

**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