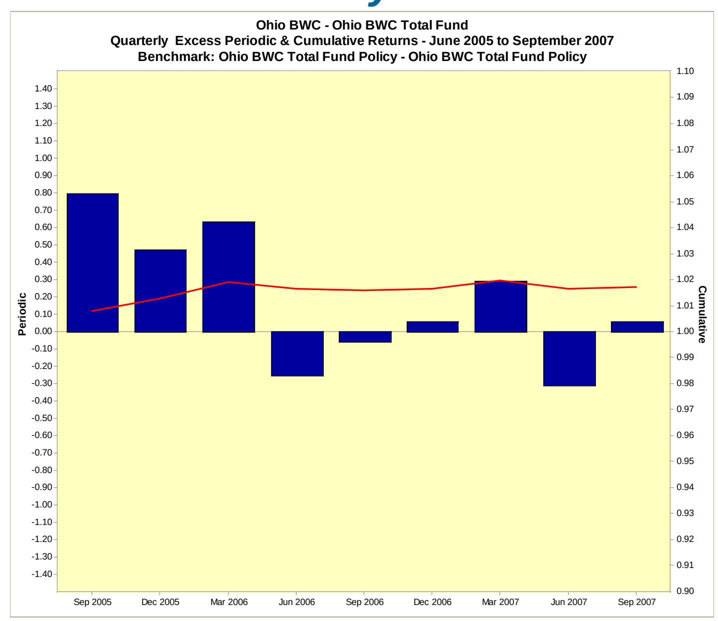
Asset Allocation vs. Policy



Quarter Results ($'000)

Quarter Results (Composites)	Beginning Value	Cash Flow	Gains/Losses	Ending Value
Ancillary Composite	$1,428,767	$3,844	$37,630	$1,470,241
State Insurance Fund	$15,435,726	$305,571	$552,682	$16,293,978
Total Composite	$16,864,493	$309,414	$590,312	$17,764,219

Value Added Analysis



Periods Ending September 30, 2007

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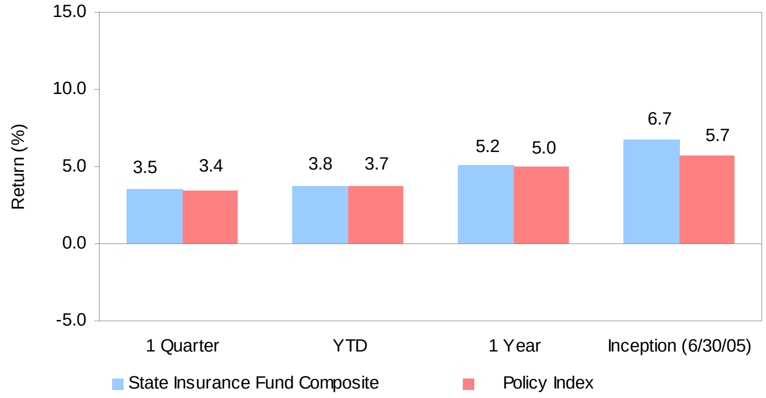
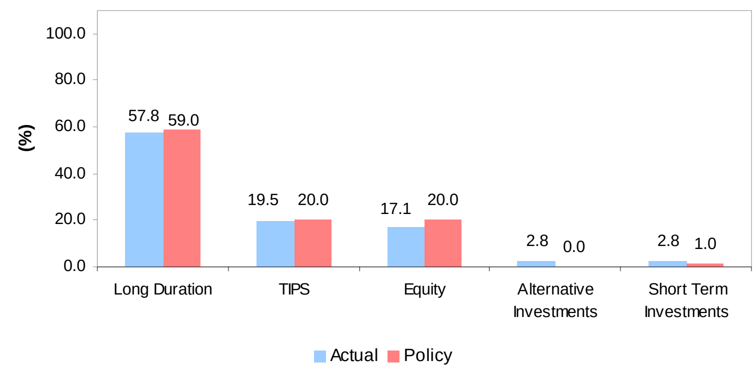
State Insurance Fund Results

Investment Performance



Asset Allocation vs. Policy

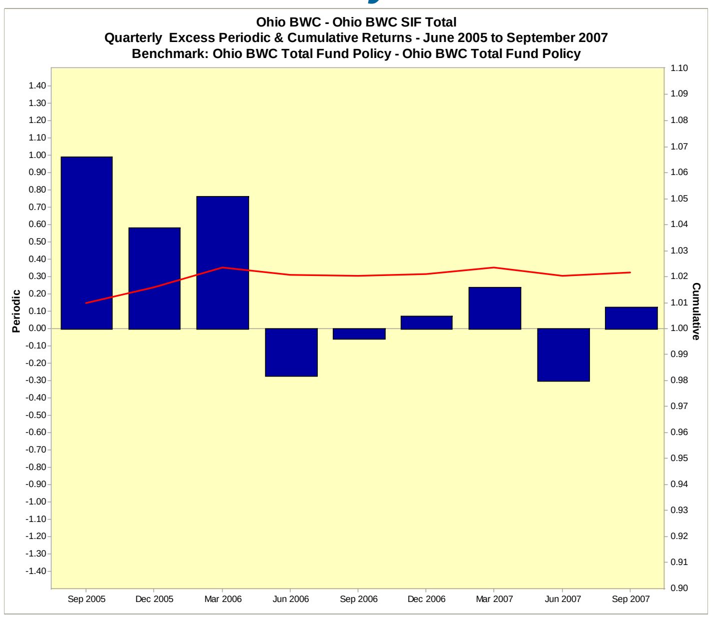


Quarter Results ($'000)

Quarter Results (Composites)	Beginning Value	Cash Flow	Gains/Losses	Ending Value
Equity Composite	$3,101,450	$80,950	$65,114	$3,247,513
Fixed Income Composite	$12,147,728	($211)	$482,080	$12,629,598
Cash Composite	$153,900	$224,847	$3,117	$381,865
Misc Accounts*	$32,648	($16)	$2,370	$35,003
State Insurance Fund	$15,435,726	$305,571	$552,682	$16,293,978

* This composite includes Restricted Stock, Coin, Misc Holding Acct, and residual monies left in Tranches 3-4

Value Added Analysis



Periods Ending September 30, 2007

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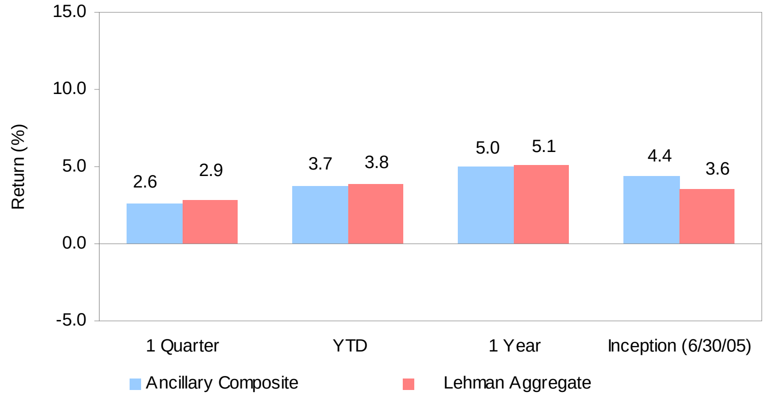
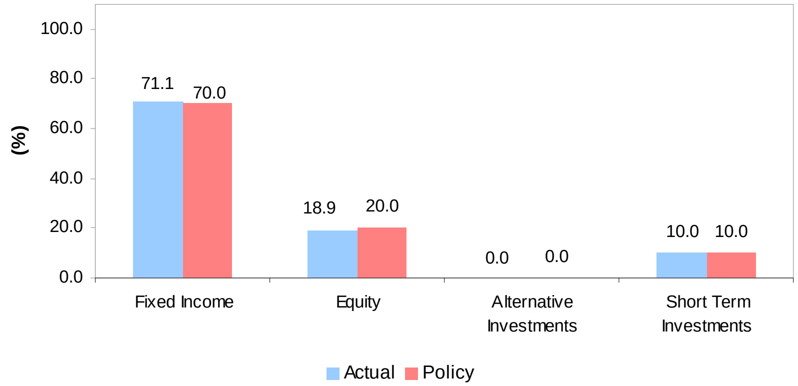
Ancillary Composite

Investment Performance



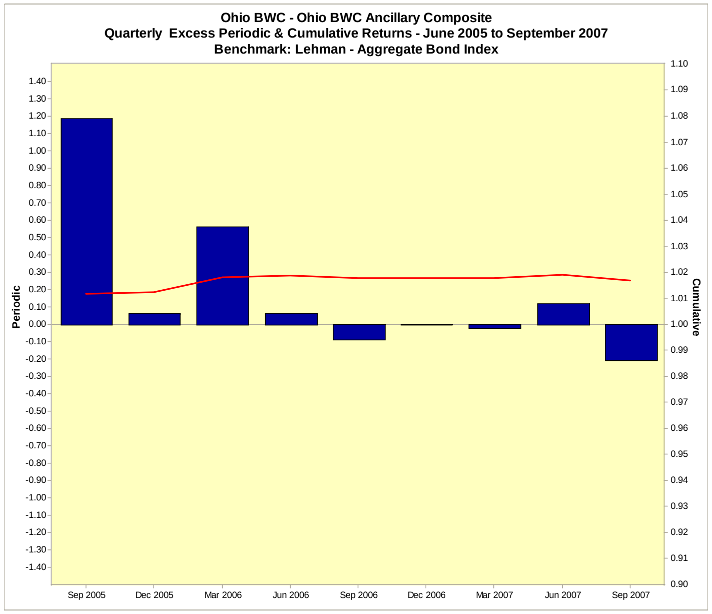
Asset Allocation vs. Policy



Quarter Results ($'000)

Quarter Results (Composites)	Beginning Value	Cash Flow	Gains/Losses	Ending Value
Black Lung 2000	$234,733	($241,543)	$7,683	$874
Black Lung 2000 S&P 500	$0	$42,445	$265	$42,710
Black Lung 2000 TM	$0	$198,865	($1,597)	$197,268
Disabled Workers Retirement	$1,109,818	($1,141,860)	$36,289	$4,247
Disabled Workers S&P 500	$0	$234,539	$1,467	$236,005
Disabled Workers TM	$0	$904,570	($7,547)	$897,023
Marine 2005	$15,855	($61)	$201	$15,995
Public Workers Relief Fund	$21,645	$78	$274	$21,997
Self Insured Bond Fund 200	$46,715	$6,810	$595	$54,121
Ancillary Composite	$1,428,767	$3,844	$37,630	$1,470,241

Value Added Analysis



Periods Ending September 30, 2007

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Manager Results

- SSgA S&P 500 Index Fund
- SSgA US Tips Fund
- SSgA Long Duration Fixed Income (Passive)
- Barclays Long Duration Fixed Income (Passive)

SSgA S&P 500 Index Fund Characteristics

Characteristics

Manager	Price to Book	Div Yield	Wgt Avg MC
SSgA S&P 500 Index Fund	2.80	1.90	110.80
S&P 500 Index	2.80	1.90	110.80

Economic Sectors

Manager	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Telcom Services	Utilities
SSgA S&P 500 Index Fund	9.23	9.52	11.69	19.83	11.64	11.51	16.15	3.23	3.75	3.44
S&P 500 Index	9.23	9.52	11.69	19.83	11.64	11.51	16.15	3.23	3.75	3.44

Periods Ending September 30, 2007

SSgA US Tips Characteristics

Characteristics

Manager	Average Life	Yield To Worst	Yeild to Maturity	Current Yield	Average Convexity	Mod Adj Duration	Option Adj Spread	Price	Coupon	Quallity
SSgA US Tips	9.60	4.52	4.52	2.44	1.03	7.95	-227.89	103.39	2.52	AAA
Lehman US Treasury TIPS	9.61	4.52	4.52	2.44	1.03	7.96	-228.30	103.39	2.52	AAA

Quality Breakdown

Manager	AAA	AA	A	BAA	<BAA	NR
SSgA US Tips	100.00	0.00	0.00	0.00	0.00	0.00
Lehman US Treasury TIPS	100.00	0.00	0.00	0.00	0.00	0.00

Maturity Distribution

Manager	0-1 Year	1-2 Years	2-3 Years	3-5 Years	5-7 Years	7-10 Years	10-15 Years	15-20 Years	20-30 Years	30+ Years
SSgA US Tips	0.17	4.27	10.14	17.53	15.99	23.56	0.00	14.53	13.82	0.00
Lehman US Treasury TIPS	0.00	4.31	10.16	17.60	15.98	23.56	0.00	14.55	13.83	0.00

Economic Sectors

Manager	Government	Agency	Finance	Industrial	Utility	Non Corporate	Mortgage Backed Securities	Asset Backed Securities	Cash	Other
SSgA US Tips	99.83	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.17	0.00
Lehman US Treasury TIPS	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Periods Ending September 30, 2007

SSgA Long Duration Fixed Income (Passive)

Characteristics

Manager	Average Life	Yield To Worst	Yeild to Maturity	Current Yield	Average Convexity	Mod Adj Duration	Option Adj Spread	Price	Coupon	Quallity
SSgA Long Duration	20.60	5.59	5.59	6.02	1.83	11.08	72.60	111.81	6.73	AA3
Customized Lehman Long G/C	20.96	5.69	5.69	6.08	1.82	11.12	80.80	111.71	6.76	AA3

Quality Breakdown

Manager	AAA	AA	A	BAA	<BAA	NR
SSgA Long Duration	57.03	7.35	17.93	17.69	0.00	0.00
Customized Lehman Long G/C	52.65	7.57	19.20	20.58	0.00	0.00

Maturity Distribution

Manager	0-1 Year	1-2 Years	2-3 Years	3-5 Years	5-7 Years	7-10 Years	10-15 Years	15-20 Years	20-30 Years	30+ Years
SSgA Long Duration	0.69	0.00	0.00	0.33	0.50	1.85	23.69	17.95	53.25	1.74
Customized Lehman Long G/C	0.00	0.00	0.00	0.00	0.00	0.00	25.76	18.79	53.00	2.45

Economic Sectors

Manager	Government	Agency	Finance	Industrial	Utility	Non Corporate	Mortgage Backed Securities	Asset Backed Securities	Cash	Other
SSgA Long Duration	45.47	9.67	11.84	24.94	5.86	1.52	0.00	0.00	0.70	0.00
Customized Lehman Long G/C	42.23	8.78	12.77	27.28	6.59	2.35	0.00	0.00	0.00	0.00

Periods Ending September 30, 2007

Barclays Long Duration Fixed Income (Passive)

Characteristics

Manager	Average Life	Yield To Worst	Yeild to Maturity	Current Yield	Average Convexity	Mod Adj Duration	Price	Coupon	Quallity
Barclays Long Duration	20.78	5.66	5.66	6.03	1.77	10.94	108.53	6.55	AA
Customized Lehman Long G/C	20.83	5.69	5.69	6.06	1.78	10.94	108.46	6.57	AA

Quality Breakdown

Manager	AAA	AA	A	BAA	<BAA	NR
Barclays Long Duration	54.00	7.44	18.07	20.30	0.00	0.19
Customized Lehman Long G/C	52.89	7.54	18.78	20.79	0.00	0.00

Maturity Distribution

Manager	0-1 Year	1-2 Years	2-3 Years	3-5 Years	5-7 Years	7-10 Years	10-20 Years	20-30 Years	30+ Years
Barclays Long Duration	0.00	0.00	0.00	0.00	0.05	0.28	44.21	53.92	1.35
Customized Lehman Long G/C	0.03	0.05	0.10	0.37	0.27	0.97	43.80	52.27	2.15

Economic Sectors

Manager	Government	Agency	Finance	Industrial	Utility	Non Corporate	Mortgage Backed Securities	Asset Backed Securities	Cash	Other
Barclays Long Duration	43.26	9.05	11.98	27.15	6.36	0.61	0.00	0.00	0.19	1.40
Customized Lehman Long G/C	42.18	8.78	12.62	27.45	6.58	0.63	0.00	0.00	0.00	1.76

Wilshire Consulting

Private Equity
June 30, 2007

Fund Summary

- As of June 30, 2007, the Ohio Bureau of Worker's Compensation total private equity portfolio has an estimated internal rate of return (IRR) of 5.7%. This return is above the median IRR of 3.5%[1] calculated using VentureXpert IRR data by vintage year for all private equity weighted according to BWC's weighted average allocation by vintage year.

- In Q2 2007, BWC made $15.55 MM in contributions (capital calls), and received $25.27 MM in distributions from its private equity partnerships.

- Ohio BWC's buyout fund composite IRR as of June 30 is 13.3%, which outperforms the 5.2%[1] median IRR for buyout funds with similar vintage years.

- Ohio BWC's fund-of-fund composite IRR as of June 30 is 6.4%, which is above the 0.4%[1] median IRR for fund-of-funds with similar vintage years.

- BWC's mezzanine fund composite IRR as of June 30 is 3.6%, which is below the 4.7%[1] median IRR for mezzanine funds with similar vintage years.

- BWC's venture capital partnerships have an overall composite level IRR of -1.3% as of June 30, which is better than the –1.7%[1] median IRR for venture capital funds with similar vintage years.

[1] VentureXpert's performance data used in this report is as of June 30, 2007.

Composite Level Totals

Partnership	BWC Commitment	BWC Contributions to Date [1]	Distributions	Market Value as of 6/30/07 [2]	Net Annualized IRR	Upper Quartile [3]	Median	Lower Quartile
Buyout Fund Total	**$282,497,067**	**$226,415,774**	**$126,532,634**	**$183,081,757**	**13.31%**	16.50%	5.20%	-2.70%
Fund-of Funds Total	**$100,000,000**	**$78,638,679**	**$42,200,379**	**$51,978,923**	**6.41%**	12.60%	0.40%	-5.30%
Mezzanine Total	**$60,000,000**	**$64,832,411**	**$49,148,940**	**$21,977,712**	**3.59%**	9.20%	4.70%	-0.30%
Venture Capital Total	**$371,642,000**	**$270,925,269**	**$60,014,874**	**$199,499,968**	**-1.27%**	4.60%	-1.70%	-6.30%
Total	**$814,139,067**	**$640,812,134**	**$277,896,828**	**$456,538,360**	**5.69%**	**12.30%**	**3.54%**	**-3.50%**

[1]BWC contributions to date reflect all contributions made to the general partner for each fund. These amounts may not represent the funded amount against the commitment, as not all contributions are applicable towards the committed amount.

[2]Market values utilized are provided by the general partner, when available. In the instances when managers did not provide market values as of June 30, estimates were calculated using actual market values as of the last date the market value was provided rolled forward to June 30, accounting for contributions and distributions during the interim time period.

[3] As a benchmarking measure, the upper quartile, median, and lower quartile of IRRs at the composite level is presented for each fund category as taken from VentureXpert. Data is as of June 30, 2007. VentureXpert's returns are representative of the following periods:

-Buyout Funds: 1999-2006

-Fund-of-Funds: 2000-2006

-Mezzanine Funds: 1998-2006

-Venture Capital: 2000-2006

-Total: The total upper quartile, median quartile, and lower quartile values are weighted average IRRs calculated by taking VentureXpert's upper, median, and lower quartile by vintage year and weighting those values according to BWC's weighted average allocation by vintage year for their private equity portfolio.

Buyout Funds

Partnership	Fund Name	Type	Vintage Year	BWC Commitment	BWC Contributions to Date [1]	Distributions	Market Value as of 6/30/07 [2]	Net Annualized IRR	Last Reported Market Value Received from General Partner
Buyout Fund Total				**$282,497,067**	**$226,415,774**	**$126,532,634**	**$183,081,757**	**13.31%**	
Brantley Partners	Brantley Partners IV, LP	Buyout	1999	$15,000,000	$15,684,411	$6,260,069	$12,250,976	3.92%	Dec-06
ABS Capital Partners	ABS Capital Partners IV, LP	Buyout	2000	$15,000,000	$13,334,632	$12,087,725	$9,481,982	17.31%	Mar-07
Behrman Capital	Behrman Capital III, LP	Buyout	2000	$20,000,000	$16,676,159	$9,758,920	$13,348,635	10.15%	Sep-06
Blue Point Capital Partners	Blue Point Capital Partners, LP	Buyout	2000	$10,000,000	$8,379,606	$8,770,447	$4,437,111	14.15%	Jun-07
Carlyle Group	Carlyle Partners III, LP	Buyout	2000	$15,000,000	$15,810,990	$22,424,616	$7,289,521	22.26%	Mar-07
Fremont Partners	Fremont Partners III, LP	Buyout	2000	$15,000,000	$15,230,655	$6,932,752	$9,108,616	4.79%	Sep-06
Halpern, Denney & Co.	Halpern Denny Fund III, LP	Buyout	2000	$20,000,000	$18,500,000	$12,453,517	$9,709,804	4.97%	Dec-06
Rosemont Investment Partners	Rosemont Partners I, LP	Buyout	2000	$5,000,000	$4,529,681	$1,643,699	$2,610,081	-1.60%	NA
Quad C Advisors	Quad-C Partners VI, LP	Buyout	2001	$15,000,000	$11,064,871	$11,511,284	$12,463,601	33.05%	Jun-07
Castle Harlan Inc.	Castle Harlan Partners IV, LP	Buyout	2002	$12,497,067	$13,112,680	$9,734,684	$8,294,339	21.95%	Jun-07
Wind Point Partners	Wind Point Partners V, LP	Buyout	2002	$10,000,000	$9,272,326	$6,531,107	$6,358,416	16.15%	Jun-07
Freeman Spogli & Co.	FS Equity Partners V, LP	Buyout	2003	$15,000,000	$9,909,985	$2,924,058	$9,842,654	18.86%	Jun-07
Kirtland Capital Corporation	Kirtland Capital Partners IV, LP	Buyout	2003	$5,000,000	$2,692,785	$218,180	$2,729,495	4.44%	Dec-06
Levine Leichtman Capital Partn	Levine Leichtman Capital Partners III, L	Buyout	2003	$15,000,000	$10,863,666	$4,568,141	$8,367,127	12.22%	Mar-07
Sterling Partners	Sterling Capital Partners, LP	Buyout	2003	$15,000,000	$13,439,329	$3,866,027	$20,967,204	31.34%	Jun-07
Thayer Capital Partners	Thayer Equity Investors V, L.P.	Buyout	2003	$15,000,000	$13,713,603	$4,274,169	$12,430,766	10.10%	Jun-07
Carlyle Group	Carlyle Partners IV, LP	Buyout	2004	$20,000,000	$15,665,082	$1,137,503	$15,594,478	7.38%	Mar-07
MCM Capital Partners	MCM Capital Partners II, LP	Buyout	2004	$5,000,000	$1,394,460	$0	$1,248,124	-7.37%	Jun-07
Rosemont Investment Partners	Rosemont Partners II, LP	Buyout	2004	$10,000,000	$2,776,100	$510,662	$1,856,126	-10.54%	Dec-06
ABS Capital Partners	ABS Capital Partners V, LP	Buyout	2005	$20,000,000	$8,564,753	$48,924	$8,054,723	-7.07%	Jun-07
Harbourvest Partners	HarbourVest Partners VII - Buyout Partn	Buyout	2003-2005	$10,000,000	$5,800,000	$876,150	$6,637,978	20.03%	Mar-07

[1] BWC contributions to date reflect all contributions made to the general partner for each fund. These amounts may not represent the funded amount against the commitment, as not all contributions are applicable towards the committed amount.

[2] Market values utilized are provided by the general partner, when available. In the instances when managers did not provide market values as of June 30, estimates were calculated using actual market values as of the last date the market value was provided rolled forward to June 30, accounting for contributions and distributions during the interim time period.

Fund-of-Funds and Mezzanine Funds

Partnership	Fund Name	Vintage Year	BWC Commitment	BWC Contributions to Date [1]	Distributions	Market Value as of 6/30/07 [2]	Net Annualized IRR	Last Reported Market Value Received from General Partner
Fund-of Funds Total			**$100,000,000**	**$78,638,679**	**$42,200,379**	**$51,978,923**	**6.41%**	
INVESCO Private Capital	Chancellor V, LP	2000	$20,000,000	$18,666,191	$5,551,518	$9,181,935	6.24%	Dec-06
Peppertree Partners	The Peppertree Fund, LP	2000-2001	$10,000,000	$8,413,674	$11,353,799	$0	10.82%	Mar-07
Fort Washington Capital Partners	Fort Washington Private Equity Investors III	2000-2003	$15,000,000	$12,023,858	$4,463,116	$9,738,358	4.34%	Mar-07
INVESCO Private Capital	INVESCO Venture Partnership Fund III, LP	2000-2004	$12,000,000	$8,400,782	$914,169	$7,434,282	-0.19%	Dec-06
INVESCO Private Capital	INVESCO US Buyout & Expansion Capital Fund	2001-2003	$8,000,000	$4,127,481	$2,741,910	$4,472,013	19.43%	Sep-06
Lexington Partners	Lexington Capital Partners V, LP	2002	$20,000,000	$18,456,179	$16,216,031	$11,819,459	26.24%	Dec-06
Fort Washington Capital Partners	Fort Washington Private Equity Investors IV	2003-2005	$15,000,000	$8,550,515	$959,836	$9,332,876	16.28%	Mar-07
Mezzanine Total			**$60,000,000**	**$64,832,411**	**$49,148,940**	**$21,977,712**	**3.59%**	
Smith Whiley & Company	SW Pelham Fund, L.P.	1998	$20,000,000	$22,872,800	$8,849,390	$2,356,340	-22.14%	Jun-07
ABRY Partners	ABRY Mezzanine Partners, LP	2001	$5,000,000	$9,165,460	$2,469,311	$3,814,986	17.15%	Jun-07
TCW/Crescent Mezzanine	TCW/Crescent Mezzanine Partners III, LP	2001	$15,000,000	$14,192,188	$25,939,985	$3,976,915	39.09%	Jun-07
Babson Capital Management, LLC	Tower Square Capital Partners, LP	2002	$10,000,000	$9,722,908	$6,465,912	$5,464,139	10.72%	Jun-07
Smith Whiley & Company	SW Pelham Fund II, L.P.	2003	$10,000,000	$8,879,055	$5,424,342	$6,365,332	15.19%	Jun-07

[1] BWC contributions to date reflect all contributions made to the general partner for each fund. These amounts may not represent the funded amount against the commitment, as not all contributions are applicable towards the committed amount.

[2] Market values utilized are provided by the general partner, when available. In the instances when managers did not provide market values as of June 30, estimates were calculated using actual market values as of the last date the market value was provided rolled forward to June 30, accounting for contributions and distributions during the interim time period.

Venture Capital Funds

Partnership	Fund Name	Type	Vintage Year	BWC Commitment	BWC Contributions to Date [1]	Distributions	Market Value as of 6/30/07 [2]	Net Annualized IRR	Last Reported Market Value Received from General Partner
Venture Capital Total				**$371,642,000**	**$270,925,269**	**$60,014,874**	**$199,499,968**	**-1.27%**	
Athenian Venture Partners	Athenian Venture Partners II, LP	Venture	2000	$17,500,000	$16,845,219	$6,280,197	$6,789,092	-8.96%	Mar-07
Blue Chip Venture Company	Blue Chip IV, LP	Venture	2000	$20,000,000	$19,000,000	$4,681,405	$9,755,045	-9.01%	Dec-06
Meritech Capital Partners	Meritech Capital Partners II, LP	Venture	2000	$11,250,000	$9,768,750	$3,375,887	$6,561,268	0.53%	Dec-06
Perseus-Soros Management Company	Perseus-Soros Biopharmaceutical Fund,	Venture	2000	$5,000,000	$4,390,210	$4,466,323	$3,015,925	21.20%	Dec-06
Pharos Capital Group	Pharos Capital Partners, LP	Venture	2000	$5,000,000	$4,887,500	$798,448	$3,800,095	-1.30%	Jun-07
Primus Venture Partners	Primus Capital Fund V, LP	Venture	2000	$20,000,000	$16,010,000	$13,000,000	$8,345,220	9.18%	Dec-06
Technology Venture Partners	Technology Venture Partners, L.P.	Venture	2000	$16,000,000	$8,775,000	$578,885	$3,449,742	-37.24%	Jun-07
Ascend Venture Group	Ascend Ventures, LP	Venture	2001	$5,000,000	$5,010,235	$1,273,897	$1,717,743	-14.63%	Jun-07
Axxon Capital Advisors	Axxon Capital, LP	Venture	2001	$3,000,000	$3,784,684	$783,599	$1,219,168	-21.78%	Dec-03
Carlyle Group	Carlyle Venture Partners II, LP	Venture	2001	$25,000,000	$29,999,807	$14,028,751	$16,556,223	0.88%	Sep-05
Edgewater Funds	Edgewater Growth Capital Partners, LP	Venture	2001	$15,000,000	$12,750,000	$2,985,627	$12,852,175	12.22%	Jun-07
Meritage Private Equity Funds	Meritage Private Equity II, LP	Venture	2001	$15,000,000	$10,505,322	$2,501,828	$8,486,283	1.53%	Jun-07
Adena Ventures	Adena Ventures, LP	Venture	2002	$500,000	$500,000	$38,606	$257,403	-20.87%	Dec-06
Apex Venture Partners	Apex Investment Fund V, LP	Venture	2002	$10,000,000	$9,344,158	$853,533	$9,751,319	4.93%	Sep-06
Buerk, Dale & Victor	Northwest Opportunity Fund, LP	Venture	2002	$20,000,000	$16,000,000	$50,080	$13,855,561	-5.78%	Sep-06
Early Stage Partners	Early Stage Partners, LP	Venture	2002	$9,000,000	$8,082,333	$0	$9,147,804	4.59%	Jun-07
Edison Venture Fund	Edison Venture Fund V, LP	Venture	2002	$15,000,000	$11,700,000	$0	$14,596,405	7.55%	Jun-07
Prospector Equity Capital	Prospector Equity Capital, LP	Venture	2002	$15,000,000	$10,425,105	$0	$7,888,759	-10.50%	Jun-07
River Cities Capital Funds	River Cities Capital Fund III, LP	Venture	2002	$5,000,000	$4,556,526	$2,297,602	$3,082,894	7.52%	Dec-06
Adams Street Partners	Adams Street V, LP	Venture	2003	$8,000,000	$7,560,000	$783,964	$6,782,766	0.05%	Dec-06
Athenian Venture Partners	AVP Ohio Technology I, LP	Venture	2003	$10,000,000	$8,070,581	$0	$7,741,847	-2.62%	Dec-06
Athenian Venture Partners	AVP Technology II, LP	Venture	2003	$2,200,000	$2,200,000	$0	$173,343	-47.74%	Mar-07
MK Capital Management	MK Capital, LP	Venture	2003	$10,000,000	$6,000,000	$0	$4,855,664	-13.27%	Jun-06
MWV Pinnacle Management Co.	MWV Pinnacle Capital Fund, LP	Venture	2003	$2,000,000	$1,110,100	$0	$307,186	-58.11%	Jun-06
Reservoir Venture Partners	Reservoir Venture Partners, LP	Venture	2003	$3,192,000	$2,553,613	$292,024	$1,620,970	-12.27%	Dec-06
Ascend Venture Group	Ascend Ventures II, LP	Venture	2004	$7,500,000	$3,695,853	$0	$2,656,783	-21.36%	Jun-07
Athenian Venture Partners	Athenian Venture Partners III, LP	Venture	2004	$25,000,000	$6,094,791	$0	$4,738,097	-13.37%	Dec-06
Charter Life Sciences	Charter Life Sciences, LP	Venture	2004	$5,000,000	$2,273,458	$0	$1,698,154	-22.19%	Jun-07
Draper Triangle Ventures	Draper Triangle Ventures II, LP	Venture	2004	$5,000,000	$1,700,348	$157,831	$1,260,349	-16.10%	Jun-07
EDF Ventures	EDF Ventures III, LP	Venture	2004	$10,000,000	$5,009,338	$0	$5,088,587	1.31%	Dec-06
Seneca Partners	Seneca Health Partners, LP I	Venture	2004	$1,500,000	$900,000	$0	$696,232	-16.12%	Jun-07
Triathlon Medical Ventures	Triathlon Medical Ventures Fund, LP	Venture	2004	$5,000,000	$2,034,582	$0	$2,525,944	11.20%	Jun-07
Edgewater Funds	Edgewater Growth Capital Partners II, L	Venture	2005	$25,000,000	$6,000,000	$0	$5,838,803	-2.81%	Dec-06
Harbourvest Partners	HarbourVest Partners VII - Venture	Venture	2003-2005	$15,000,000	$7,800,000	$222,750	$8,113,201	4.47%	Dec-06
Sema4 Inc.	Midwest Economic Opportunity Fund, L	Venture	N/A	$5,000,000	$5,587,758	$563,637	$4,273,918	-2.94%	Sep-03

[1] BWC contributions to date reflect all contributions made to the general partner for each fund. These amounts may not represent the funded amount against the commitment, as not all contributions are applicable towards the committed amount.

[2] Market values utilized are provided by the general partner, when available. In the instances when managers did not provide market values as of June 30, estimates were calculated using actual market values as of the last date the market value was provided rolled forward to June 30, accounting for contributions and distributions during the interim time period.

Notes to Performance Report

Market Values as of June 30, 2007 are typically unaudited market values provided by the manager. In instances when managers did not yet provide market values as of June 30, 2007, estimates were calculated using actual market values as of the last valuation provided rolled forward to June 30, accounting for contributions and distributions during that time period.

Internal rates of return (IRR) presented are net of investment management fees and expenses

Glossary

Total Policy

Date	%	Description
7/05-1/06	29.0	Standard & Poor's 500
	11.0	MSCI EAFE Index (N)
	57.0	Lehman Aggregate
	3.0	91 Day T-Bill
1/06-2/06	14.5	Standard & Poor's 500
	5.5	MSCI EAFE Index (N)
	78.5	Lehman Aggregate
	1.5	91 Day T-Bill
2/06-1/07	100.0	Lehman Aggregate
1/07-2/07	20.0	Standard & Poor's 500
	59.0	Lehman Aggregate
	20.0	Lehman U.S. TIPS
	1.0	91 Day T-Bill
2/07-3/07	20.0	Standard & Poor's 500
	59.0	Lehman Long Duration (Custom)
	20.0	Lehman U.S. TIPS
	1.0	91 Day T-Bill

SIF Policy

Date	%	Description
7/05-1/06	29.0	Standard & Poor's 500
	11.0	MSCI EAFE Index (N)
	57.0	Lehman Aggregate
	3.0	91 Day T-Bill
1/06-2/06	14.5	Standard & Poor's 500
	5.5	MSCI EAFE Index (N)
	78.5	Lehman Aggregate
	1.5	91 Day T-Bill
2/06-1/07	100.0	Lehman Aggregate
1/07-2/07	20.0	Standard & Poor's 500
	59.0	Lehman Aggregate
	20.0	Lehman U.S. TIPS
	1.0	91 Day T-Bill
2/07-3/07	20.0	Standard & Poor's 500
	59.0	Lehman Long Duration (Custom)
	20.0	Lehman U.S. TIPS
	1.0	91 Day T-Bill

Glossary

Fixed Income Composite

Date	%	Description
3/06-1/07	100.0	Lehman Aggregate
1/07-2/07	75.0	Lehman Aggregate
	25.0	Lehman U.S. TIPS
2/07-3/07	75.0	Lehman Long Duration (Customized)
	25.0	Lehman U.S. TIPS

DATE: November 8, 2007

TO: BWC Investment Committee

FROM: Bruce Dunn, Chief Investment Officer

SUBJECT: **Investment Strategy Background/Proposal**
Request for Quote
Public Work-Relief Employers' Fund
Marine Industry Fund

The current interim investment strategy of the Public Work-Relief Employees' Fund (PWF) and Marine Industry Fund (MIF) is to invest all respective assets of these two small BWC ancillary trust funds in the institutional money market mutual fund approved by the Treasurer of State (TOS). This money market fund is offered and managed by the TOS appointed custodian for BWC, JPMorgan Chase Bank. With the approval provided by the BWC Board of Directors last month to invest appropriate BWC assets in commingled managed accounts, it is the desire of the BWC Chief Investment Officer to invest the assets of both PWF and MIF in a more appropriate commingled account investment vehicle that effectively matches the duration of liabilities of these two trust funds.

Background

With the engagement of approved transition managers, the BWC Investment Division oversaw the transition of approximately $14.8 billion of State Insurance Fund (SIF) investment assets performed in several stages over the first quarter of 2007. These assets were invested in the defined interim targeted asset allocation mandates under passive indexed management styles. As this SIF transitioning of assets was nearing completion in March 2007, the attention of the Investment Division focused on the strategy to transition invested assets of the four affected BWC ancillary trust funds. These ancillary trust funds were the Disabled Workers Fund ($1.1 billion), Coal Workers Fund ($235 million), PWF ($22 million) and MIF ($16 million). The two larger ancillary trust funds had an identical defined interim target asset allocation as SIF because their respective average duration of liabilities were very similar at between 10.0 and 10.6 years. The estimated average duration of liabilities of both PWF and MIF, however, was determined to be 3.4 years as reported by Oliver Wyman (BWC actuarial consulting firm). The Asset/Liability Valuation Study presented by Wilshire Associates on the BWC ancillary trust funds reflects this average liability duration. This ALV study was approved as to investment policy in September 2006 by the former BWC Investment Committee and Oversight Commission (WCOC) and serves as Appendix <u>XI.B</u> of the current BWC Investment Policy Statement (IPS).

The BWC Investment Division conducted research in February-March 2007 to determine what target portfolio would be most suitable for PWF and MIF from an asset/liability matching, cost, and current investment guidelines perspective. The small size of both PWF ($22 million) and MIF ($16 million) led to the conclusion that a passive management style of funds in a commingled common trust fund structure managed to a widely accepted high credit quality fixed income benchmark closely matched to liability duration was the best investment strategy for the invested assets of these two portfolios.

The Investment Division concluded that the widely used Lehman Intermediate U.S. Government/Credit Index was the most appropriate fixed income benchmark index for both PWF and MIF. This proposed benchmark had had a consistently narrow effective duration of between 3.6 and 3.7 years during 2007 which is positioned well within the 3-4 year range defined as the liability duration for PWF (per Appendix X.E of IPS) and for MIF (per Appendix X.C of IPS).

This proposed benchmark index and the strategy to use the recommended commingled fund proposed by the BWC CIO (as endorsed by Wilshire Associates) for PWF and MIF was approved by the former BWC Investment Committee at its March 2007 meeting. However, the WCOC voted in March 2007 to change the recommended benchmark index to the Lehman Intermediate U.S. Government Index and did not vote on authorizing the movement of PWF and MIF funds to the Investment Committee approved commingled managed fund. Further discussions were desired by the WCOC between the BWC staff and the TOS who expressed the position of not being in favor of the movement of these funds to a commingled managed account custodied with the proposed investment manager. The reason for the change in benchmark index voted by the WCOC was to accommodate the possibility that it might be desired for the BWC investment staff to manage these funds internally.

Discussions ensued between the BWC and TOS subsequent to the March 2007 WCOC meeting regarding the investment management strategy and custody of assets for PWF and MIF. These discussions resulted in an interim investment strategy for these two trust funds being agreed upon and presented for approval by the WCOC at its April 2007 meeting. As approved by the WCOC at that meeting, the interim investment strategy involved the transfer of invested assets for PWF and MIF to the U.S. government money market mutual fund (also a commingled managed fund) previously approved by TOS for BWC. The TOS also requested that a tri-party Agreement on the management of these assets be executed by the TOS, BWC and JPMorgan, as investment manager. After extensive discussions and negotiations between the three parties as to terms, such Agreement was executed in late June 2007. Among other things, this Agreement lists the standards to govern the duties and expected conduct of JPMorgan serving as manager and custodian of the mutual fund. Transfer of funds to the JPMorgan U.S. Government money market fund occurred in July 2007 for both PWF and MIF.

Proposal

It is the desire of the BWC Chief Investment Officer to invest the trust fund assets of PWF and MIF in a low cost, well-managed, passively indexed commingled common trust fund having a target benchmark index duration closely matching the average duration of liabilities of these two trust funds.

The CIO proposes that the widely accepted and utilized Lehman Intermediate U.S. Government/Credit (LIGC) index be considered to serve as the Intermediate Duration fixed income benchmark for BWC. Such benchmark would replace the Lehman Intermediate U.S. Government (LIG) index currently serving as the benchmark index for both PWF and MIF. As shown in the following tables, the yield of the LIGC index is consistently higher than the LIG index. The LIG index is comprised only of U.S. Treasury and U.S. Government Agency securities. The LIGC index has approximately a 62% weighting in those two U.S. government classes and remaining representations in both U.S. and non-U.S. corporate bonds as well as non-U.S. governmental issues. The LIGC index is a very high quality index with an average overall quality at the high end of the "AAA" rating category. The LIGC index is extremely well diversified with over 3,000 different issues. The duration of the LIGC index has remained in a narrow range of 3.58 to 3.70 years since 12/31/06 which is an excellent match to the targeted liability duration of between 3-4 years for both PWF and MIF. As the Yield Comparison table provided illustrates, the yields earned in the JPMorgan government money market fund serving as the interim investment strategy for PWF and MIF have been competitive or higher than the LIGC index yield for a number of months in 2007 to date.

It is also proposed by the CIO that BWC solicit a select group of large, highly regarded investment managers experienced in passively managing large pools of commingled assets to both the LIG and LIGC indices. Such solicitation would be by means of the issuance of a short Request For Quote (RFQ) document sent to each targeted potential investment manager by BWC asking for a management fee quote in addition to responses to several questions directed towards experience and performance. BWC is eligible to issue such an RFQ to prospective vendors if (i) the cost of such resulting contract is under $50,000 per annum and (ii) a minimum of three vendors are directly solicited. From research and inquiries conducted earlier this year by the BWC CIO, the BWC CIO is highly confident that the annual combined management fees to be incurred under contract for all invested assets of PWF and MIF will qualify for this fee limitation requirement under the investment proposal described herein.

Yield/Duration Comparisons

Yield Comparison (%)	Oct 07	Sep 07	Aug 07	July 07	June 07	May 07	Apr 07	Mar 07	Feb 07	Jan 07	Dec 06
Lehman Intermediate Govt	4.28	4.37	4.52	4.84	5.09	5.04	4.75	4.76	4.73	4.99	4.88
Lehman Intermediate G/C	4.72	4.81	4.93	5.17	5.33	5.25	4.96	4.97	4.92	5.18	5.08
JPM Govt MMF	4.81	5.03	5.15	5.15	5.17	5.15	5.16	5.17	5.16	5.15	5.17
Duration Comparison (Yrs)											
Lehman Intermediate Govt	3.30	3.33	3.32	3.27	3.32	3.31	3.21	3.25	3.30	3.22	3.27
Lehman Intermediate G/C	3.68	3.70	3.68	3.63	3.67	3.66	3.60	3.63	3.65	3.58	3.60

The weighted average maturity for JPM Govt MMF ranged from 25-37 days at the end of each month shown above.

Yields and Duration above are as of the end of each month shown. Yield for JPM Govt MMF is the 30 day Average Yield.

JPM Govt MMF: JPMorgan U.S. Government Money Market Fund Capital Share Class

Lehman Intermediate Govt: Lehman Intermediate U.S. Government index

Lehman Intermediate G/C: Lehman Intermediate U.S. Government/Credit index

Lehman Intermediate U.S. Government/Credit Index
vs.
Lehman Intermediate U.S. Long Government Index
As of 10/31/2007

Portfolio Characteristics	**Interm G/C**	**Interm Govt**
Number of Issues	3,258	957
Avg. Maturity (Yrs)	4.56	4.15
Avg. Yield to Maturity (%)	4.72	4.28
Avg. Modified Adj Duration (Yrs)	3.68	3.30
Avg. Convexity	0.18	0.12
Avg. Quality	AA1/AA2	AAA

Ratings	**Interm G/C**	**Interm Govt**
AAA	66.57%	99.48%
AA	8.98%	0.52%
A	13.15%	0.00%
BBB	11.30%	0.00%

Asset Sector (%)	**Interm G/C**		**Interm Govt**
U.S. Treasury	41.03		66.31
U.S. Agencies	20.85		33.69
U.S. Taxable Municipals	0.07		0.00
U.S. Corporates	27.77		0.00
Non U.S. Credit:	10.27		0.00
Sovereigns		1.40	
Supranationals		1.78	
Local Government		2.87	
Corporate		4.22	
	100.00		100.00

To:	**The Ohio Bureau of Workers' Compensation Investment Committee**
Cc:	Bruce Dunn
From:	Mark E. Brubaker, CFA and Michael D. Patalsky, CFA
Phone:	(412) 434-1580
Date:	November 8, 2007
Subject:	***Waiving of IPS Restrictions for Credit and Individual Issuer Limits for Index Investing***

Wilshire Recommendation

Wilshire supports the Ohio BWC staff recommendation to the Investment Committee to waive credit and individual issuer limits in the IPS for passive (index) investment mandates. Wilshire believes that the main benefit of indexing is to provide investors exposure to an entire asset class or market segment. At the margin, this benefit is diminished when custom guidelines or restrictions are imposed. Wilshire recommends that the OBWC Board consider waiving the restrictions related to credit limits and individual issuer limits for passive (index) investing for the following reasons:

- Provides exposure to the entire market, with negligible increase to the total portfolio risk (although specific issuer risk may increase)
- Potentially reduces direct and indirect management costs
- Facilitates staff monitoring and oversight
- Allows for use of commingled fund vehicle

Please feel free to call me on (412) 434-1580 should you have any questions.

DATE: November 8, 2007

TO: BWC Investment Committee

FROM: Bruce Dunn, Chief Investment Officer

SUBJECT: **Investment Policy Recommendation**
Revision to BWC Investment Policy and Guidelines
Credit Issuer Ownership Limits

Background

The current BWC Investment Policy Statement (IPS) provides defined maximum limits on the ownership of a specific fixed income credit issuer. These limits are stated in Section IV.C.ii of the IPS reflecting respective ownership limits by Sector Allocation and Credit Quality as a maximum percentage of total BWC fixed income assets owned. The purpose of these ownership limit restrictions is to assure sufficient diversification of credit issuers in the BWC fixed income portfolios. Each BWC trust fund having a targeted fixed income asset allocation must be managed to these ownership limit guidelines.

When the new asset allocation investment strategy recommended by Wilshire Associates was approved by the former BWC Oversight Commission in July 2006, allocating 54% of total invested assets to long duration bonds, the widely accepted and utilized Lehman Long U.S. Government/Credit index was approved as the BWC benchmark index for this asset class. A close examination of this originally approved benchmark index ("Conventional LDFI Index") revealed conflicts between the composition of the Conventional LDFI Index and the IPS. These conflicts pertained to ownership of foreign government bond issues as well as a certain few corporate bond credits where percentage ownership representation in this index exceeded the individual credit limit ownership of the IPS.

As a result of these conflicts, a Customized Lehman Long Duration Fixed Income benchmark index ("Customized LDFI Index") linked to the Conventional LDFI Index was created jointly by BWC and Lehman Brothers in March 2007 to serve as the BWC benchmark index. This Customized LDFI Index guides the two BWC chosen passive indexed Long Duration Fixed Income (LDFI) managers (State Street and Barclays) to conform to the IPS. State Street and Barclays commenced the management of LDFI assets of BWC effective April 1, 2007 upon completion of a major transition of approximately $9.3 billion in State Insurance Fund assets. These assets were liquidated from a custom commingled account passively managed to the Lehman Aggregate bond index by State Street.

It has become increasingly apparent to the BWC Chief Investment Officer that the imposed added restrictions of individual credit ownership limits are creating portfolio management inefficiencies for the two passive indexed LDFI investment managers. These management inefficiencies are resulting in needless added performance tracking error (performance deviation) versus both the reference Conventional LDFI Index and the benchmark Customized Index. The imposed credit restrictions result in additional transactional activity by both portfolio managers in order to stay in compliance with the more restrictive Customized LDFI Index rather than effectively sampling the Conventional LDFI Index. There are currently 9 large, highly capitalized corporate credits (AT&T, Goldman Sachs, JPMorgan, Berkshire Hathaway, Comcast, Time Warner, Verizon, Sprint Nextel, News Corp.) that either exceed or closely approach the capped weighted limits of the Customized LDFI Index. The most prominent credit issuer differential is AT&T which represented 1.90% of the total Conventional LDFI Index on 9/30/07 versus a 0.90% capped weight imposed in the Customized LDFI Index benchmark. The two portfolio managers are challenged to maintain a position very close to but not exceeding these imposed restricted limits in order to maintain tight tracking performance to the benchmark index while not being in violation with the current BWC ownership guidelines. It is a delicate portfolio management balancing challenge, especially when the profile and composition of both the benchmark index and the reference index change at the end of each month as new eligible issues to the index are added and other issues are deleted.

It is common industry practice that an investor who adopts a passive indexed management approach expects the chosen passive index manager to replicate an index as reasonably close as possible to match index performance with no added restrictions imposed that would clearly inhibit achieving this goal. This implies that no added ownership restrictions are provided by the investor that could create obstacles in achieving the performance objective. All major widely accepted fixed income indices generally have between 1,000 and 4,000 different issues in the index and are, by definition, extremely well diversified by non-government related credit issuers.

Recommendation

It is recommended that the Individual Security Credit Quality Restrictions identified in Section IV.C.ii of the IPS be waived for all passive indexed managed fixed income mandates. Such restrictions would only be applicable for actively managed fixed income mandates identified.

For clarification purposes, it is recommended that the column header “Individual Security Max %” be replaced by “Credit Name Max %”. Credit Names are defined by ticker symbol such that each distinct Credit Name has a unique ticker symbol as represented on Bloomberg or such other informational source used by the sponsor of the fixed income benchmark index approved. The attached page of the IPS reflects in color the revisions to Section IV.C.ii of the IPS being recommended herein. A clean version of these revisions is also attached.

By Credit Quality:

Credit Quality	Max. % of Fixed Income	Credit Name Max %
Governments/Agencies	100%	N.A.
Aaa/AAA or below	80%	1.00% (AAA only)
Aa/AA or below	65%	1.00% (AA only)
A/A or below	40%	0.75% (A only)
Baa/BBB or below	25%	0.50% (BBB only)
Ba/BB or below	7.5%	0.25% (BB only)
B/B or below	*	0.10% (B only)
CCC	**	0.05% (CCC only)
Below CCC	0%	0.00%

***Maximum of 70% of "Ba/BB or below" securities owned**
****Maximum of 20% of "Ba/BB or below" securities owned**

Individual credit name limits are applicable for actively managed fixed income mandates and are not applicable for passive indexed managed fixed income mandates. Credit name is defined as unique ticker symbol, such that each distinct credit name has a different ticker symbol as represented on Bloomberg or other such informational source used by the sponsor of the fixed income benchmark index approved.

Maximum percentages refer to market value of each security or credit name owned for the Funds' Fixed Income portfolio in its aggregate. Credit ratings recognized are Moody's, Standard & Poor's and Fitch. Credit rating applicable is the lower of the two ratings if such security is rated by only two of the three rating agencies. Credit rating applicable is the middle rating if such security is rated by all three rating agencies, as consistent with the rules used by the sponsor of the fixed income benchmark index approved. The Chief Investment Officer will report to the WCOC the details of any guideline violation at the next scheduled WCOC meeting, or sooner if warranted in the judgment of the Chief Investment Officer. Each Investment Manager will be required to adhere to this Investment Policy in general and will be provided with specific investment security guidelines by the Chief Investment Officer consistent with these Credit Quality and Sector Allocation guidelines in the aggregate.

In the event that downgraded securities result in a violation of these constraints, the WCOC shall grant an exemption that would allow the 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 Chief Investment Officer. The Investment Manager shall also provide an action plan to bring the portfolio back in compliance with the applicable guidelines to the Chief Investment Officer. Such action plan will be reflected in the compliance report of the Chief Investment Officer to be presented at the next scheduled WCOC meeting.

By Credit Quality:

Credit Quality	**Max. % of Fixed Income**	**Credit Name Max %**
Governments/Agencies	100%	N.A.
Aaa/AAA or below	80%	1.00% (AAA only)
Aa/AA or below	65%	1.00% (AA only)
A/A or below	40%	0.75% (A only)
Baa/BBB or below	25%	0.50% (BBB only)
Ba/BB or below	7.5%	0.25% (BB only)
B/B or below	*	0.10% (B only)
CCC	**	0.05% (CCC only)
Below CCC	0%	0.00%

***Maximum of 70% of "Ba/BB or below" securities owned**
****Maximum of 20% of "Ba/BB or below" securities owned**

Individual credit name limits are applicable for actively managed fixed income mandates and are not applicable for passive indexed managed fixed income mandates. Credit name is defined as unique ticker symbol, such that each distinct credit name has a different ticker symbol as represented on Bloomberg or other such informational source used by the sponsor of the fixed income benchmark index approved.

Maximum percentages refer to market value of each security or credit name owned for the Funds' Fixed Income portfolio in its aggregate. Credit ratings recognized are Moody's, Standard & Poor's and Fitch. Credit rating applicable is the lower of the two ratings if such security is rated by only two of the three rating agencies. Credit rating applicable is the middle rating if such security is rated by all three rating agencies, as consistent with the rules used by the sponsor of the fixed income benchmark index approved. The Chief Investment Officer will report to the WCOC the details of any guideline violation at the next scheduled WCOC meeting, or sooner if warranted in the judgment of the Chief Investment Officer. Each Investment Manager will be required to adhere to this Investment Policy in general and will be provided with specific investment security guidelines by the Chief Investment Officer consistent with these Credit Quality and Sector Allocation guidelines in the aggregate.

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OBWC Board of Directors
Investment Committee Charter
November 21, 2007

Purpose

The purpose of the Investment Committee is to ensure that the assets of the Ohio Bureau of Workers' Compensation (OBWC) are effectively managed in accordance with the laws of the State of Ohio, and the Ohio Bureau of Workers' Compensation Statement of Investment Policy and Guidelines. The Investment Committee:

- provides assistance to the Board of Directors in the review and oversight of the State Insurance Fund and each Ancillary Fund (collectively the Funds) assets; and is
- responsible for developing and monitoring the implementation of the BWC's investment policy.

Membership

The Committee shall be composed of a minimum of five (5) members. Two of the members shall be the members of the Board who serve as the investment and securities experts on the Board. The Board, by majority vote, shall appoint three additional members to serve on the Investment Committee and may appoint additional members, either from the Board or someone not on the Board. Each additional non-Board member appointed must have at least one of the following qualifications: a) experience managing another state's pension funds or workers' compensation funds; or b) expertise that the Board determines is needed to make investment decisions.

The Chair is designated by the Board, based on the recommendation of the Board Chair. The Board Chair is an ex-officio voting member of the committee, except that the chair shall not vote in the instance that his/her vote would create a tie vote.

Members of the Investment Committee serve at the pleasure of the Board and the Board, by majority vote, may remove any member except the members of the Committee who are the investment and securities expert members of the Board.

Meetings

The Investment Committee will meet at least nine (9) times annually; additional meetings may be scheduled as the Committee or its chairperson deem advisable. The Investment Committee is governed by the same rules regarding meetings, notice, quorum and voting requirements as are applicable to the Board. A quorum at any Investment Committee meeting will consist of a majority of the Committee members.

The Chair of the Committee will be responsible for establishing the agendas for the meetings of the Committee. An agenda, together with information/background materials, will be sent to members of the Committee prior to each meeting. Minutes for all meetings of the Committee will be prepared to document all actions to the Committee's discharge of its responsibilities. The Committee will have a staff liaison designated to help it carry out its duties.

Duties and Responsibilities

The Investment Committee is charged with overseeing all investment-related matters and activities of the BWC. The Committee evaluates proposals requiring Board action and makes recommendations for consideration by the Board.

1. Develop and recommend the strategic asset allocation and investment policy for the Funds and submit to the Board for approval. The Committee will periodically review the investment policy in light of any changes in actuarial variables, market conditions, etc. and make recommendations for any changes, as appropriate to the Board for approval. Assist the Board to assure that the investment policy is reviewed and approved at least annually, published, and copies are made available to interested parties.
2. Evaluate and recommend an outside investment consultant to assist the Investment Committee in its duties. Submit a contract with the recommended investment consultant to the Board for approval.
3. Review the annual report on the investment performance of the funds and the value of each investment class and submit to the Board for approval. Once approved, this report must be submitted to the Governor, the president and Minority Leader of the Senate, and the Speaker and Minority Leader of the House of Representatives.
4. Recommend investment counsel to the Board for engagement.
5. Recommend to the Board for approval the criteria and procedures for the selection of the Investment Managers and General Partners. Approve the final selection, funding and termination of all Investment Managers and General Partners.
6. Monitor implementation of the investment policy by the Administrator and the Chief Investment Officer. Review performance of the Chief Investment Officer and any investment consultants retained by the BWC to assure compliance with the investment policy and effective management of the Funds.
7. Develop and recommend rules on due diligence standards for employees of BWC to follow when investing in each asset class. Develop and recommend policies and procedures to review and monitor the performance and value of each asset class. Submit these recommendations to the Board for approval.
8. Monitor and review the investment performance of the Funds on a quarterly basis to determine achievement of objectives and compliance with this investment policy.
9. Recommend prohibited investments, on a prospective basis, the Committee finds to be contrary to the investment objectives of the Funds and submit to the Board for approval.
10. Recommend the opening and closing of each investment class and submit to the Board for approval.
11. Report all activities/recommendations to the Board following each meeting of the Investment Committee.
12. The Investment Committee will coordinate with other Board committees on items of common interest.
13. At least annually, this charter must be reviewed by the Investment Committee and any proposed changes submitted to the Governance Committee and to the Board for approval.

InvestmentCommitteeCharter.doc
Draft 092607
Review & Approved 111607, Bob Smith, chairperson

WORKERS' COMPENSATION BOARD OF DIRECTORS
INVESTMENT COMMITTEE

THURSDAY, OCTOBER 25, 2007, 12:30 PM
WILLIAM GREEN BUILDING
THE NEIL SCHULTZ CONFERENCE CENTER
30 WEST SPRING ST., 2ND FLOOR (MEZZANINE)
COLUMBUS OH 43215

Members Present: Robert Smith, Chair
Alison Falls, Vice Chair
David Caldwell
James Harris
Larry Price

Others present at the request of the Committee:

Cindy Beck of the Treasurer of State's Office
Chris Glaros of the Treasurer of State's Office
Mark Brubaker, Wilshire Associates
Mike Patalsky, Wilshire Associates
Bruce Dunn, Chief Investment Officer
Lee Damsel, Director of Investments

CALL TO ORDER

Mr. Smith called the meeting to order at 12:30 PM and the roll call was taken.

MINUTES OF SEPTEMBER 26, 2007

Upon a motion made by Mr. Harris and seconded by Mr. Price, the minutes were approved with the correction of the name of the scribe. The scribe was Tom Woodruff.

NEW BUSINESS / ACTION ITEMS

Investment Committee Revised Charter

There was discussion, led by Ms. Falls, with regard to the Investment Committee charter. A recommendation was made to finalize the charter and recommend approval at next month's meeting.

Investment Consultant

There was discussion of the investment consultant contract with Wilshire Associates. Bruce Dunn, Chief Investment Officer, stated that the Board of Directors may terminate the Wilshire contract with thirty days notice. A motion was made by Mr. Smith, and seconded by Mr. Price, to recommend to the Board that it renew the Wilshire contract. All Committee members voted yes on this motion.

Possible Request for Proposal Issuance
There was discussion of a request for proposal for a new investment consultant. The request for proposal would be issued October 30, 2007. Mr. Dunn discussed details of the request for proposal process. There was discussion of an evaluation committee for selecting a new investment consultant. The evaluation committee receives the candidate responses to the request for proposal, discusses the scores of the candidates, and makes a recommendation as to which candidate should be selected. Mr. Smith encouraged every member of the Investment Committee to participate on the evaluation committee. James Barnes, BWC General Counsel, noted that the scoring for the candidates becomes a public record, once the selection process is complete. Lee Damsel, Director of Investments, recommended that courtesy calls be made to vendors not selected. Marsha Ryan, Administrator, emphasized the need for confidentiality during the request for proposal process. Mr. Lhota, Mr. Smith, and Ms. Falls will conduct site visits of the top two candidates and make a recommendation as to which candidate should be selected. Ms. Falls noted that Mr. Lhota will go on site visits, but not serve as a member of the evaluation committee. Mr. Dunn discussed preference for a single investment consultant.

Mr. Dunn summarized the Scope of Services desired of a full service investment consultant as listed in the Request for Proposal. These services consist of (i) completing and presenting asset allocation and asset/liabilities studies; (ii) providing advice and recommendations on investment policies, strategies and guidelines; (iii) performance monitoring and reporting; (iv) due diligence for selection and monitoring of public market investment managers; and (v) market research and education. Initial scoring of the candidates responding to the RFP is weighted thirty percent for firm background, fifty percent for quality and depth of services and experience/professional staff, and twenty percent for fee structure.

Mr. Price, Mr. Harris, and Mr. Caldwell stated they were quite pleased with the Investment Consultant RFP written by the Investment Division.

Motion was made by Mr. Price and seconded by Mr. Caldwell, that the Investment Committee recommend that the Board approve issuance of a request for proposal for an investment consultant, with Ms. Damsel and Mr. Dunn to also serve on the Evaluation Committee. Roll call was taken by the scribe, and the Investment Committee passed the motion unanimously.

DISCUSSION ITEMS

Annual Investment Consultant Asset/Liability Valuation Study – State Insurance Fund
A presentation was made by Mark Brubaker and Mike Patalsky of Wilshire Associates concerning the annual investment consultant Asset/Liability Valuation Study of the State Insurance Fund. There was discussion regarding asset mix and fund liabilities. Wilshire

made recommendations as noted in the table on page two of its presentation materials. The long duration investment strategy with average liability duration of 10.3 years was discussed. It was noted that the recommended investment strategy includes protection against long term inflation with investments in inflation-protected securities and equities. Mr. Patalsky discussed Wilshire capital market assumptions over a ten year period. Mercer Oliver Wyman projections were utilized in the report. The importance of funding cash flows to pay claims was emphasized. The issue of risk tolerance was discussed. Further discussion was made of measuring the ability to pay claims over an extended period of time.

Securities Lending
Discussion of securities lending was deferred to a later date.

Portfolio Performance
Discussion of portfolio performance was deferred to a later date.

CIO Report – September 2007
Mr. Dunn mentioned an added Investment Division goal of providing education to the Investment Committee and the Board. Mr. Dunn noted that the sale of equity investments was proceeding well with over $250 million received in sale proceeds to date. Mr. Dunn mentioned House Bill 79, which prescribes specific investment criteria for BWC, was passed by the House Commerce and Labor Committee in a first stage vote. The issue of utilizing interest income from the Pneumoconiosis Fund for funding a mine safety program was also discussed.

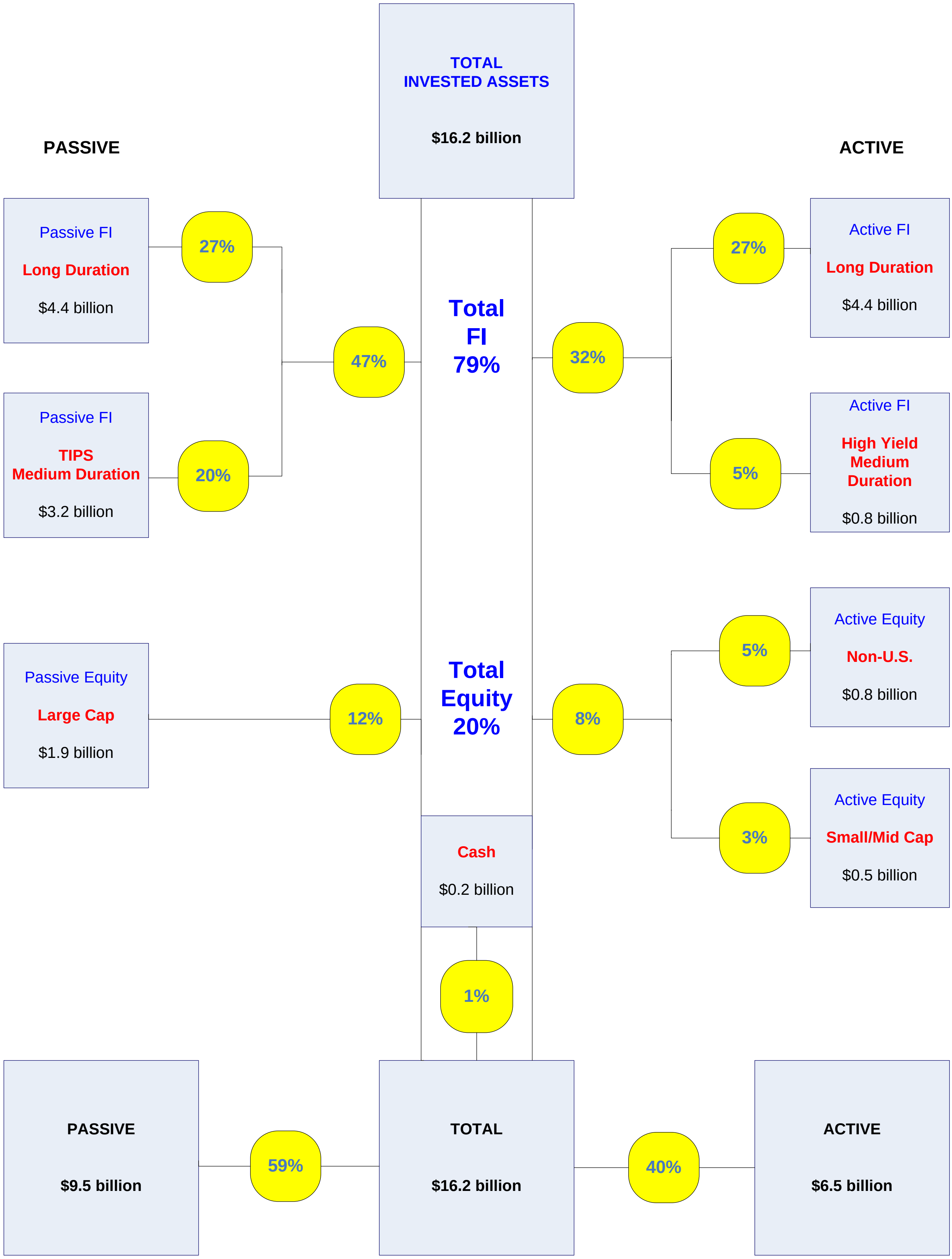
Annual Calendar of Events/Reports
Next meeting is scheduled for November 20, 2007 at 12:00 PM.

ADJOURNMENT

Motion was made by Mr. Price and seconded by Ms. Falls to adjourn the meeting at 2:30 PM.

Prepared by: Tom Woodruff, Staff Counsel

BWC STATE INSURANCE FUND
ASSET ALLOCATION TARGETS
November 2007



Above amounts are rounded for illustrative purposes.