

H.B. 100 / Sections concerning Investment Committee Duties

Investment Committee duties	Develop investment policy for the administration of the investment program for BWC. ¹
	Submit investment policy to the Board for approval. ²
	Monitor implementation of investment policy by the Administrator & Chief Investment Officer of BWC. ³
	Recommend outside investment counsel w/ whom the Board may contract to assist the investment committee in fulfilling its duties. ⁴
	Review performance of Chief Investment Officer & any investment consultants retained by the Administrator to assure compliance w/ investment policy & achievement of best possible returns. ⁵
	By majority vote, appoint 2 members of the Board to the investment committee in addition to the 2 members of the Board who serve as investment & securities experts. By majority vote, determine how often the investment committee shall meet & report to the Board. ⁶

¹ O.R.C. 4121.129(C)(2)(a)

² O.R.C. 4121.129(C)(2)(b)

³ O. R.C. 4121.129(C)(2)(c)

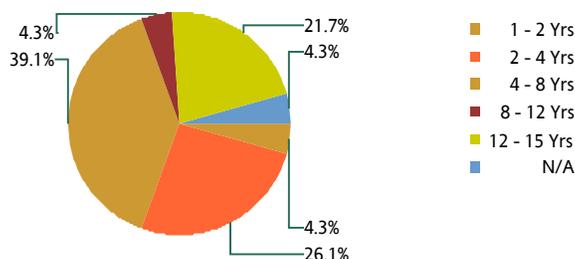
⁴ O.R.C. 4121.129(C)(2)(d)

⁵ O. R.C. 4121.129(C)(2)(e)

⁶ O. R.C. 4121.129(C)

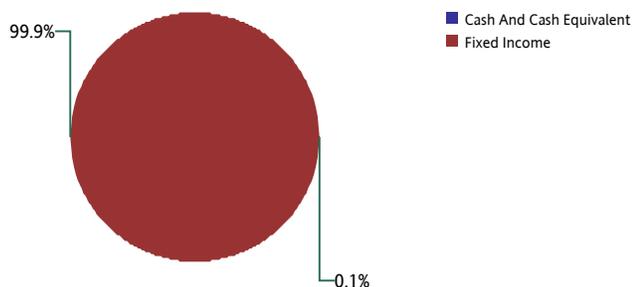
Portfolio Characteristics

Total Net Assets (Millions)	3,037.6
Weighted Average Life (Years)	9.56
Weighted Avg. Effective Duration (Years)	6.52
Weighted Average Coupon (%)	2.51
Weighted Average Current Yield (%)	2.77
Weighted Average Yield to Maturity (%)	5.06
Weighted Average Rating	AAA
Number of Holdings	23



Asset Mix

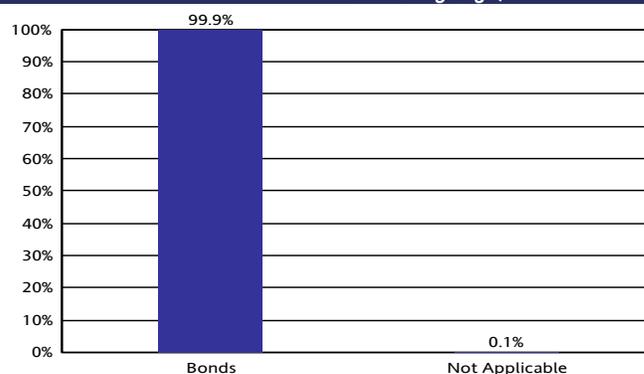
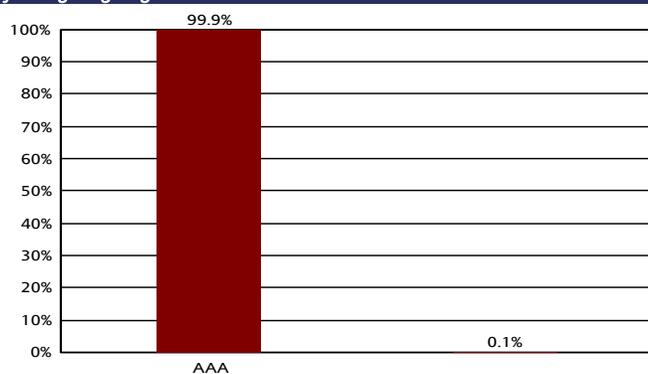
Top Ten Portfolio Holdings



Security ID	Security Name	% of Assets	Coupon Rate	Maturity Date
912828CZ1	USA TREASURY NTS VAR TIPS 15/A	7.32%	0.88	15/4/2010
912810FR4	UNITED STATES OF AMER TREAS BO	6.90%	2.38	15/1/2025
912810FH6	UNITED STATES OF AMER TREAS NO	6.62%	3.88	15/4/2029
912828AF7	UNITED STATES TREASURY NOTE 3.	6.39%	3.00	15/7/2012
912828BW9	UNITED STATES OF AMER TREAS NO	5.77%	2.00	15/1/2014
912828BD1	USA TREASURY NTS 1.875% TIPS 1	5.61%	1.88	15/7/2013
912810FD5	USA TREASURY BDS 3.625% TIPS 1	5.52%	3.62	15/4/2028
912828CP3	USA TREASURY NTS 2% TIPS 15/JU	5.28%	2.00	15/7/2014
912828DH0	UNITED STATES TREASURY NOTE VA	5.03%	1.62	15/1/2015
912828FB1	UNITED STATES OF AMER TREAS NO	4.77%	2.38	15/4/2011

Quality/Rating Weightings

Sector Weightings (as % of Market Value)



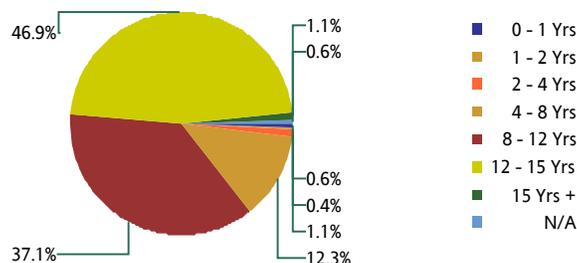
Returns Series

	Current Month	Trailing 3 Months	Year-To-Date	Trailing 1 Year	Trailing 3 Years	Trailing 5 Years	Inception
SIF-SSGA TIPS Passive Index	(0.11)	(0.71)					
L.B. U.S. TIPS	(0.15)	(0.76)					
Excess	0.04	0.05	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)



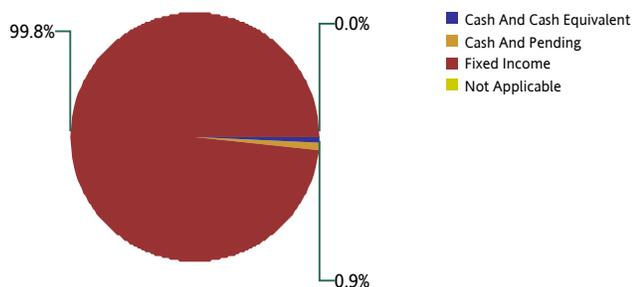
Portfolio Characteristics

Total Net Assets (Millions)	7,645.8
Weighted Average Life (Years)	20.18
Weighted Avg. Effective Duration (Years)	10.79
Weighted Average Coupon (%)	6.79
Weighted Average Current Yield (%)	5.65
Weighted Average Yield to Maturity (%)	5.66
Weighted Average Rating	AA
Number of Holdings	537



Asset Mix

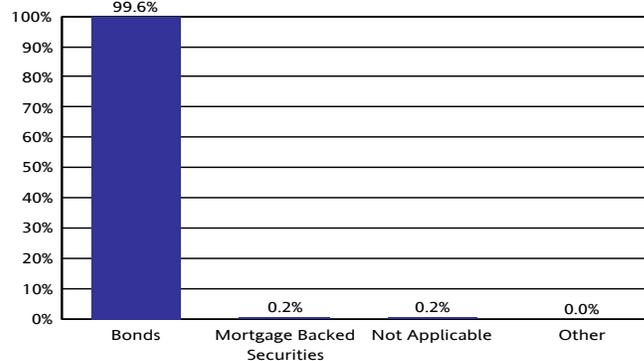
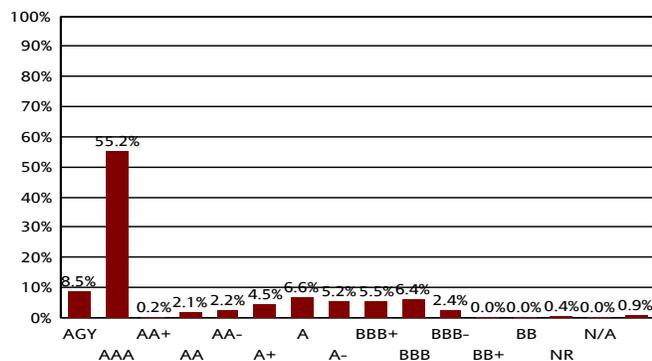
Top Ten Portfolio Holdings



Security ID	Security Name	% of Assets	Coupon Rate	Maturity Date
912810EL8	UNITED STATES OF AMER TREAS BO	6.54%	8.00	15/11/2021
912810EP9	UNITED STATES OF AMER TREAS BO	4.51%	7.12	15/2/2023
912810FB9	UNITED STATES OF AMER TREAS BO	4.11%	6.12	15/11/2027
912810EG9	UNITED STATES OF AMER TREAS BO	3.72%	8.75	15/8/2020
912810EV6	UNITED STATES OF AMER TREAS BO	3.30%	6.88	15/8/2025
912810ED6	UNITED STATES OF AMER TREAS BO	3.10%	8.12	15/8/2019
912810FP8	UNITED STATES OF AMER TREAS BO	2.64%	5.38	15/2/2031
912810EC8	UNITED STATES OF AMER TREAS BO	2.52%	8.88	15/2/2019
912810DZ8	UNITED STATES OF AMER TREAS BO	2.51%	8.88	15/8/2017
912810EW4	USA TREASURY BDS 6.00% 15/FEB/	2.49%	6.00	15/2/2026

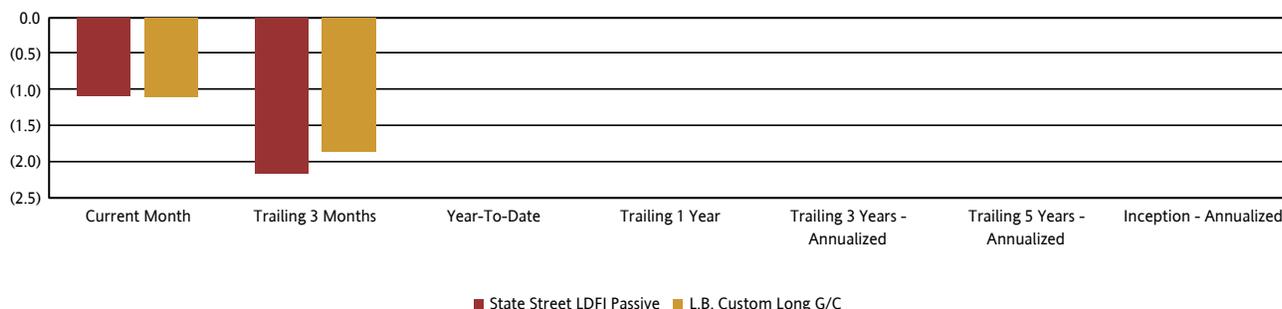
Quality/Rating Weightings

Sector Weightings (as % of Market Value)



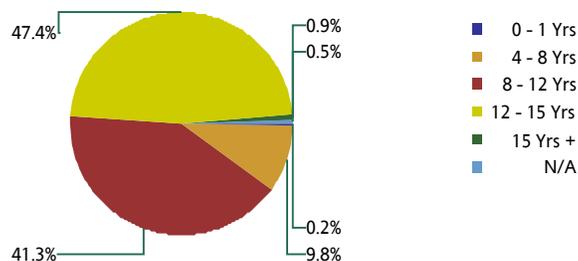
Returns Series

	Current Month	Trailing 3 Months	Year-To-Date	Trailing 1 Year	Trailing 3 Years	Trailing 5 Years	Inception
State Street LDFI Passive	(1.07)	(2.16)					
L.B. Custom Long G/C	(1.11)	(1.86)					
Excess	0.04	(0.30)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)



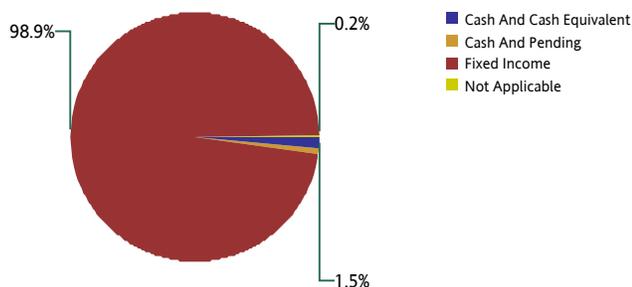
Portfolio Characteristics

Total Net Assets (Millions)	1,464.4
Weighted Average Life (Years)	20.67
Weighted Avg. Effective Duration (Years)	10.79
Weighted Average Coupon (%)	6.68
Weighted Average Current Yield (%)	5.75
Weighted Average Yield to Maturity (%)	5.75
Weighted Average Rating	AA-
Number of Holdings	441



Asset Mix

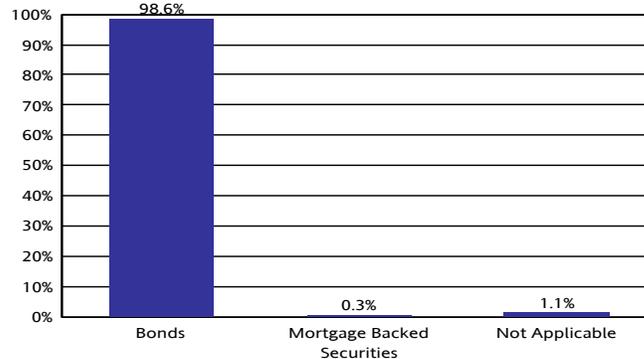
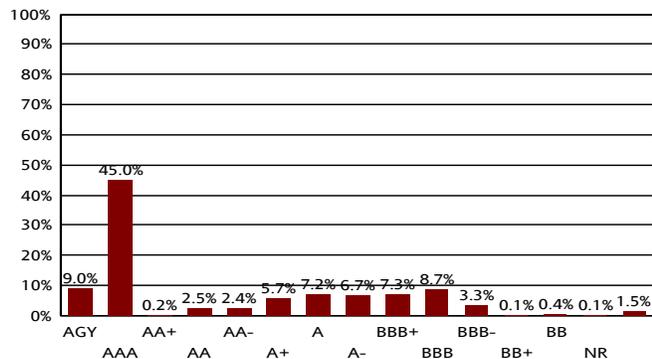
Top Ten Portfolio Holdings



Security ID	Security Name	% of Assets	Coupon Rate	Maturity Date
912810EL8	UNITED STATES OF AMER TREAS BO	3.96%	8.00	15/11/2021
912810EG9	UNITED STATES OF AMER TREAS BO	2.80%	8.75	15/8/2020
912810ED6	UNITED STATES OF AMER TREAS BO	2.65%	8.12	15/8/2019
912810EQ7	UNITED STATES OF AMER TREAS BO	2.32%	6.25	15/8/2023
912810EA2	UNITED STATES OF AMER TREAS BO	2.29%	9.12	15/5/2018
912810EJ3	UNITED STATES OF AMER TREAS BO	2.21%	8.12	15/5/2021
912810FT0	UNITED STATES OF AMER TREAS BO	2.12%	4.50	15/2/2036
912810FB9	UNITED STATES OF AMER TREAS BO	1.92%	6.12	15/11/2027
912810EP9	UNITED STATES OF AMER TREAS BO	1.68%	7.12	15/2/2023
912810FP8	UNITED STATES OF AMER TREAS BO	1.57%	5.38	15/2/2031

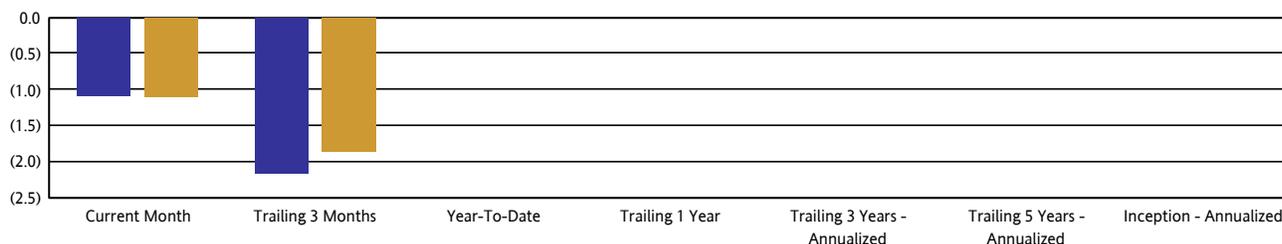
Quality/Rating Weightings

Sector Weightings (as % of Market Value)



Returns Series

	Current Month	Trailing 3 Months	Year-To-Date	Trailing 1 Year	Trailing 3 Years	Trailing 5 Years	Inception
Barclays LDFI Passive	(1.09)	(2.17)					
L.B. Custom Long G/C	(1.11)	(1.86)					
Excess	0.02	(0.31)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)



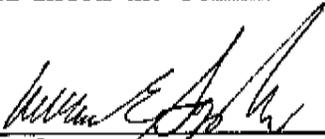
WCOE Resolution 06-07

**RESOLUTION
OF THE WORKERS' COMPENSATION OVERSIGHT COMMISSION
ADOPTING THE CHARTER FOR THE INVESTMENT COMMITTEE**

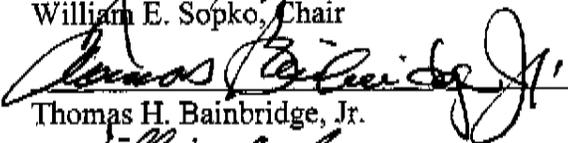
WHEREAS, the Workers Compensation Oversight Commission has established an Investment Committee to assist it in implementing the investment requirements of the Ohio Revised Code and the recommendations of the Workers Compensation Management Review Team and other consultants; and

WHEREAS, the Investment Committee has drafted and submitted to the Commission a charter that defines the purpose, authority, composition and responsibilities of the Investment Committee and its interaction with the staff of the Bureau of Workers' Compensation and the Oversight Commission;

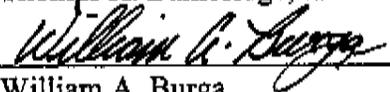
THEREFORE, the Workers' Compensation Oversight Commission approves and adopts the Investment Committee Charter in the form submitted to it by the Investment Committee and as attached to this resolution and directs the Committee to carry out its responsibilities as defined therein.



William E. Sopko, Chair



Thomas H. Bainbridge, Jr.



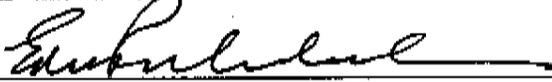
William A. Burga

Mary Beth Carroll


Michael C. Koettters



Denise M. Farkas



Edwin McCausland

Dated: April 27, 2006

**80% Bond / 20% Equity Allocation
5 Year Bond Duration
Change in Market Value (millions)**

	Percentage decrease/increase in equities				
	-20%	-10%	0	10%	20%
Change in interest rates (basis points)					
200	(\$1,800)	(\$1,500)	(\$1,200)	(\$900)	(\$600)
150	(\$1,500)	(\$1,200)	(\$900)	(\$600)	(\$300)
100	(\$1,200)	(\$900)	(\$600)	(\$300)	\$0
80	(\$1,080)	(\$780)	(\$480)	(\$180)	\$120
60	(\$960)	(\$660)	(\$360)	(\$60)	\$240
40	(\$840)	(\$540)	(\$240)	\$60	\$360
20	(\$720)	(\$420)	(\$120)	\$180	\$480
0	(\$600)	(\$300)	\$0	\$300	\$600
-20	(\$480)	(\$180)	\$120	\$420	\$720
-40	(\$360)	(\$60)	\$240	\$540	\$840
-60	(\$240)	\$60	\$360	\$660	\$960
-80	(\$120)	\$180	\$480	\$780	\$1,080
-100	\$0	\$300	\$600	\$900	\$1,200
-150	\$300	\$600	\$900	\$1,200	\$1,500

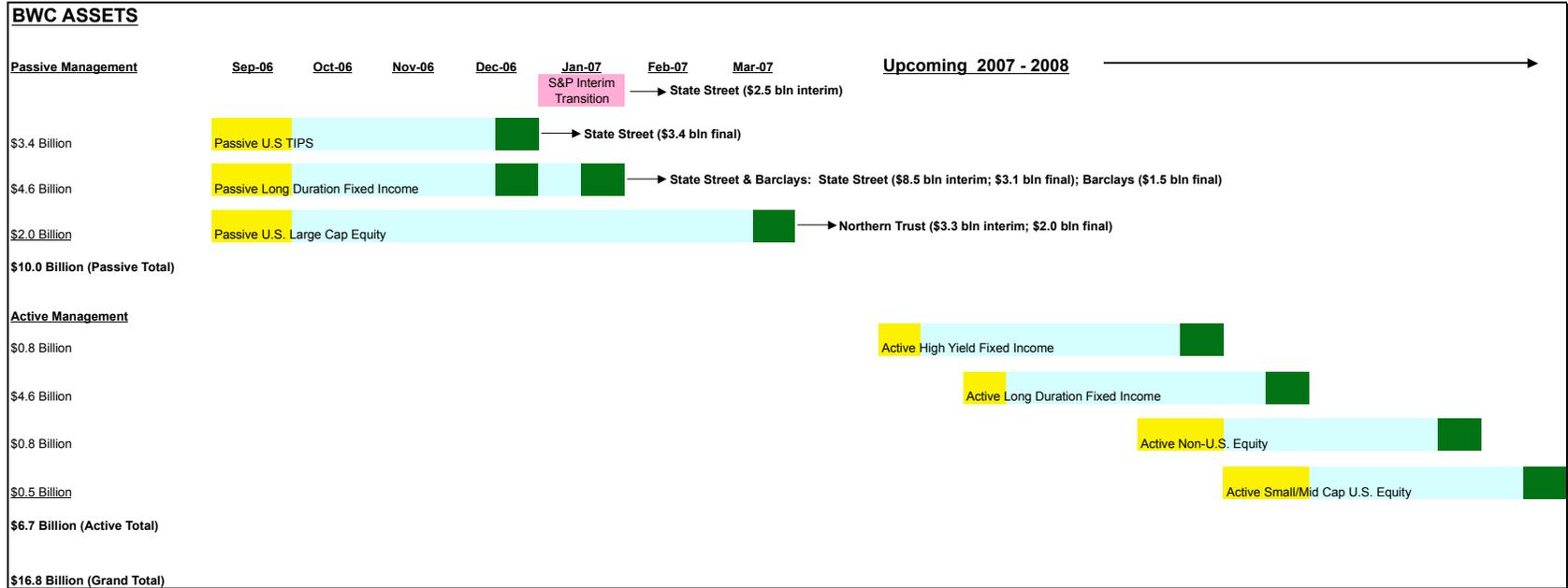
Assumes \$15 billion initial SIF Portfolio Value

**80% Bond / 20% Equity Allocation
10 Year Bond Duration
Change in Market Value (millions)**

	Percentage decrease/increase in equities				
	-20%	-10%	0	10%	20%
Change in interest rates (basis points)					
200	(\$3,000)	(\$2,700)	(\$2,400)	(\$2,100)	(\$1,800)
150	(\$2,400)	(\$2,100)	(\$1,800)	(\$1,500)	(\$1,200)
100	(\$1,800)	(\$1,500)	(\$1,200)	(\$900)	(\$600)
80	(\$1,560)	(\$1,260)	(\$960)	(\$660)	(\$360)
60	(\$1,320)	(\$1,020)	(\$720)	(\$420)	(\$120)
40	(\$1,080)	(\$780)	(\$480)	(\$180)	\$120
20	(\$840)	(\$540)	(\$240)	\$60	\$360
0	(\$600)	(\$300)	\$0	\$300	\$600
-20	(\$360)	(\$60)	\$240	\$540	\$840
-40	(\$120)	\$180	\$480	\$780	\$1,080
-60	\$120	\$420	\$720	\$1,020	\$1,320
-80	\$360	\$660	\$960	\$1,260	\$1,560
-100	\$600	\$900	\$1,200	\$1,500	\$1,800
-150	\$1,200	\$1,500	\$1,800	\$2,100	\$2,400

Assumes \$15 billion initial SIF Portfolio Value

BWC Transition Funds RFP Timelines



Future RFP Timelines shown are estimated time periods from RFP issuance to RFP completion with respective recommendation for approval to the BWC Investment Committee and Transition Funds include State Insurance Fund (SIF), Disabled Workers Fund, and Coal Workers Fund Combined.
Asset sized is rounded and based on approximate valuation of transition funds.

- Issue RFP
- Evaluate/Recommend RFP
- Approval at WCOC monthly meeting
- Interim Transition of approximately \$2.5 Billion to S&P 500 at State Street for SIF. This represents full 20% equity allocation per current IPS ex 3% for SIF Private Equity

Presented: August 2007

Ohio Bureau of Workers' Compensation

Portfolio Market Value Asset Allocation

June 30, 2007

Asset Sector	SIF	SIF % Assets	Non SIF	Non SIF % Assets	Total Fund	Total Fund % Assets
Bonds	\$ 12,147,728,017	78.7%	1,382,051,366	96.7%	13,529,779,383	80.3%
Public Equity	\$ 2,641,500,964	17.1%	-	0.0%	2,641,500,964	15.7%
Private Equity	\$ 449,912,523	2.9%	-	0.0%	449,912,523	2.7%
Lehman Agg Transition	\$ -	0.0%	-	0.0%	-	0.0%
Miscellaneous	\$ 32,648,127	0.2%	-	0.0%	32,648,127	0.2%
Cash	\$ 153,900,352	1.0%	46,715,358	3.3%	200,615,710	1.2%
<u>Total</u>	\$ 15,425,689,983	100.0%	1,428,766,724	100.0%	16,854,456,707	100.0%
Total Fund Assets	\$ 15,425,689,983	91.5%	1,428,766,724	8.5%	16,854,456,707	100.0%

Note: Asset sector is based on composite data and not asset level data



Ohio Bureau of Workers' Compensation

Executive Summary of Investment Performance
Quarter Ending June 30, 2007



Ohio Bureau of Workers' Compensation

Market Review (Periods Ending June 30, 2007)

Market Observations

The Federal Reserve kept rates constant at 5.25% during the 2nd quarter of 2007. Longer rates, such as the 10-year Treasury Yield, were more volatile in the quarter, with intraday spikes up to 5.32% on June 13th before finishing out the quarter at 5.03%.

First quarter real GDP sunk notably from the 4th quarter rate of 2.5%, expanding at a meager rate of 0.7%. This also marked the lowest rate in more than four years (+0.2% in 4th quarter 2002).

Though year-over-year Core CPI and Core PCE have moderated (2.2% & 1.9% in May, respectively), inflation concerns were stoked by May's 0.7% increase in headline CPI. This marked only the third monthly increase above 0.6% since 1990. Oil prices flirted with the \$70 level until finally breaking through to close June at \$70.68.

Job growth has been moderate for 2007 with an average of 133,000 jobs created per month through May. Unemployment has also been stable, holding at 4.5% in May.

The housing market slowed again with existing home sales dropping 10.3% and new home sales falling off 15.8% from one year ago. Mortgage rates have also hit their highest points since July 2006, with an average 30-year fixed-rate mortgage of 6.74%.

US Stock Market

The U.S. stock market, as measured by the DJ Wilshire 5000, shrugged off concerns over a slowing housing market, rising sub-prime default rates, and higher oil prices to post an impressive 6.07% return for the second quarter. This is the largest single quarter return since 4th quarter 2004, and the fourth consecutive quarter of gains, resulting in a return of 20.46% for the past one year period.

While small capitalization stock returns dominated large cap returns during the 1st quarter, large cap names outperformed in the 2nd quarter, with the DJ Wilshire Large Cap Index up 6.18% versus 5.72% for the DJ Wilshire Small Cap Index. Micro Cap stocks posted respectable gains of 3.28% but still remained the laggards for the year. Growth stocks built off of their newly found leadership from the first quarter to outpace value stocks across the capitalization spectrum. The largest quarter to date returns came from the Dow Jones Wilshire Small Growth Index, up 7.33% for the quarter and 12.35% for the year-to-date. The best performance for a sector was 14.4% in the energy sector. Interest rate sensitive sectors were among the worst performing sectors due to June's sharp rise in rates.

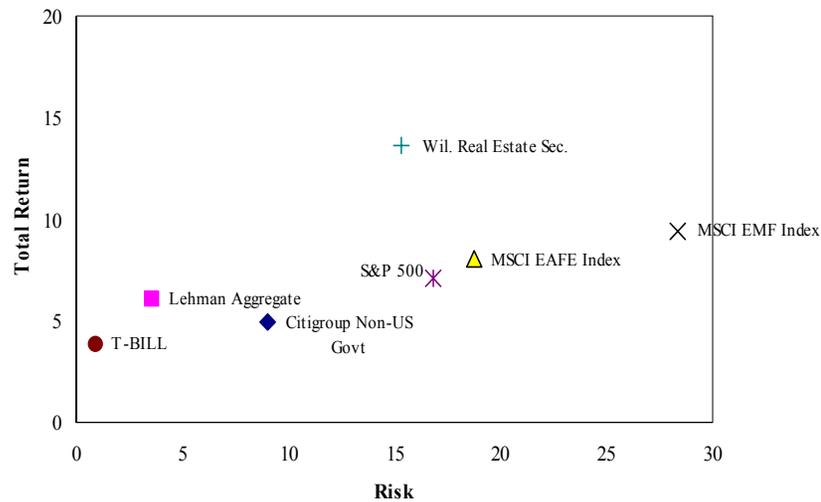
The quarter's positive returns hid a lot of June's turbulence, as many stocks were driven down due to the interest rate volatility. Though finishing the month near 5%, the 10-year Treasury yield spikes throughout the month were a stern reminder of how quickly rates and valuations can change.

Capital Markets Review (Periods Ending June 30, 2007)

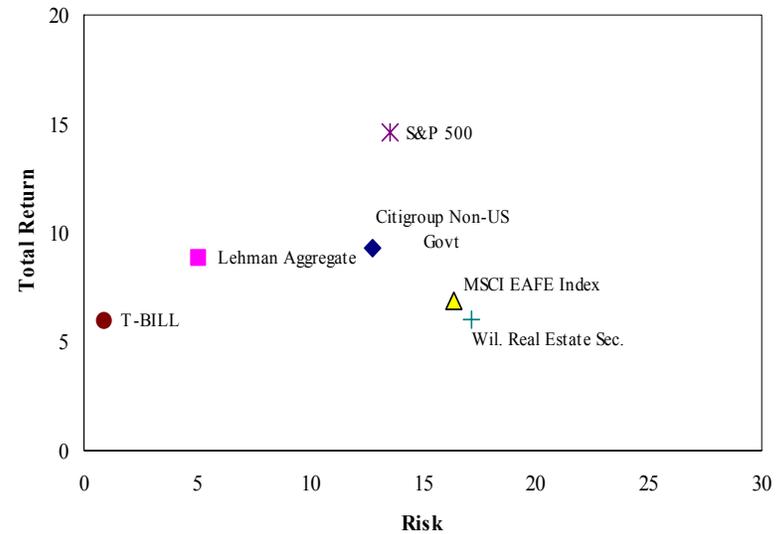
Major Asset Class Returns (%)

	QTR	YTD	1 yr	3 yr	5 yr	10yr
Equity						
Dow Jones - Wilshire 5000	6.1	7.6	20.5	12.7	12.0	7.7
Standard and Poor's 500	6.3	7.0	20.6	11.7	10.7	7.1
International Stock (MSCI EAFE)(USD)	6.4	10.7	27.0	22.2	17.7	7.7
Emerging Markets (MSCI EMF)(USD)	15.1	17.8	45.5	38.7	30.7	9.4
Dow Jones - Wilshire Real Estate Securities	-9.4	-6.0	11.7	22.3	19.5	13.6
Fixed Income						
Lehman Aggregate Bond	-0.5	1.0	6.1	4.0	4.5	6.0
First Boston High Yield	0.7	3.7	12.2	9.1	11.9	6.9
International Bonds (Citigroup Non-US)	-1.8	-0.8	2.2	3.3	6.9	5.0
Treasury Bills (91 Day)	1.3	2.6	5.2	3.8	2.8	3.8
Consumer Price Index						
	1.5	3.3	2.8	3.2	3.0	2.7

Risk versus Return (6/30/97 – 6/30/07)



Risk versus Return (6/30/87 – 6/30/97)

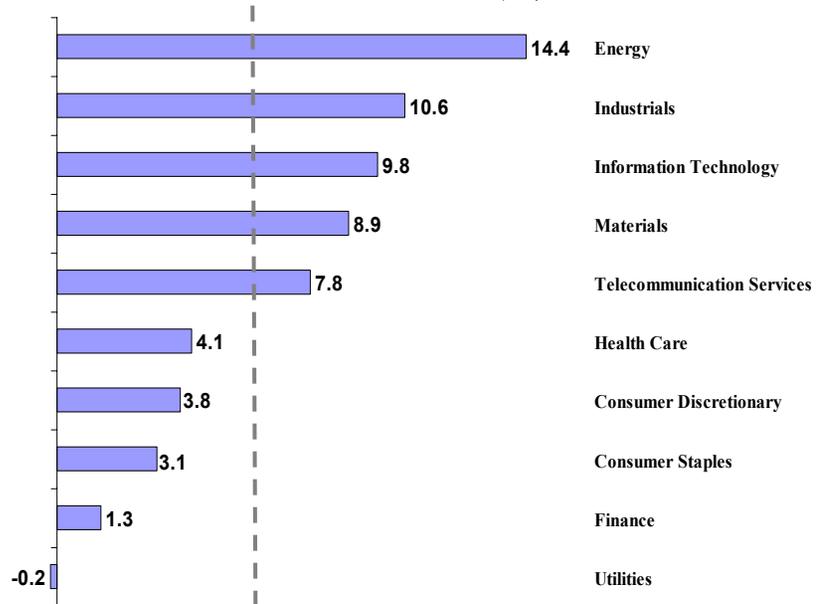


Domestic Equity Markets (Periods Ending June 30, 2007)

US Equity Returns (%)

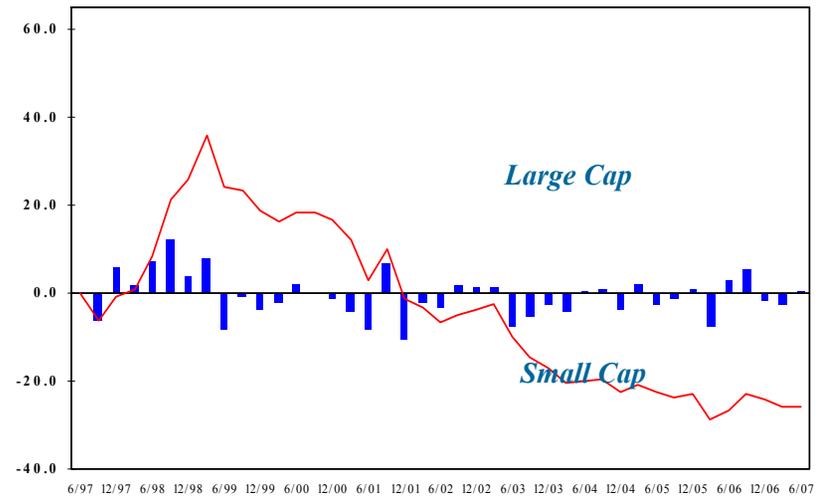
	QTR	YTD	1 yr	3 yr	5 yr	10yr
DJ Wilshire 4500	5.3	9.6	19.8	15.7	16.2	9.5
DJ Wilshire 5000	6.1	7.6	20.5	12.7	12.0	7.7
DJ Wilshire Real Est. Secs	-9.4	-6.0	11.7	22.3	19.5	13.6
DJ Wilshire Large Cap	6.2	7.3	20.8	12.4	11.4	7.4
DJ Wilshire Mid Cap	6.3	11.7	21.5	16.0	15.6	11.1
DJ Wilshire Small Cap	5.7	9.8	19.1	15.3	16.5	10.6
DJ Wilshire Micro Cap	3.3	4.9	13.1	10.7	18.6	13.9
DJ Wilshire Large Growth	6.6	7.9	18.2	9.8	10.2	5.0
DJ Wilshire Large Value	5.8	6.8	23.2	14.9	12.5	9.5
DJ Wilshire Mid Growth	8.4	13.9	22.5	17.8	17.7	8.0
DJ Wilshire Mid Value	3.8	9.2	20.0	14.1	13.6	12.6
DJ Wilshire Small Growth	7.3	12.4	20.1	15.6	17.0	7.6
DJ Wilshire Small Value	4.1	7.2	18.0	14.8	16.0	12.7

DJ Wilshire 5000 Sector Returns (%)

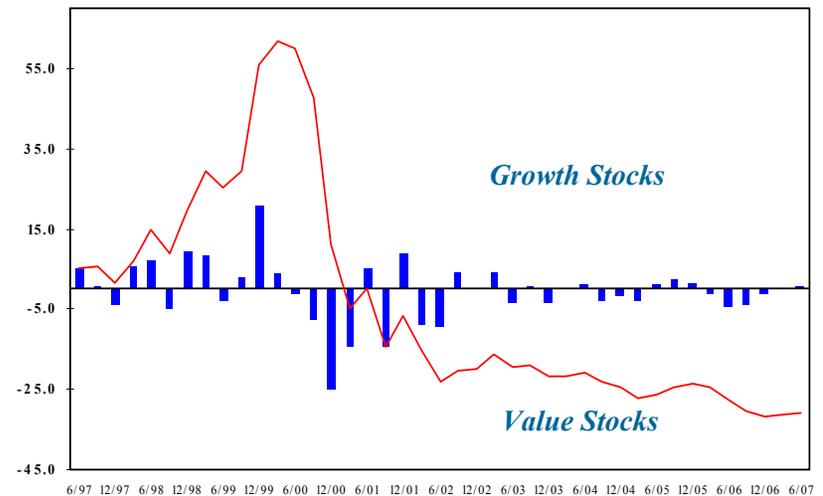


--- Represents DJ Wilshire 5000 Quarterly Return

Large Cap Vs. Small Cap



Growth Stocks Vs. Value Stocks

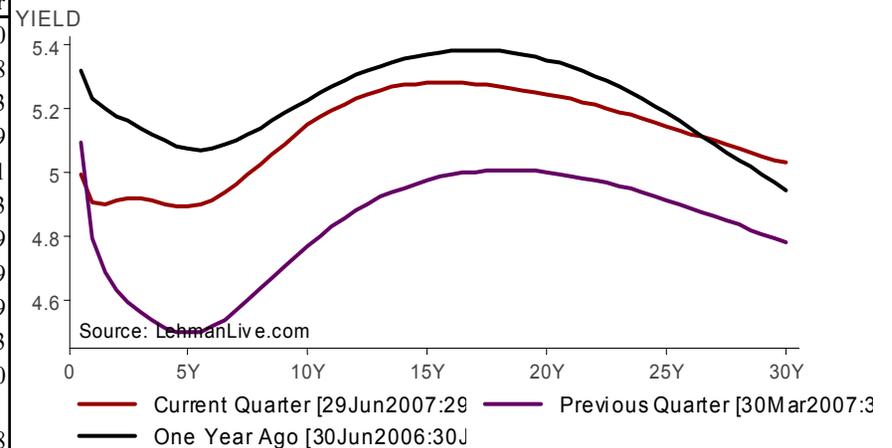


Domestic Fixed Income Markets (Periods Ending June 30, 2007)

US Fixed Income Returns (%)

	QTR	YTD	1 yr	3 yr	5 yr	10yr
Lehman Aggregate	-0.5	1.0	6.1	4.0	4.5	6.0
Lehman ABS	0.1	1.6	5.6	3.6	3.9	5.8
Lehman Credit	-0.7	0.8	6.7	4.2	5.5	6.3
Lehman Gov't	-0.3	1.1	5.6	3.6	4.1	5.9
Lehman Gov / Credit	-0.5	1.0	6.0	3.9	4.7	6.1
Lehman Long Treasury	-1.9	-0.9	6.0	5.1	5.9	7.3
Lehman Mortgage	-0.6	1.0	6.3	4.2	4.1	5.9
Lehman Agency	-0.1	1.3	5.7	3.8	4.1	5.9
First Boston High Yield	0.7	3.7	12.2	9.1	11.9	6.9
Citigroup World Gov't Bond	-1.5	-0.4	2.8	3.3	6.3	5.3
Citigroup Non-US Bond	-1.8	-0.8	2.2	3.3	6.9	5.0
Lehman US TIPS	-0.8	1.7	4.0	3.8	6.0	6.0
BGI Inflation-Linked Bond Index	-0.7	1.6	3.8	3.8	6.1	6.8

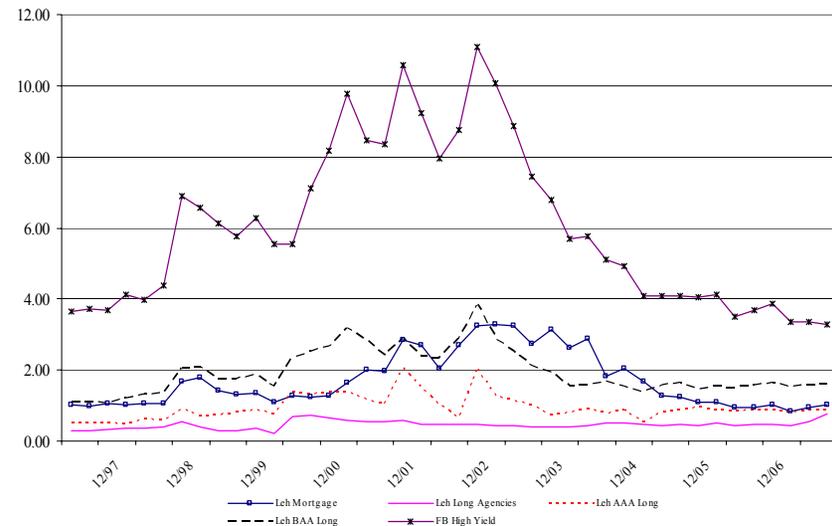
Treasury Yield Curve



Market Commentary

The yield on the 10-year Note increased notably for the final month of the second quarter as fears of a slowing economy subsided when several economic reports indicated the economy was still expanding, albeit at a lower pace. Also pushing interest rates higher were continued inflationary pressures which pushed inflation to 2%, on the edge of the Federal Reserve's target inflation zone of 1% to 2%. The yield on the 10-year Note rose 38 basis points during the quarter, long-term Treasuries declined by 1.93%, while 1-3 year Treasuries were up 0.73%. Additionally, the continued sub-prime worries spilled over into the credit market as corporate-high yield securities were down 1.80% for the month. This increase in long-term interest rates coupled with the decrease in short-term interest rates caused not only the shape of the yield curve to normalize, but also caused the spread between the 10-year Note and the 91-day Note to change from an inversion of 39 basis points at the beginning of the quarter to a positive 23 basis points.

Historical Yield Spread Comparison to Treasuries



International Equity Markets (Periods Ending June 30, 2007)

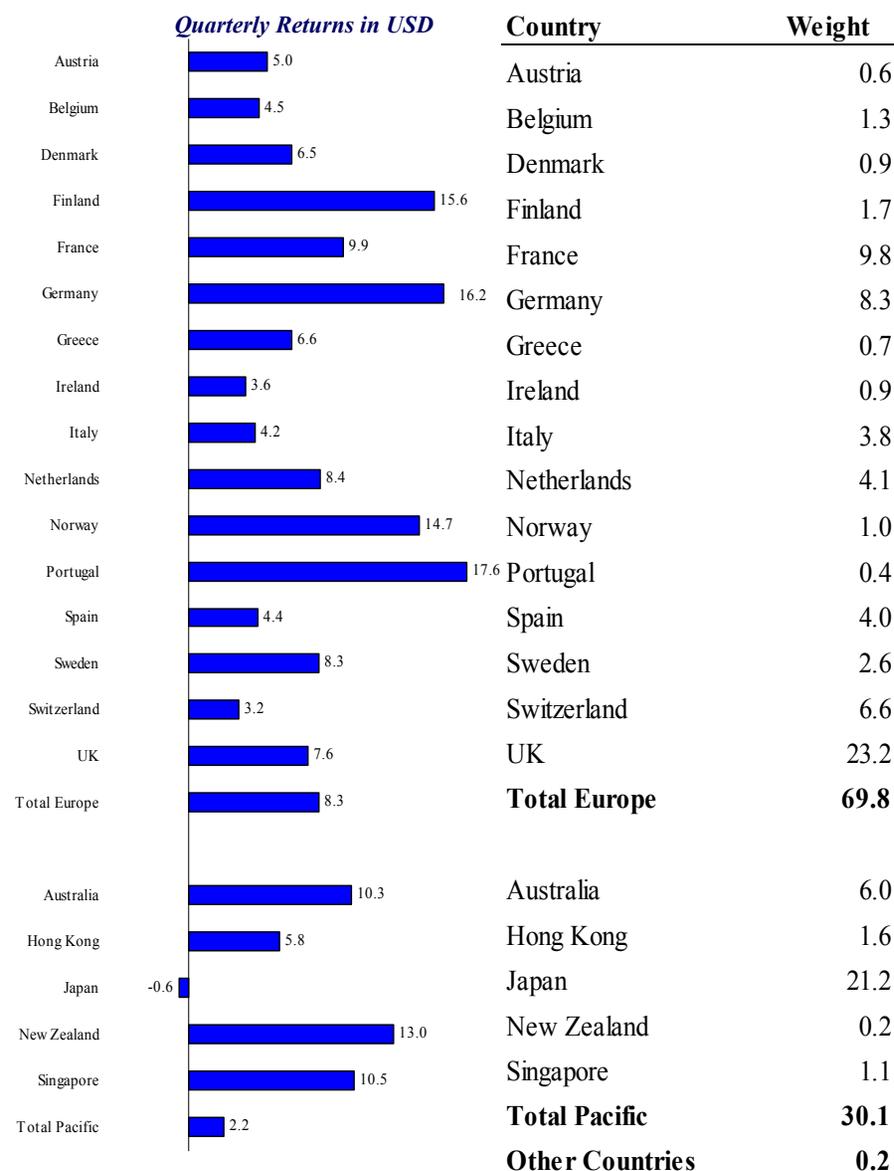
International Index Returns (%)

Equity (in U.S. \$)	QTR	YTD	1 yr	3 yr	5 yr	10yr
Non U.S. (ACWI X U.S)	8.4	12.6	30.1	25.0	19.9	8.6
Developed (EAFE)	6.4	10.7	27.0	22.2	17.7	7.7
Emerging (EMF)	15.1	17.8	45.5	38.7	30.7	9.4
Europe	8.3	12.5	32.4	24.5	18.7	10.3
Pacific	2.2	6.9	15.8	17.4	15.6	3.2
France	9.9	13.0	30.9	24.2	18.0	11.8
Germany	16.2	12.1	48.8	29.6	20.0	9.6
Japan	-0.6	2.9	7.2	12.8	12.4	1.6
United Kingdom	7.6	10.8	27.4	21.6	17.2	8.9
Currencies (% change)						
Euro vs Dollar	1.5	2.4	5.6	3.5	6.5	--
Yen vs Dollar	-4.4	-3.5	-7.4	-4.0	-0.6	-0.8
Pound vs Dollar	2.3	2.5	8.5	3.4	5.7	1.9

Market Commentary

The non-U.S. equity market finished the 2nd quarter outperforming the U.S. equity market with a return of 8.42%, marking the 3rd straight quarter that international stocks topped the U.S. market. China experienced a one day drop of 8.3% due to their new stamp tax passed by China's government which increased the current tax rate of 0.1% to 0.3% on stock trades. This was in line with their recent policies, including rate hikes and market risk warnings, in an effort to slow down the market that has now quadrupled over the last two years. Chinese authorities are concerned that new money from local retail investors is fueling a bubble in prices. Despite the rise in interest rates over the last month, the dollar continued to weaken, falling by 1.25% for the quarter against the basket of world currencies. Emerging markets went from the most underperforming segment of the non-U.S. markets to the best by posting a 15.05% USD return.

MSCI EAFE Index



Total Fund Results Summary

	\$'000	Qtr %	YTD %	1 Year %	3 Years %	5 Years %	Inception %
Ohio BWC Total Fund (6/30/05)	16,864,491	-0.3	0.3	5.4	--	--	5.6
Ohio BWC Total Fund Ex Alts (6/30/06)	16,395,176	-0.4	0.1	5.3	--	--	5.3
<i>Total Fund Custom Policy</i>		<i>0.0</i>	<i>0.3</i>	<i>5.4</i>	<i>--</i>	<i>--</i>	<i>4.7</i>
State Insurance Fund (6/30/05)	15,435,726	-0.3	0.2	5.4	--	--	5.8
State Insurance Fund Ex Alts (6/30/06)	14,966,410	-0.4	0.0	5.2	--	--	5.2
<i>SIF Custom Policy</i>		<i>0.0</i>	<i>0.3</i>	<i>5.4</i>	<i>--</i>	<i>--</i>	<i>4.7</i>
Equity Composite (12/31/06)	3,101,450	6.0	7.0	--	--	--	7.0
<i>S&P 500 Index</i>		<i>6.3</i>	<i>7.0</i>	--	--	--	<i>7.0</i>
U.S. Equity Composite (12/31/06)	2,641,501	6.3	6.7	--	--	--	6.7
<i>S&P 500 Index</i>		<i>6.3</i>	<i>7.0</i>	--	--	--	<i>7.0</i>
Equity TM Account (1/31/07)	2,641,501	6.3	6.7	--	--	--	6.7
Alternative Investments Composite (12/31/06)	459,948	4.2	9.8	--	--	--	9.8
Restricted Stock Liquidation (3/31/06)	1,642	0.1	17.6	53.0	--	--	12.6
Alternative Investments (12/31/05)	458,306	4.2	9.8	12.8	--	--	12.4
Fixed Income Composite (3/31/06)	12,147,728	-1.8	-0.8	4.4	--	--	3.4
<i>Fixed Income Custom Policy</i>	<i>12,147,728</i>	<i>-1.6</i>	<i>-1.1</i>	<i>4.0</i>	--	--	<i>3.1</i>
Long Duration Passive Composite (3/31/07)	9,110,173	-2.2	--	--	--	--	-2.2
<i>Customized Lehman Long G/C index</i>		<i>-1.9</i>	--	--	--	--	<i>-1.9</i>
Barclays LDFI Passive Acct (3/31/07)	1,464,385	-2.2	--	--	--	--	-2.2
State Street LDFI Passive Acct (3/31/07)	7,645,788	-2.2	--	--	--	--	-2.2
TIPS Composite (1/31/07)		-0.7	1.6	--	--	--	1.6
<i>Lehman Bros. US TIPS</i>		<i>-0.8</i>	<i>1.7</i>	--	--	--	<i>1.7</i>
TIPS Index FI (1/31/07)	3,037,555	-0.7	1.6	--	--	--	1.6
Cash Composite (6/30/05)	153,900	1.3	2.6	8.5	--	--	6.3
<i>91 Day T-Bill</i>		<i>1.3</i>	<i>2.6</i>	<i>5.2</i>	--	--	<i>4.6</i>
Miscellaneous Composite	32,648	0.3	7.4	--	--	--	7.4
Tranche #3 (12/31/05)	8,635	--	--	--	--	--	--
Tranche #4 (12/31/05)	16	--	--	--	--	--	--
Coin Acct (03/31/07)	9,368	--	--	--	--	--	--
Miscellaneous Holding Acct (03/31/07)	14,629	--	--	--	--	--	--
Ancillary Composite (6/30/05)	1,428,765	-0.4	1.1	6.1	--	--	3.6
<i>Lehman Aggregate</i>		<i>-0.5</i>	<i>1.0</i>	<i>6.1</i>	--	--	<i>2.6</i>
Black Lung 2000 (6/30/05)	234,733	-0.4	1.0	6.1	--	--	3.9
Disabled Workers Retirement (6/30/05)	1,109,818	-0.5	1.0	6.1	--	--	3.5
Marine 2005 (6/30/05)	15,855	-0.4	1.1	6.1	--	--	4.1
Public Workers Relief Fund (6/30/05)	21,643	-0.4	1.0	6.2	--	--	3.6
Self Insured Bond Fund 200 (6/30/05)	46,715	1.3	2.6	5.3	--	--	4.7

Periods Ending June 30, 2007



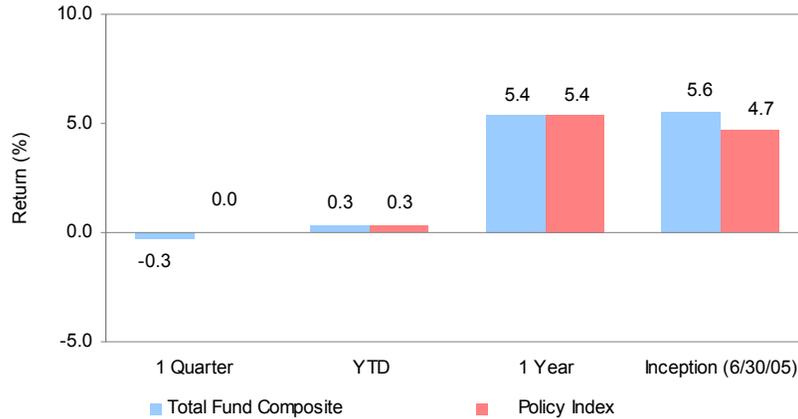
Composite Results

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

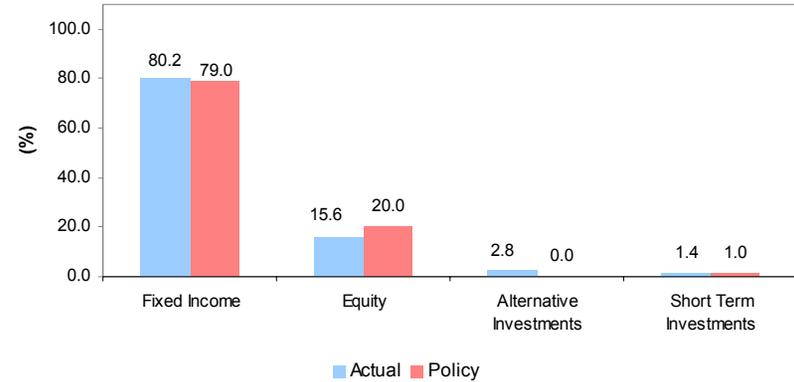


Total Fund Results

Investment Performance



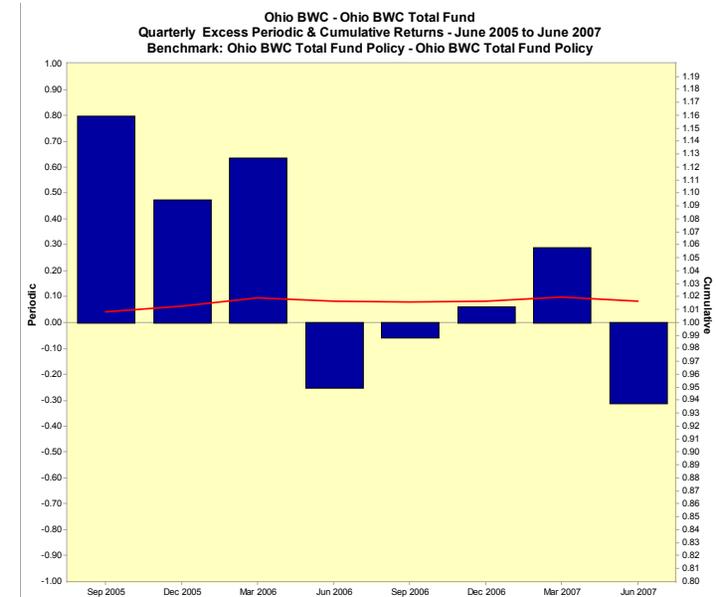
Asset Allocation vs. Policy



Quarter Results (\$'000)

Quarter Results (Composites)	Beginning Value	Cash Flow	Gains/Losses	Ending Value
Ancillary Composite	\$1,441,697	(\$7,250)	(\$5,680)	\$1,428,767
State Insurance Fund	\$15,693,274	(\$215,170)	(\$42,378)	\$15,435,726
Total Composite	\$17,134,970	(\$222,421)	(\$48,058)	\$16,864,493

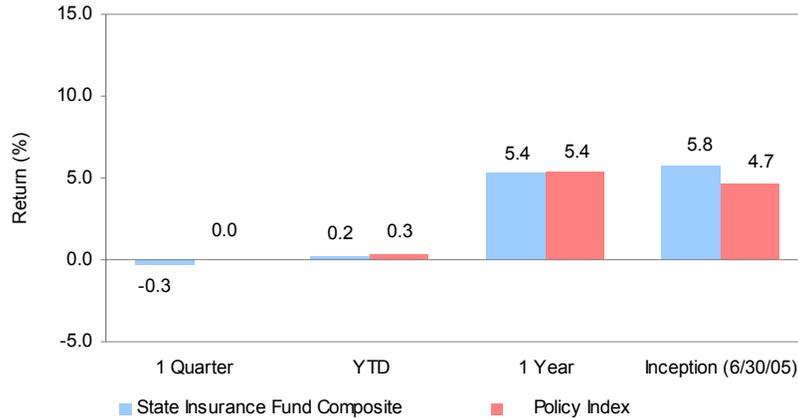
Value Added Analysis



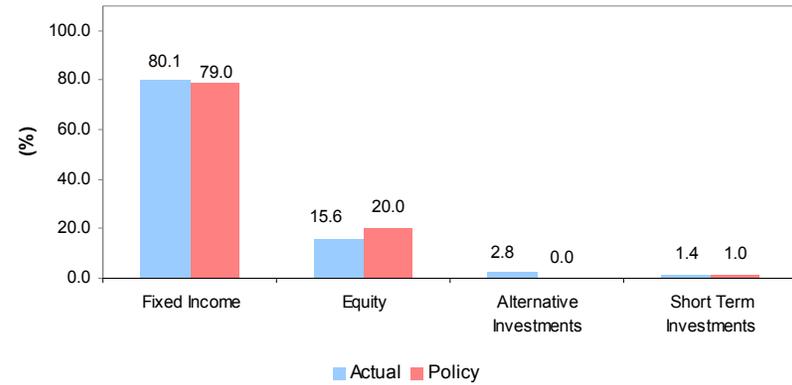
Periods Ending June 30, 2007

State Insurance Fund Results

Investment Performance



Asset Allocation vs. Policy

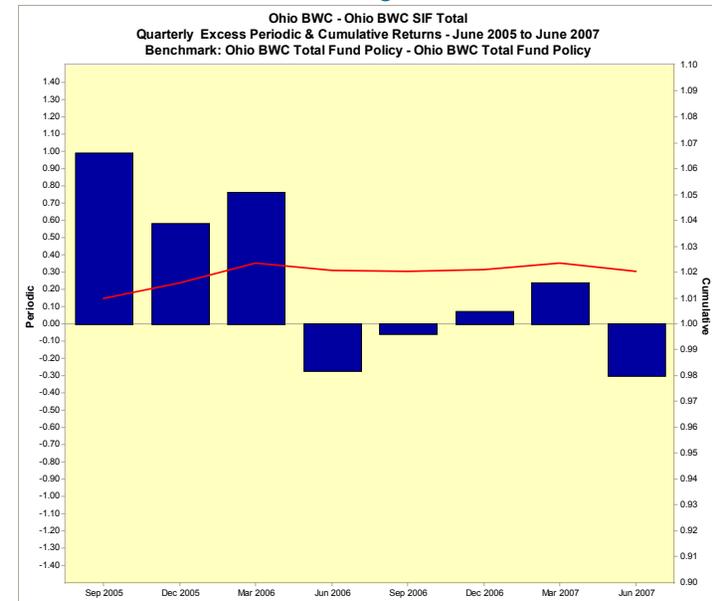


Quarter Results (\$'000)

Quarter Results (Composites)	Beginning Value	Cash Flow	Gains/Losses	Ending Value
Equity Composite	\$2,916,408	\$11,410	\$173,631	\$3,101,450
Fixed Income Composite	\$12,104,545	\$266,097	(\$222,915)	\$12,147,728
Cash Composite	\$360,614	(\$210,603)	\$3,889	\$153,900
Transition Mgmt	\$269,315	(\$272,137)	\$2,822	\$0
Misc Accounts*	\$42,391	(\$9,939)	\$195	\$32,648
State Insurance Fund	\$15,693,274	(\$215,170)	(\$42,378)	\$15,435,726

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

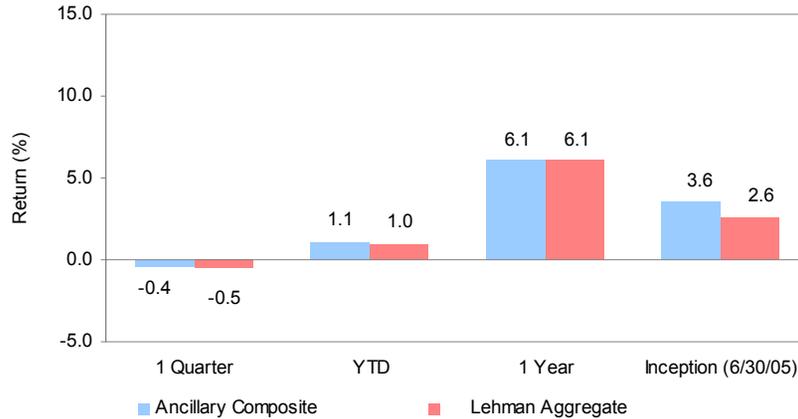
Value Added Analysis



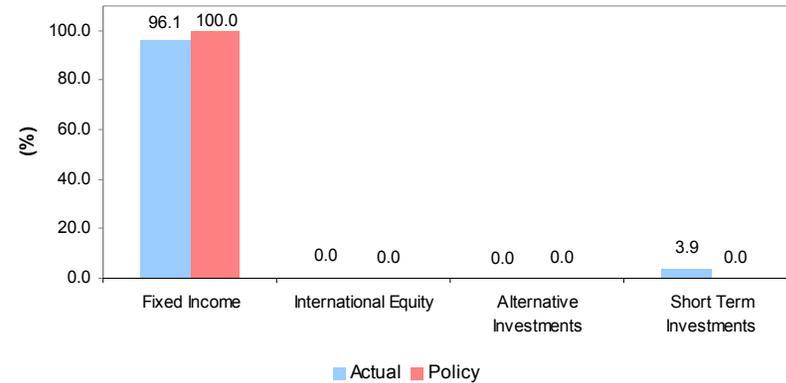
Periods Ending June 30, 2007

Ancillary Composite

Investment Performance



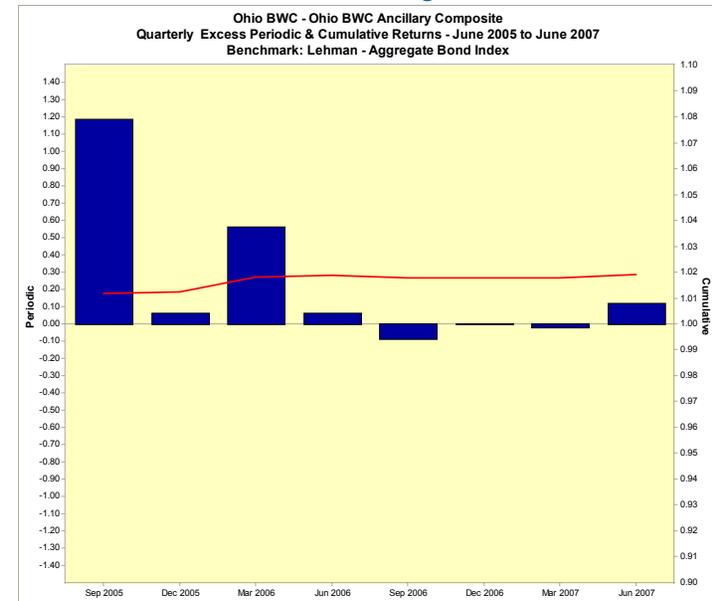
Asset Allocation vs. Policy



Quarter Results (\$'000)

Quarter Results (Composites)	Beginning Value	Cash Flow	Gains/Losses	Ending Value
Black Lung 2000	\$235,837	(\$60)	(\$1,044)	\$234,733
Disabled Workers Retirement	\$1,119,002	(\$4,071)	(\$5,113)	\$1,109,818
Marine 2005	\$15,878	\$36	(\$60)	\$15,855
Public Workers Relief Fund	\$21,730	\$8	(\$92)	\$21,645
Self Insured Bond Fund 200	\$49,249	(\$3,163)	\$629	\$46,715
Ancillary Composite	\$1,441,697	(\$7,250)	(\$5,680)	\$1,428,767

Value Added Analysis



Periods Ending June 30, 2007



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	Market Cap
<i>SSgA S&P 500 Index Fund</i>	2.97	1.95	102.93	13.78
<i>S&P 500 Index</i>	2.97	1.95	102.53	13.92

Economic Sectors

Manager	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Telcom Services	Utilities
<i>SSgA S&P 500 Index Fund</i>	10.20	9.29	10.78	20.81	11.80	11.15	15.63	3.09	3.75	3.50
<i>S&P 500 Index</i>	10.19	9.28	10.78	20.90	11.82	11.11	15.54	3.11	3.75	3.51

Periods Ending June 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	Quality
SSgA US Tips	9.57	6.32	6.32	2.51	0.99	7.79	-225.00	100.16	2.52	AAA
Lehman US Treasury TIPS	9.58	6.32	6.32	2.51	0.99	7.80	-225.00	100.16	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	0.00	4.63	10.76	12.14	17.80	27.66	0.00	13.20	13.82	0.00
Lehman US Treasury TIPS	0.00	4.61	10.74	12.10	17.79	27.65	0.00	13.23	13.88	0.00

Economic Sectors

Manager	Government	Agency	Finance	Industrial	Utility	Non Corporate	Mortgage Backed Securities	Asset Backed Securities	Cash	Other
SSgA US Tips	100.00	0.00	0.00	0.00	0.00	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	0.00	0.00	0.00	0.00

Periods Ending June 30, 2007

SSgA Long Duration Fixed Income (Passive)

Characteristics

Manager	Average Life	Yield To Worst	Yield to Maturity	Current Yield	Average Convexity	Mod Adj Duration	Option Adj Spread	Price	Coupon	Quality
SSgA Long Duration	20.13	5.70	5.70	6.13	1.76	10.86	50.50	111.26	6.82	AA3
Customized Lehman Long G/C	20.73	5.85	5.86	6.22	1.74	10.90	64.70	109.55	6.82	AA3

Quality Breakdown

Manager	AAA	AA	A	BAA	<BAA	NR
SSgA Long Duration	64.15	6.53	15.20	14.12	0.00	0.00
Customized Lehman Long G/C	53.84	7.23	19.01	19.92	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	0.00	0.09	0.26	0.33	0.49	1.28	26.12	19.13	51.14	1.16
Customized Lehman Long G/C	0.00	0.00	0.00	0.00	0.00	0.00	25.82	19.37	52.85	1.96

Economic Sectors

Manager	Government	Agency	Finance	Industrial	Utility	Non Corporate	Mortgage Backed Securities	Asset Backed Securities	Cash	Other
SSgA Long Duration	54.75	8.69	10.26	20.66	4.44	1.20	0.00	0.00	0.00	0.00
Customized Lehman Long G/C	43.56	8.90	11.88	26.72	6.58	2.36	0.00	0.00	0.00	0.00

Periods Ending June 30, 2007

Barclays Long Duration Fixed Income (Passive)

Characteristics

Manager	Average Life	Yield To Worst	Yield to Maturity	Current Yield	Average Convexity	Mod Adj Duration	Price	Coupon	Quality
<i>Barclays Long Duration</i>	20.70	5.83	5.83	6.10	1.75	10.85	107.07	6.59	AA
<i>Customized Lehman Long G/C</i>	20.73	5.85	5.86	6.22	1.74	10.90	109.55	6.82	AA3

Quality Breakdown

Manager	AAA	AA	A	BAA	<BAA	NR
<i>Barclays Long Duration</i>	54.63	6.47	18.65	19.42	0.00	0.83
<i>Customized Lehman Long G/C</i>	53.84	7.23	19.01	19.92	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
<i>Barclays Long Duration</i>	0.00	0.00	0.00	0.00	0.05	1.46	43.02	53.72	1.28
<i>Customized Lehman Long G/C</i>	0.36	0.00	0.00	0.18	0.11	0.75	44.93	52.18	1.49

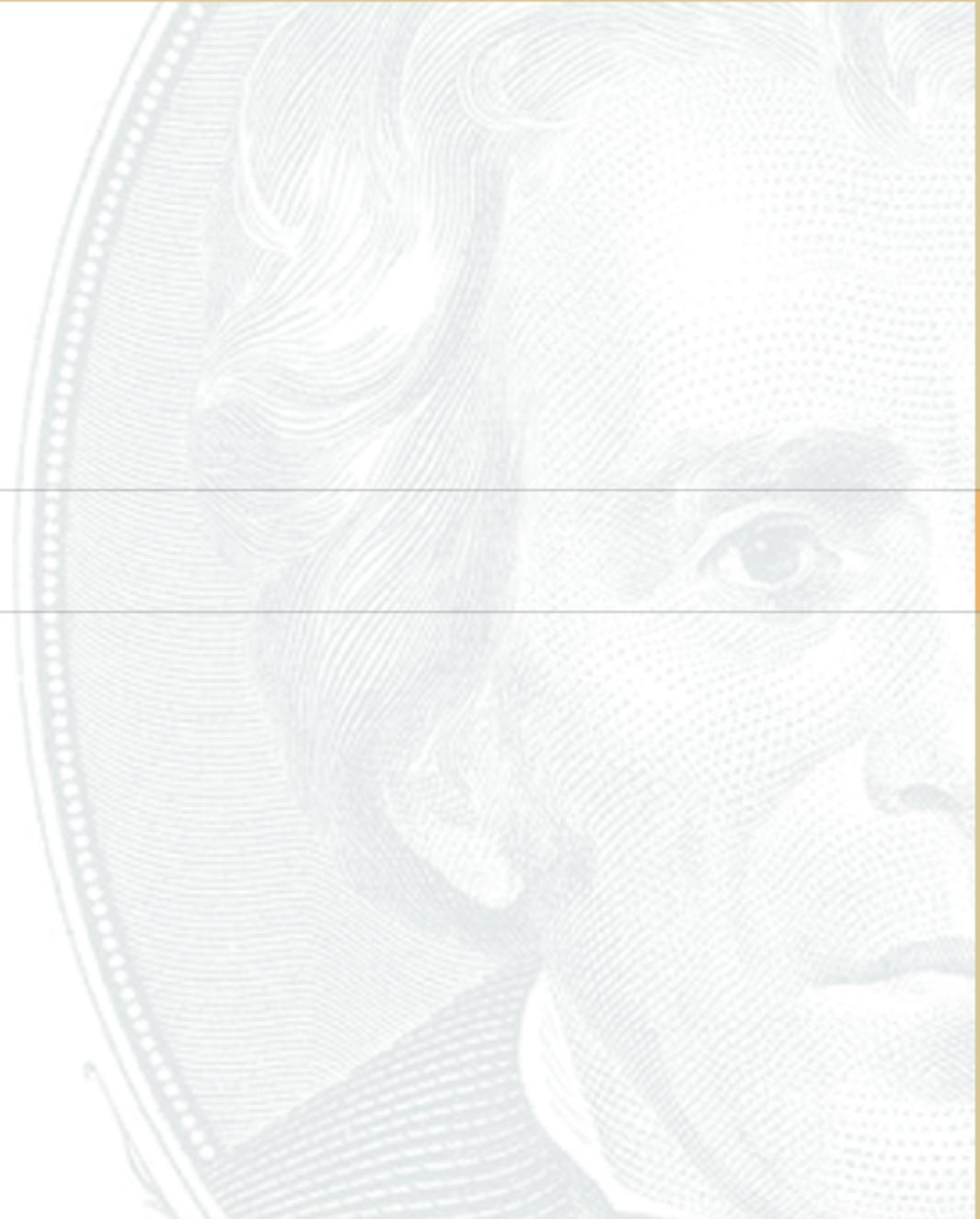
Economic Sectors

Manager	Government	Agency	Finance	Industrial	Utility	Non Corporate	Mortgage Backed Securities	Asset Backed Securities	Cash	Other
<i>Barclays Long Duration</i>	44.39	8.97	11.52	26.11	6.40	0.56	0.00	0.00	0.83	1.22
<i>Customized Lehman Long G/C</i>	43.56	8.90	11.88	26.72	6.58	2.36	0.00	0.00	0.00	0.00

Periods Ending June 30, 2007



Private Equity
March 31, 2007



Fund Summary

- As of March 31, 2007, the Ohio Bureau of Worker's Compensation total private equity portfolio has an estimated internal rate of return (IRR) of 6.2%. This return is above the median IRR of 1.2%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 Q1 2007, BWC made \$23.19 MM in contributions (capital calls), and received \$20.22 MM in distributions from its private equity partnerships.
- Ohio BWC's buyout fund composite IRR as of March 31 is 13.8%¹ which outperforms the 5.3% median IRR for buyout funds with similar vintage years.
- Ohio BWC's fund-of-fund composite IRR as of March 31 is 6.7%, 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 March 31 is 3.4%, which is below the 4.8%¹ median IRR for mezzanine funds with similar vintage years.
- BWC's venture capital partnerships have an overall composite level IRR of -0.8% as of March 31, which is better than the -3.2%¹ median IRR for venture capital funds with similar vintage years.

¹ VentureXpert's performance data used in this report is as of March 31, 2007.

Composite Level Totals

Partnership	BWC Commitment	BWC Contributions to Date ¹	Distributions	Market Value as of 3/31/07 ²	Net Annualized IRR	Upper Quartile ³	Median	Lower Quartile
Buyout Fund Total	\$282,497,067	\$233,914,415	\$127,513,116	\$176,509,406	13.76%	17.50%	5.30%	-4.30%
Fund-of Funds Total	\$100,000,000	\$78,013,292	\$32,051,519	\$61,352,486	6.72%	11.30%	-0.40%	-6.50%
Mezzanine Total	\$60,000,000	\$62,342,635	\$43,204,034	\$24,842,758	3.42%	11.40%	4.80%	0.20%
Venture Capital Total	\$371,642,000	\$263,810,810	\$55,219,605	\$195,601,544	-0.83%	2.90%	-3.20%	-8.10%
Total	\$814,139,067	\$638,081,152	\$257,988,275	\$458,306,195	6.20%	12.20%	1.20%	-5.35%

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 March 31, estimates were calculated using actual market values as of the last date the market value was provided rolled forward to March 31, 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 March 31, 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 3/31/07 ²	Net Annualized IRR	Last Reported Market Value Received from General Partner
Buyout Fund Total				\$282,497,067	\$218,230,004	\$127,513,116	\$176,509,406	13.76%	
Brantley Partners	Brantley Partners IV, LP	Buyout	1999	\$15,000,000	\$15,684,411	\$12,520,137	\$12,250,976	4.08%	Dec-06
ABS Capital Partners	ABS Capital Partners IV, LP	Buyout	2000	\$15,000,000	\$13,334,632	\$11,934,836	\$9,634,871	17.92%	Mar-07
Behrman Capital	Behrman Capital III, LP	Buyout	2000	\$20,000,000	\$16,676,159	\$9,744,414	\$13,362,441	10.59%	Sep-06
Blue Point Capital Partners	Blue Point Capital Partners, LP	Buyout	2000	\$10,000,000	\$8,379,606	\$8,770,447	\$4,434,646	14.46%	Mar-07
Carlyle Group	Carlyle Partners III, LP	Buyout	2000	\$15,000,000	\$15,810,990	\$21,649,593	\$8,064,544	22.64%	Mar-07
Fremont Partners	Fremont Partners III, LP	Buyout	2000	\$15,000,000	\$15,230,655	\$6,932,752	\$9,108,616	5.43%	Sep-06
Halpern, Denney & Co.	Halpern Denny Fund III, LP	Buyout	2000	\$20,000,000	\$18,500,000	\$12,082,967	\$10,080,354	5.12%	Dec-06
Rosemont Investment Partners	Rosemont Partners I, LP	Buyout	2000	\$5,000,000	\$4,529,681	\$1,643,699	\$2,793,582	-0.54%	NA
Quad C Advisors	Quad-C Partners VI, LP	Buyout	2001	\$15,000,000	\$11,064,871	\$11,511,284	\$12,202,189	32.08%	Dec-06
Castle Harlan Inc.	Castle Harlan Partners IV, LP	Buyout	2002	\$12,497,067	\$12,983,757	\$7,805,056	\$7,868,787	14.44%	Dec-06
Wind Point Partners	Wind Point Partners V, LP	Buyout	2002	\$10,000,000	\$9,272,326	\$6,531,107	\$7,428,507	20.94%	Mar-07
Freeman Spogli & Co.	FS Equity Partners V, LP	Buyout	2003	\$15,000,000	\$9,909,985	\$2,924,058	\$9,843,993	21.72%	Mar-07
Kirtland Capital Corporation	Kirtland Capital Partners IV, LP	Buyout	2003	\$5,000,000	\$2,665,837	\$218,180	\$2,702,547	4.99%	Dec-06
Levine Leichtman Capital Partner	Levine Leichtman Capital Partners III, I	Buyout	2003	\$15,000,000	\$9,573,666	\$2,986,105	\$8,659,163	13.65%	Mar-07
Sterling Partners	Sterling Capital Partners, LP	Buyout	2003	\$15,000,000	\$11,873,654	\$3,564,571	\$16,623,674	27.05%	Mar-07
Thayer Capital Partners	Thayer Equity Investors V, L.P.	Buyout	2003	\$15,000,000	\$13,713,603	\$4,274,169	\$12,413,161	11.05%	Mar-07
Carlyle Group	Carlyle Partners IV, LP	Buyout	2004	\$20,000,000	\$13,457,094	\$1,137,503	\$14,079,853	15.85%	Mar-07
MCM Capital Partners	MCM Capital Partners II, LP	Buyout	2004	\$5,000,000	\$1,394,460	\$0	\$1,142,098	-15.53%	Mar-07
Rosemont Investment Partners	Rosemont Partners II, LP	Buyout	2004	\$10,000,000	\$2,616,513	\$357,163	\$1,857,343	-11.92%	Sep-06
ABS Capital Partners	ABS Capital Partners V, LP	Buyout	2005	\$20,000,000	\$6,158,103	\$48,924	\$5,720,084	-8.42%	Mar-07
Harbourvest Partners	HarbourVest Partners VII - Buyout Part	Buyout	2003-2005	\$10,000,000	\$5,400,000	\$876,150	\$6,237,978	5.38%	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 March 31, estimates were calculated using actual market values as of the last date the market value was provided rolled forward to March 31, accounting for contributions and distributions during the interim time period.

Fund-of-Funds and Mezzanine Funds

Partnership	Fund Name	Type	Vintage Year	BWC Commitment	BWC Contributions to Date ¹	Distributions	Market Value as of 3/31/07 ²	Net Annualized IRR	Last Reported Market Value Received from General Partner
Fund-of Funds Total				\$100,000,000	\$78,013,292	\$32,051,519	\$61,352,486	6.72%	
INVESCO Private Capital	Chancellor V, LP	Fund of Funds	2000	\$20,000,000	\$18,400,399	\$5,551,518	\$8,916,142	-6.71%	Dec-06
Peppertree Partners	The Peppertree Fund, LP	Fund of Funds	2000-2001	\$10,000,000	\$8,413,674	\$4,973,000	\$6,640,431	12.11%	Mar-07
Fort Washington Capital Partners	Fort Washington Private Equity Investo	Fund of Funds	2000-2003	\$15,000,000	\$12,023,858	\$3,549,859	\$10,651,615	4.55%	Mar-07
INVESCO Private Capital	INVESCO Venture Partnership Fund III	Fund of Funds	2000-2004	\$12,000,000	\$8,400,782	\$914,169	\$7,024,740	-1.82%	Sep-06
INVESCO Private Capital	INVESCO US Buyout & Expansion Cap	Fund of Funds	2001-2003	\$8,000,000	\$3,767,886	\$1,932,822	\$4,921,507	20.44%	Sep-06
Lexington Partners	Lexington Capital Partners V, LP	Fund of Funds	2002	\$20,000,000	\$18,456,179	\$14,170,315	\$13,865,175	25.49%	Dec-06
Fort Washington Capital Partners	Fort Washington Private Equity Investo	Fund of Funds	2003-2005	\$15,000,000	\$8,550,515	\$959,836	\$9,332,876	20.12%	Mar-07
Mezzanine Total				\$60,000,000	\$59,873,324	\$45,673,345	\$24,842,758	3.42%	
Smith Whiley & Company	SW Pelham Fund, L.P.	Mezzanine	1998	\$20,000,000	\$21,033,657	\$6,429,824	\$2,972,230	-22.67%	Mar-07
ABRY Partners	ABRY Mezzanine Partners, LP	Mezzanine	2001	\$5,000,000	\$6,696,149	\$4,927,561	\$3,643,993	15.61%	Mar-07
TCW/Crescent Mezzanine	TCW/Crescent Mezzanine Partners III, I	Mezzanine	2001	\$15,000,000	\$14,192,188	\$23,436,651	\$5,940,077	39.05%	Mar-07
Babson Capital Management, LLC	Tower Square Capital Partners, LP	Mezzanine	2002	\$10,000,000	\$9,722,908	\$6,294,086	\$5,606,024	11.22%	Mar-07
Smith Whiley & Company	SW Pelham Fund II, L.P.	Mezzanine	2003	\$10,000,000	\$8,228,423	\$4,585,223	\$6,680,434	16.91%	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 March 31, estimates were calculated using actual market values as of the last date the market value was provided rolled forward to March 31, 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 3/31/07 ²	Net Annualized IRR	Last Reported Market Value Received from General Partner
Venture Capital Total				\$371,642,000	\$263,810,810	\$55,219,605	\$195,601,544	-0.83%	
Athenian Venture Partners	Athenian Venture Partners II, LP	Venture	2000	\$17,500,000	\$16,845,219	\$6,280,197	\$6,769,118	-9.51%	Mar-06
Blue Chip Venture Company	Blue Chip IV, LP	Venture	2000	\$20,000,000	\$19,000,000	\$2,218,257	\$12,218,193	-9.67%	Dec-06
Meritech Capital Partners	Meritech Capital Partners II, LP	Venture	2000	\$11,250,000	\$9,768,750	\$3,219,008	\$6,718,147	0.56%	Dec-06
Perseus-Soros Management Company	Perseus-Soros Biopharmaceutical Fund,	Venture	2000	\$5,000,000	\$4,176,345	\$3,815,721	\$2,767,885	18.34%	Sep-06
Pharos Capital Group	Pharos Capital Partners, LP	Venture	2000	\$5,000,000	\$4,887,500	\$766,679	\$4,231,382	0.50%	Sep-06
Primus Venture Partners	Primus Capital Fund V, LP	Venture	2000	\$20,000,000	\$16,010,000	\$13,000,000	\$8,345,220	9.45%	Dec-06
Technology Venture Partners	Technology Venture Partners, L.P.	Venture	2000	\$16,000,000	\$8,775,000	\$578,885	\$3,508,798	-41.28%	Mar-07
Ascend Venture Group	Ascend Ventures, LP	Venture	2001	\$5,000,000	\$5,010,235	\$1,273,897	\$1,751,523	-14.99%	Mar-07
Axxon Capital Advisors	Axxon Capital, LP	Venture	2001	\$3,000,000	\$3,784,684	\$719,422	\$1,283,345	-23.70%	Dec-03
Carlyle Group	Carlyle Venture Partners II, LP	Venture	2001	\$25,000,000	\$29,110,384	\$13,196,810	\$16,498,740	0.93%	Sep-05
Edgewater Funds	Edgewater Growth Capital Partners, LP	Venture	2001	\$15,000,000	\$12,750,000	\$2,985,627	\$13,110,225	12.81%	Dec-06
Meritage Private Equity Funds	Meritage Private Equity II, LP	Venture	2001	\$15,000,000	\$10,505,322	\$2,501,828	\$8,534,305	1.79%	Mar-07
Adena Ventures	Adena Ventures, LP	Venture	2002	\$500,000	\$500,000	\$38,606	\$257,403	-27.95%	Dec-06
Apex Venture Partners	Apex Investment Fund V, LP	Venture	2002	\$10,000,000	\$9,044,158	\$853,533	\$9,451,319	5.39%	Dec-06
Buerk, Dale & Victor	Northwest Opportunity Fund, LP	Venture	2002	\$20,000,000	\$16,000,000	\$50,080	\$13,855,561	-6.45%	Sep-06
Early Stage Partners	Early Stage Partners, LP	Venture	2002	\$9,000,000	\$8,082,333	\$0	\$9,162,810	5.12%	Mar-07
Edison Venture Fund	Edison Venture Fund V, LP	Venture	2002	\$15,000,000	\$11,700,000	\$0	\$14,222,006	7.25%	Dec-06
Prospector Equity Capital	Prospector Equity Capital, LP	Venture	2002	\$15,000,000	\$10,425,105	\$0	\$7,985,595	-11.13%	Mar-07
River Cities Capital Funds	River Cities Capital Fund III, LP	Venture	2002	\$5,000,000	\$4,181,526	\$1,740,040	\$3,275,180	8.10%	Dec-06
Adams Street Partners	Adams Street V, LP	Venture	2003	\$8,000,000	\$6,920,000	\$783,964	\$6,462,766	0.06%	Mar-07
Athenian Venture Partners	AVP Ohio Technology I, LP	Venture	2003	\$10,000,000	\$8,070,581	\$0	\$6,877,179	-11.96%	Dec-05
Athenian Venture Partners	AVP Technology II, LP	Venture	2003	\$2,200,000	\$2,200,000	\$0	\$357,437	-39.09%	Mar-06
MK Capital Management	MK Capital, LP	Venture	2003	\$10,000,000	\$5,000,000	\$0	\$3,855,664	-15.79%	Jun-06
MWV Pinnacle Management Co.	MWV Pinnacle Capital Fund, LP	Venture	2003	\$2,000,000	\$981,068	\$0	\$178,154	-65.85%	Jun-06
Reservoir Venture Partners	Reservoir Venture Partners, LP	Venture	2003	\$3,192,000	\$2,553,613	\$252,833	\$1,500,561	-13.57%	Dec-06
Ascend Venture Group	Ascend Ventures II, LP	Venture	2004	\$7,500,000	\$3,332,391	\$0	\$2,342,768	-24.23%	Mar-07
Athenian Venture Partners	Athenian Venture Partners III, LP	Venture	2004	\$25,000,000	\$6,094,791	\$0	\$5,249,561	-9.40%	Mar-06
Charter Life Sciences	Charter Life Sciences, LP	Venture	2004	\$5,000,000	\$1,869,495	\$0	\$1,595,035	-12.07%	Mar-07
Draper Triangle Ventures	Draper Triangle Ventures II, LP	Venture	2004	\$5,000,000	\$1,463,337	\$157,831	\$1,043,951	-18.27%	Mar-07
EDF Ventures	EDF Ventures III, LP	Venture	2004	\$10,000,000	\$3,271,635	\$0	\$3,221,742	-0.99%	Sep-06
Seneca Partners	Seneca Health Partners, LP I	Venture	2004	\$1,500,000	\$900,000	\$0	\$699,482	-19.05%	Mar-07
Triathlon Medical Ventures	Triathlon Medical Ventures Fund, LP	Venture	2004	\$5,000,000	\$2,034,582	\$0	\$1,226,339	-27.79%	Mar-07
Edgewater Funds	Edgewater Growth Capital Partners II, I	Venture	2005	\$25,000,000	\$6,000,000	\$0	\$5,482,032	-12.16%	Dec-06
Harbourvest Partners	HarbourVest Partners VII - Venture	Venture	2003-2005	\$15,000,000	\$6,975,000	\$222,750	\$7,288,201	5.27%	Dec-05
Sema4 Inc.	Midwest Economic Opportunity Fund, I	Venture	N/A	\$5,000,000	\$5,587,758	\$563,637	\$4,273,918	-3.08%	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 March 31, estimates were calculated using actual market values as of the last date the market value was provided rolled forward to March 31, accounting for contributions and distributions during the interim time period.

Notes to Performance Report

- Market Values as of March 31, 2007 are typically unaudited market values provided by the manager. In instances when managers did not yet provide market values as of March 31, 2007, estimates were calculated using actual market values as of the last valuation provided rolled forward to March 31, accounting for contributions and distributions during that time period.
- Internal rates of return (IRR) presented are net of investment management fees and expenses

Glossary

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

Glossary

Fixed Income Composite

<u>Date</u>	<u>%</u>	<u>Description</u>
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

The Ohio Bureau of Workers' Compensation



Statement of Investment Policy and Guidelines

Adopted by the WCOC: July 26, 2007

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

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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.

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

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.

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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.

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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.

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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.

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- 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.

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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.

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Diversification

The fixed income portfolio shall be diversified as specified below¹ to minimize the risk of losses:

By Sector:

<u>Sector Allocation</u>	<u>Max. % of Fixed Income</u>
U.S. Governments:	<i>100%</i>
Treasuries	100%
Agencies	100%
Mortgages	<i>40%</i>
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	<i>70%</i>
Finance	35%
Industrial	35%
Transportation	35%
Utilities	35%
Yankees	10%
Asset Backed Securities (ABS) (must be rated AA or better)	10%
Foreign Governments	<i>0%</i>
Below Investment Grade Credit	<i>7.5%</i>

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

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By Credit Quality:

<u>Credit Quality</u>	<u>Max. % of Fixed Income</u>	<u>Individual Security Max %</u>
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.

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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

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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.

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- 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:

<u>Asset Class</u>	<u>Benchmark</u>
<i>Total Fixed Income:</i>	<i>N/A</i>
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
<i>U.S. Equity</i>	<i>Wilshire 5000</i>
Large Cap	S&P 500
Small/Mid Cap	Wilshire 4500 / Russell 2500
Alternative Investments	Wilshire 5000 + 5%
<i>Non-U.S. Equity</i>	<i>MSCI EAFE</i>
<i>Cash Equivalents</i>	<i>90-Day T-Bill</i>

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 than four times a year, the Chief Investment Officer will meet with the Investment Consultants to:

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- 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.

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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.

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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.

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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 WCOB 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 WCOB 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 WCOB on July 20, 2006. The allowable range for all target weights is reflected in the following table.

<u>Asset Class</u>	<u>Policy Target¹</u>	<u>Policy Range</u>	<u>Management Style</u>	
			<u>Passive</u>	<u>Active</u>
<u>Total Fixed Income:</u>	<u>79%</u>	<u>76-82%</u>	<u>47%</u>	<u>32%</u>
Long Duration	54%	51-57%	27%	27%
High Yield	5%	4-6%	0%	5%
Inflation-Protected Securities	20%	17-23%	20%	0%
<u>Cash Equivalents</u>	<u>1%</u>	<u>0-6%</u>	<u>NA</u>	<u>NA</u>
<u>Total Equity</u>	<u>20%</u>	<u>17-23%</u>	<u>12%</u>	<u>8%</u>
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

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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

<u>Asset Class</u>	<u>Policy Target</u>	<u>Policy Range</u>	<u>Management Style</u>	
			<u>Passive</u>	<u>Active</u>
<u>Total Fixed Income:</u>	<u>79%</u>	<u>76-82%</u>	<u>74%</u>	<u>5%</u>
Long Duration	54%	51-57%	54%	0%
High Yield	5%	4-6%	0%	5%
Inflation-Protected Securities	20%	17-23%	20%	0%
<u>Cash Equivalents</u>	<u>1%</u>	<u>0-6%</u>	<u>NA</u>	<u>NA</u>
<u>Total Equity</u>	<u>20%</u>	<u>17-23%</u>	<u>20%</u>	<u>0%</u>
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

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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 liabilities¹ 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.

<u>Asset Class</u>	<u>Policy Target</u>
<u>Total Fixed Income:</u> Intermediate Duration	<u>99%</u> 99% ²
<u>Cash Equivalents</u>	<u>1%</u>
<u>Total Equity</u>	<u>0%</u>

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.

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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

<u>Asset Class</u>	<u>Policy Target</u>	<u>Policy Range</u>	<u>Management Style</u>	
			<u>Passive</u>	<u>Active</u>
<u>Total Fixed Income:</u>	<u>79%</u>	<u>76-82%</u>	<u>47%</u>	<u>32%</u>
Long Duration	54%	51-57%	27%	27%
High Yield	5%	4-6%	0%	5%
Inflation-Protected Securities	20%	17-23%	20%	0%
<u>Cash Equivalents</u>	<u>1%</u>	<u>0-6%</u>	<u>NA</u>	<u>NA</u>
<u>Total Equity</u>	<u>20%</u>	<u>17-23%</u>	<u>12%</u>	<u>8%</u>
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%

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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.

<u>Asset Class</u>	<u>Policy Target</u>
<u>Total Fixed Income:</u>	<u>99%</u>
Intermediate Duration	99% ¹
<u>Cash Equivalents</u>	<u>1%</u>
<u>Total Equity</u>	<u>0%</u>

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.

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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.

<u>Asset Class</u>	<u>Policy Target</u>
<u>Total Fixed Income:</u>	<u>0%</u>
<u>Cash Equivalents</u>	<u>100%</u>
<u>Total Equity</u>	<u>0%</u>



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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| I. Recommended Asset Mix | Slide 2 |
| II. Asset-Liability Valuation Background | Slide 3 |
| III. Wilshire's Capital Market Expectations and Efficient Portfolios | Slide 7 |
| 1. Historical Return Perspective | |
| 2. Wilshire's 2007 Capital Markets Expectations | |
| 3. Efficient Portfolios | |
| IV. Asset-Liability Modeling | Slide 13 |
| V. Asset Class Structure | Slide 19 |
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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%

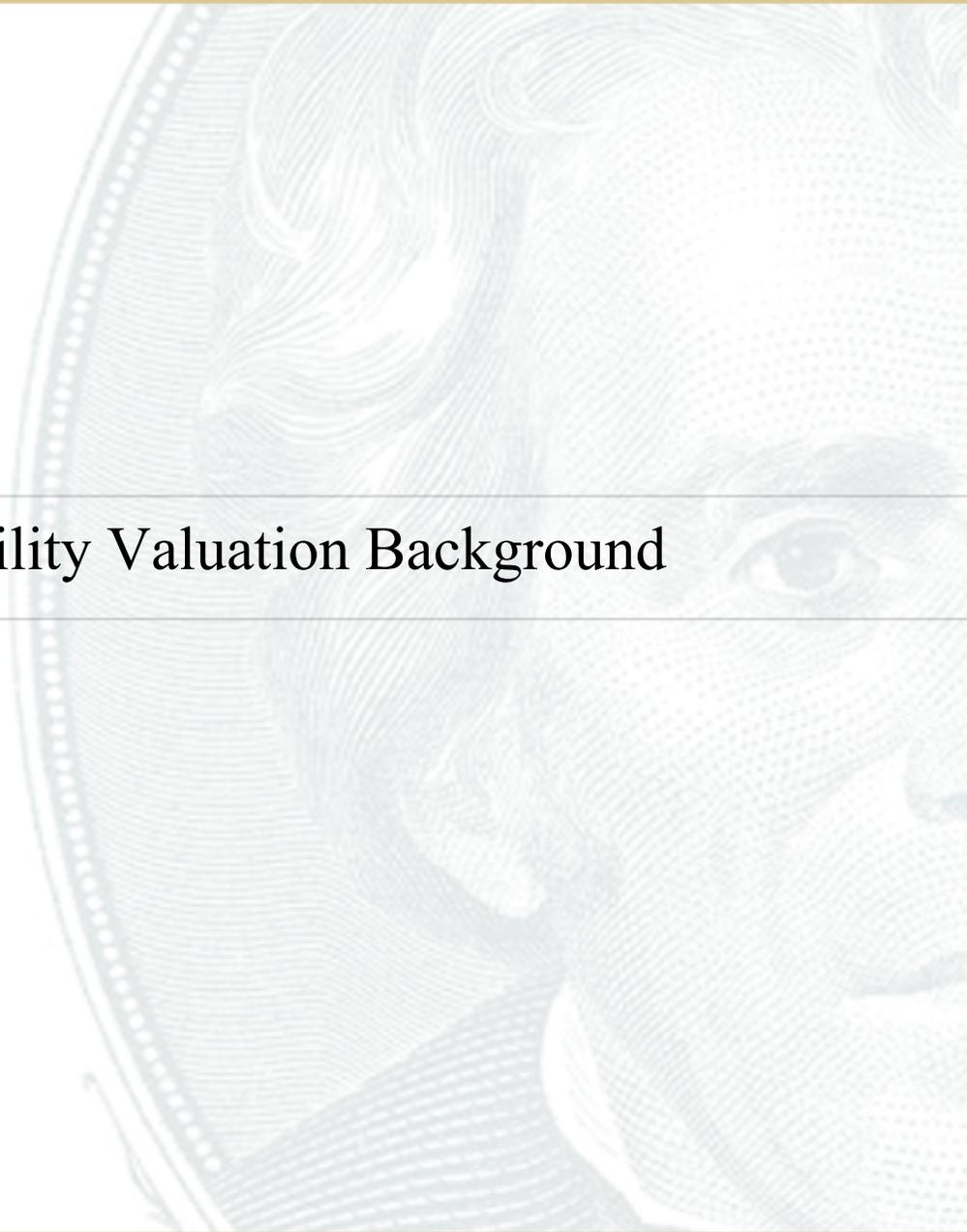
The recommendation is based on the following factors:

- 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

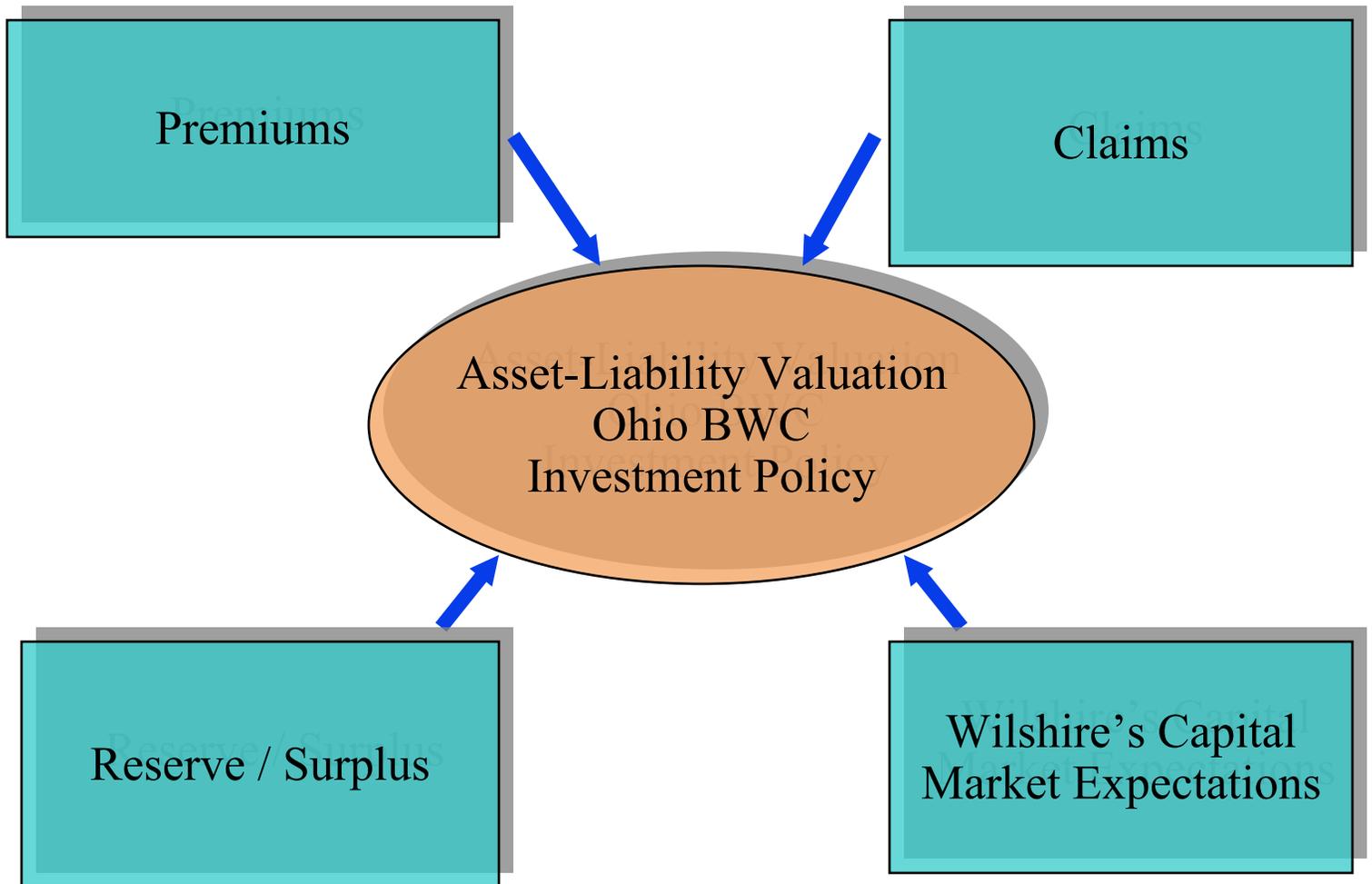


What is Asset Allocation?

- 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



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		17,189
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)	377
Other Assets	26	0	-	-	-	-	96		122
Total Assets	18,193	1,303	235	22	16	661	437	(154)	20,103
Liabilities (\$ mm)	SIF	DWRF	CWPF	PWREF	MIF	SBF	ACF	Eliminations	Total
Reserve	15,678	98	61	5	2	611	997		17,352
Accounts Payable	137	-	1		-	-	1		139
Investment Payable	192	-	-		-	-	113		305
Other Liabilities	143	376	0	0	0	44	20	(154)	409
Total Liabilities	16,151	475	62	5	2	656	1,130	(154)	18,161
Net Assets (\$ mm)	2,042	828	173	18	14	6	(693)	-	2,042

- 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.



III. Capital Markets Expectations and Efficient Frontier

Long Term Capital Market Perspective

	<u>1802-2005</u>	<u>1926-2006</u>	<i>High Inflation</i> <u>1970-1979</u>	<i>Bull Market</i> <u>1980-1999</u>	<i>Wilshire</i> <u>Forecast 2006</u>	<i>Wilshire</i> <u>Forecast 20</u>
<u>Total Returns</u>						
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
<u>Inflation</u>	1.4	3.0	7.4	4.0	2.30	2.25
<u>Real Returns</u>						
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
<u>Risk (Std. Dev.)</u>						
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

Wilshire's 10-Year Capital Market Assumptions

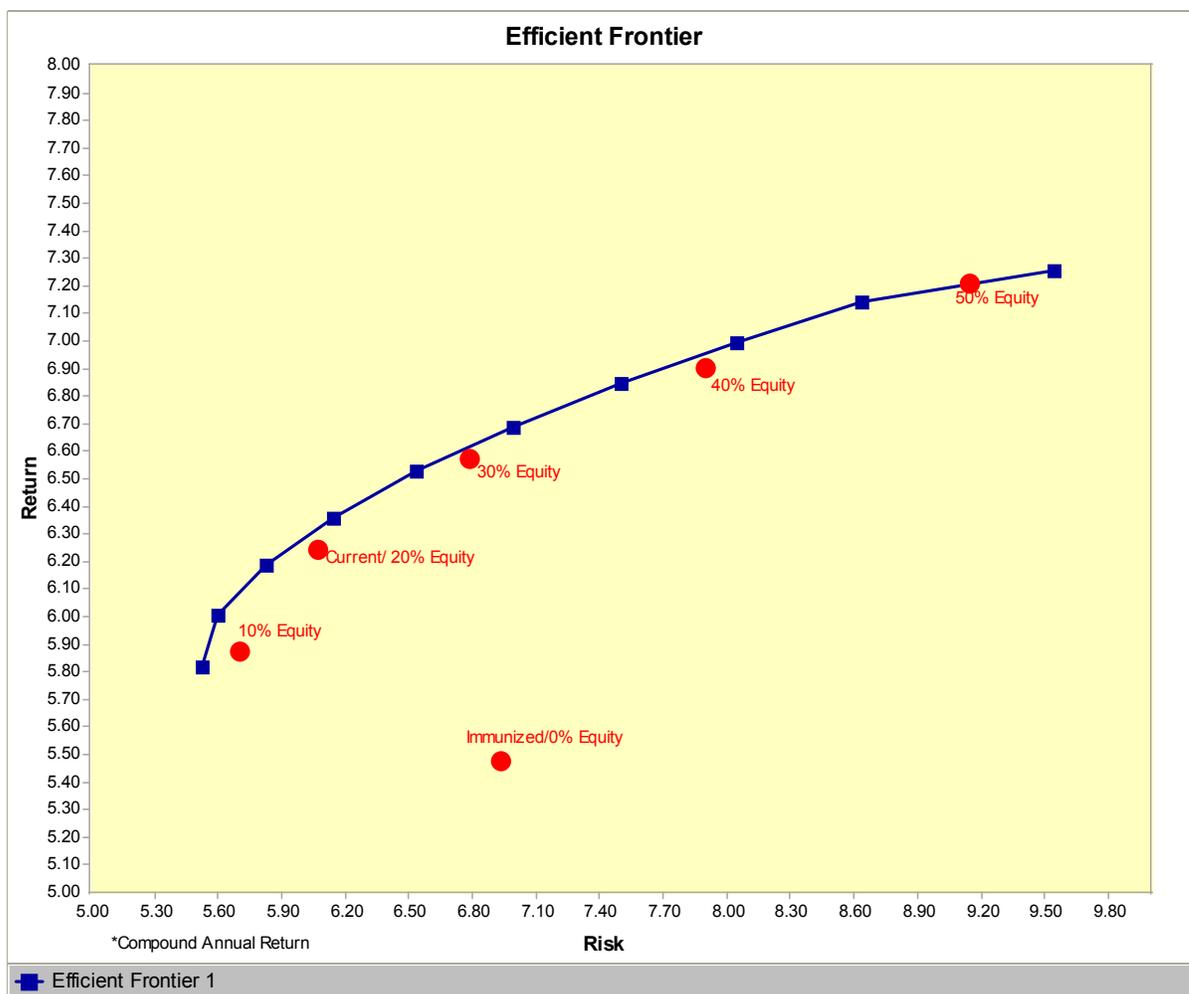
Asset Class	U.S. Equity	Non-U.S. Equity	Fixed Income - Core	Fixed Income - Long Duration/Dedicated	Fixed Income - High Yield	Fixed Income - Inflation Protected	Cash Equivalents
Return	8.25	8.25	5.25	5.50	6.75	5.00	
Risk	16.00	18.00	5.00	7.00	10.00	6.00	
Yield	1.70	2.45	5.25	5.50	6.75	5.00	
Correlations							
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	

- **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

Asset Class	Portfolio Weights					
	"Immunized"	Total Return				
	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%	33.0%
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%	7.23%
Standard Deviation of Return	6.93%	5.70%	6.07%	6.78%	7.90%	9.02%

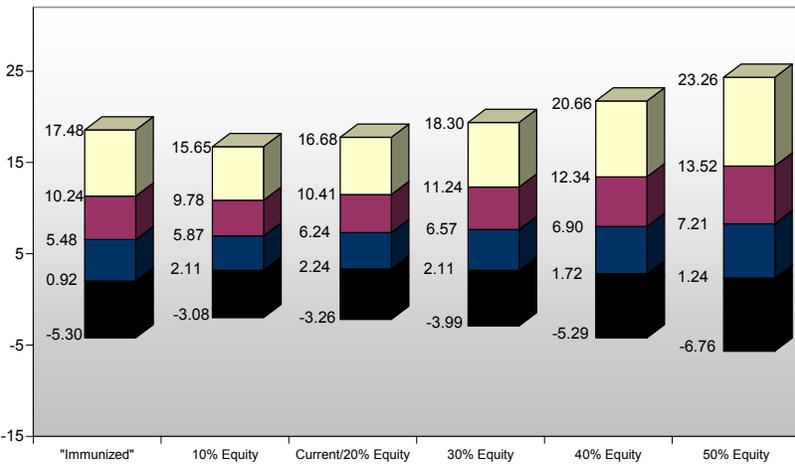
- Constraints:

- Total Equity < 50%; High Yield < 5%; Inflation Protected < 20%; Cash Equivalents < 1%

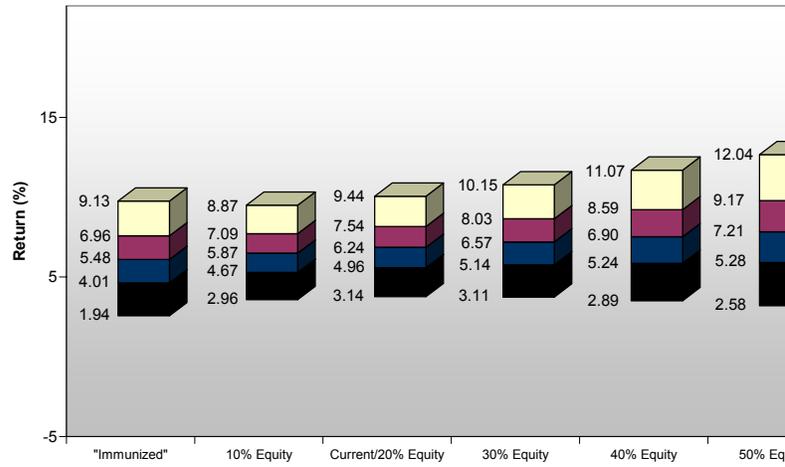
- Long Duration Bonds and Inflation-Protected Securities are favored by the ALV model due to the long term and embedded medical and wage inflation components of the claim payment stream.
- Risk represents the expected standard deviation of each portfolio; in two out of three years the asset mix is expected to produce returns that are within +/- one standard deviation of the expected return.

1 and 10-Year Distribution of Expected Returns

**Distribution of Returns
Year 1, Compound Annual Return**

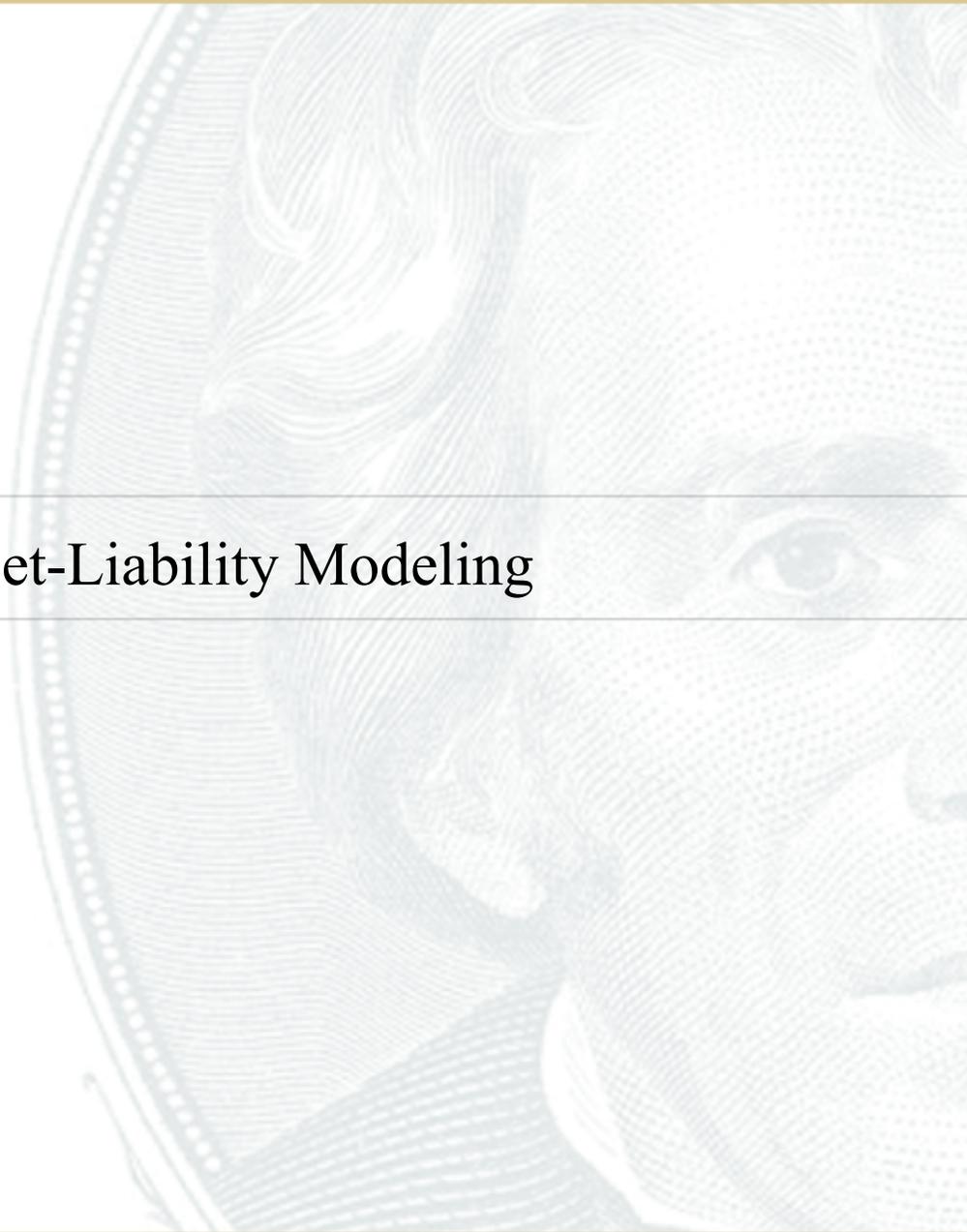


**Distribution of Returns
Year 10, Compound Annual Return**





IV. Asset-Liability Modeling

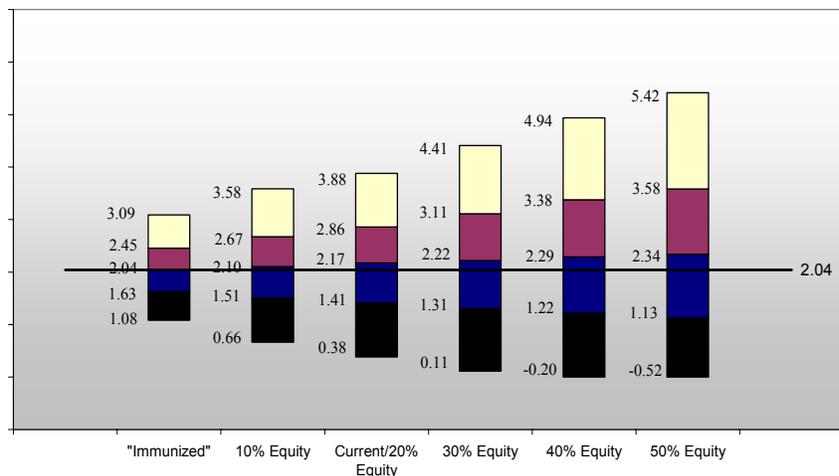


Stochastic Simulation of Surplus: Year 1 and Year 10

- 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:

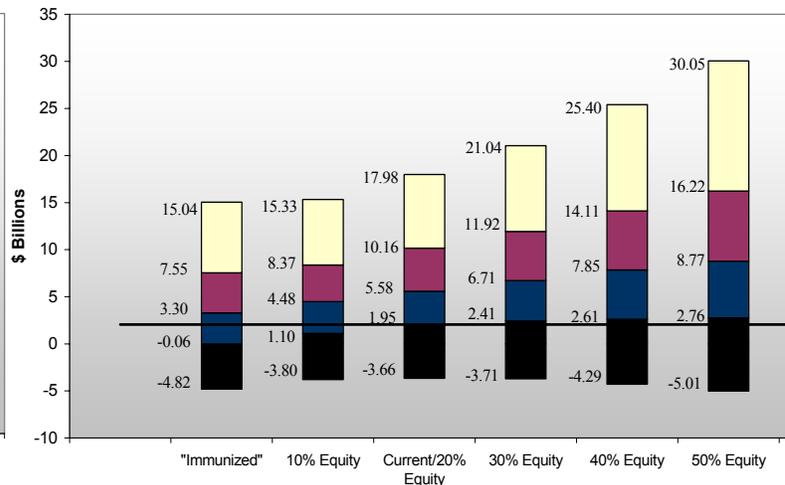
**Surplus
Year 1**

■ 4th Quartile ■ 3rd Quartile ■ 2nd Quartile ■ 1st Quartile — Initial Surplus



**Surplus
Year 10**

■ 4th Quartile ■ 3rd Quartile ■ 2nd Quartile ■ 1st Quartile — Initial Surplus



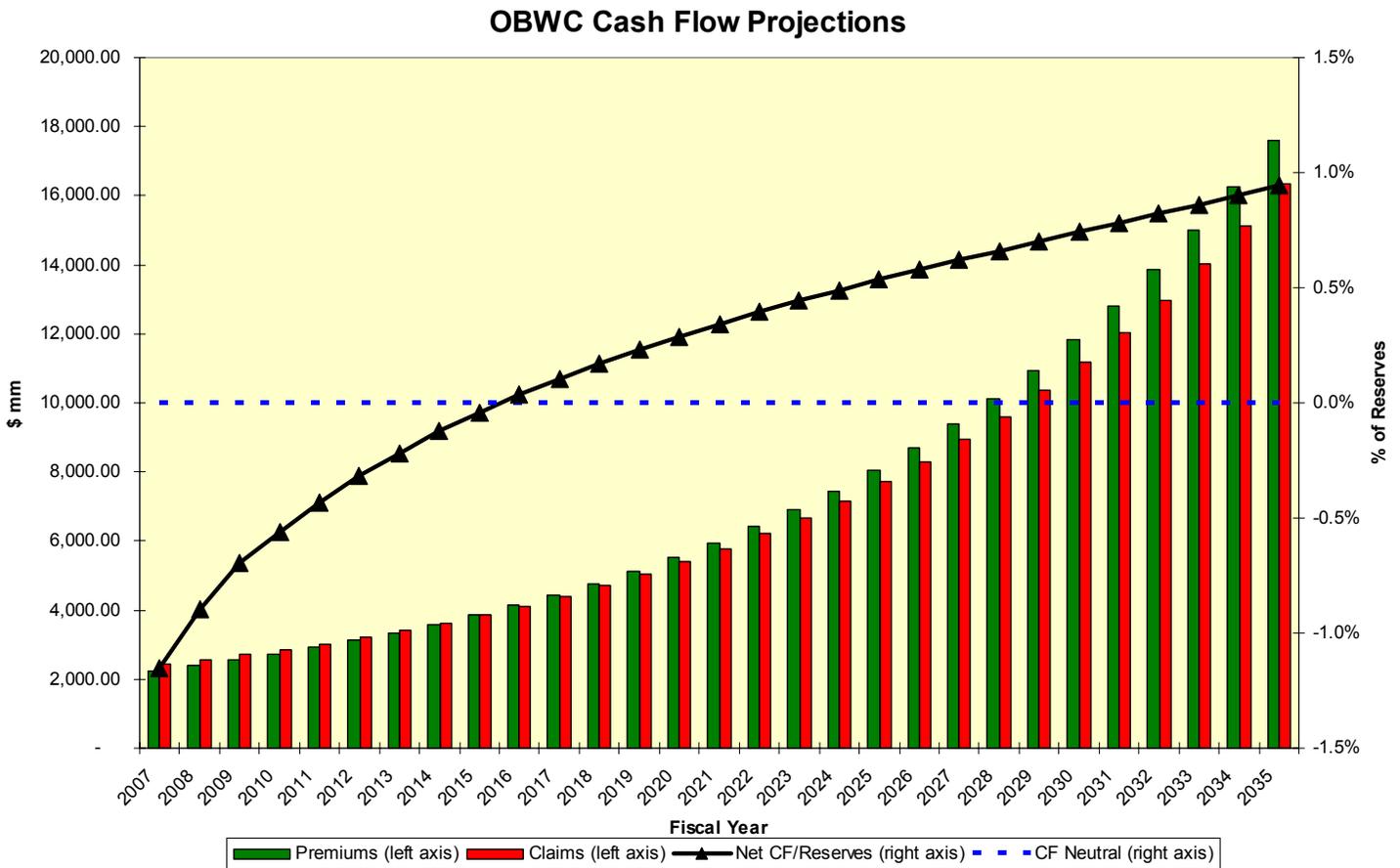
Potential Outcomes: Surplus

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%
Year 1	Bottom 5%	1.08	0.66	0.38	0.11	-0.20	
	Bottom Quartile	1.63	1.51	1.41	1.31	1.22	
	Median	2.04	2.10	2.17	2.22	2.29	
	Top Quartile	2.45	2.67	2.86	3.11	3.38	
	Top 5%	3.09	3.58	3.88	4.41	4.94	
Year 2	Bottom 5%	0.71	0.25	-0.08	-0.43	-0.74	
	Bottom Quartile	1.56	1.50	1.43	1.30	1.17	
	Median	2.17	2.35	2.49	2.60	2.72	
	Top Quartile	2.87	3.25	3.61	3.96	4.37	
	Top 5%	3.77	4.51	5.16	5.91	6.76	
Year 3	Bottom 5%	0.37	-0.13	-0.48	-0.94	-1.39	
	Bottom Quartile	1.42	1.46	1.43	1.36	1.20	
	Median	2.35	2.52	2.75	2.94	3.14	
	Top Quartile	3.28	3.69	4.12	4.65	5.18	
	Top 5%	4.75	5.55	6.45	7.41	8.51	
Year 4	Bottom 5%	-0.27	-0.69	-0.88	-1.29	-1.62	
	Bottom Quartile	1.35	1.44	1.43	1.32	1.25	
	Median	2.49	2.78	3.10	3.35	3.62	
	Top Quartile	3.66	4.23	4.86	5.48	6.12	
	Top 5%	5.55	6.52	7.74	8.85	10.49	
Year 5	Bottom 5%	-0.76	-1.05	-1.43	-1.96	-2.49	
	Bottom Quartile	1.15	1.42	1.50	1.53	1.46	
	Median	2.66	3.07	3.47	3.74	4.11	
	Top Quartile	4.16	4.68	5.49	6.24	7.10	
	Top 5%	6.46	7.45	8.72	9.93	11.61	

OBWC Cash Flow Projections

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



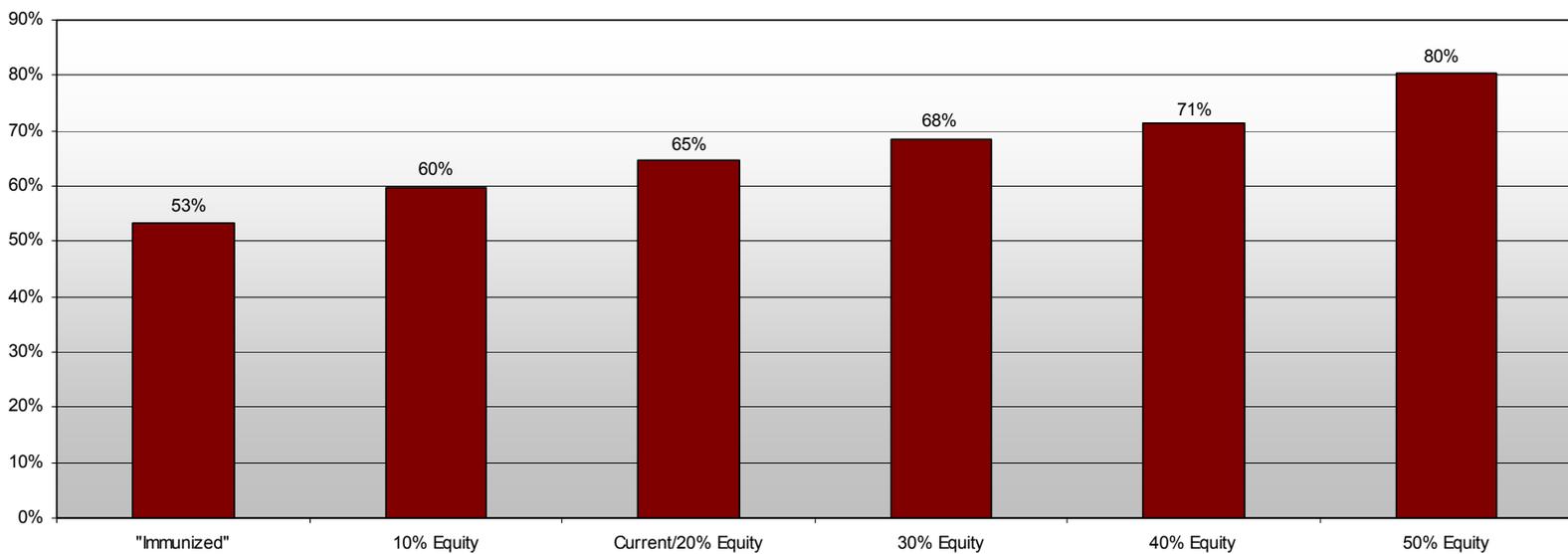
Source: Mercer Oliver Wyman Projections



Probability of Success

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

Probability Of Funding All Claims
Current Assets + Expected Premiums - Expected Claims and Expenses



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:

<i>Asset Class</i>	SIF Allocation		<i>Benchmark</i>
	%	\$ mm	
U.S. Equity	15	2,500	Wilshire 5000
<i>Large Cap</i>	<i>12</i>	<i>2,000</i>	<i>S&P 500</i>
Active (0%)	0	-	
Passive (100%)	12	2,000	
<i>Small/Mid Cap</i>	<i>3</i>	<i>500</i>	<i>Wilshire 4500 / Russell 2500</i>
Active (100%)	3	500	
Passive (0%)	0	-	
Non-U.S. Equity	5	833	MSCI EAFE
Active (80%)	5	833	
Passive (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



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
412) 434-1580

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:

Asset Class	% Allocation						
	SIF	Disabled Workers	Coal Workers	Public Workers	Marine	Self Insured	Total OBWC
U.S. Equity	15	15	15 20	0	0	0	15
<i>Large Cap</i>	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
<i>Small/Mid Cap</i>	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
Passive	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

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.

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

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,

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

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.

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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](#).

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Westlaw Topic No. [413](#).

[C.J.S. Workmen's Compensation § 358](#).

Baldwin's Ohio Legislative Service, 1989 Laws of Ohio, H 222--LSC Analysis, p 5-832

Baldwin's Ohio Legislative Service, 1993 Laws of Ohio, H 107--LSC Analysis, p 5-941

RESEARCH REFERENCES

Encyclopedias

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

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

[OH Jur. 3d Workers' Compensation § 51](#), Rulemaking Powers; Rules Generally.

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

Treatises and Practice Aids

[Ohio Personal Injury Practice App. B](#), Appendix B.

[Ohio Personal Injury Practice App. B](#), Appendix B.

NOTES OF DECISIONS

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[1](#). Constitutional issues

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

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

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

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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

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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.
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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.

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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

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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

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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

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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;

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(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

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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.

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(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

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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;

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(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 enjoinder 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.

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Appendix XIV: Campaign Contribution Policy

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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 competitively bid 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:

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- (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;

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(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,

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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;

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(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

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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."

. "(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

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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;

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- (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

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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 Ohio Bureau of Workers' Compensation
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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.

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(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.

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

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. Koettters

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

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

2nd Quarter Reporting - October, November and December

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

3rd Quarter Reporting - January, February and March

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

4th Quarter Reporting - April, May and June

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

**OHIO BWC INVESTMENT DIVISION
INVESTMENT MANAGER STAFF
AUGUST 2007**

Bruce Dunn, CFA, Chief Investment Officer

Bruce Dunn joined BWC as the Chief Investment Officer on May 22, 2006. Bruce monitors the performance of BWC investment funds and their managers, and develops and oversees controls within BWC to ensure that investment strategies are being carried out and meeting the investment objectives and guidelines set by the Workers' Compensation Oversight Commission. In addition, he has the responsibility for rebuilding the Investment Division with a professional staff to monitor the day-to-day activities of investment management and analysis. As BWC repositions its investment assets, Bruce is instrumental in working with consultants on strategic initiatives and with external investment managers selected to manage funds in asset classes and management styles that properly reflect the goals and missions of the BWC. Bruce is a Chartered Financial Analyst (CFA) charter holder. He earned an MBA from the University of Chicago and a Bachelor's Degree from Colgate University. Bruce has over 25 years of insurance company investment management experience. Among his previous positions were the senior investment officer at London Life Reinsurance Company in suburban Philadelphia and a senior investment officer at Washington National Insurance Company in suburban Chicago.

Lee Damsel, CFA, CPA, Director of Investments

Lee Damsel joined BWC on April 4, 2005, served as Interim Chief Investment Officer from June 7, 2005 until May 19, 2006, and accepted the newly created position of Director of Investments as part of the rebuilding of BWC's Investment Division. Lee brings 15 years of governmental investment fixed income expertise plus 14 years of corporate finance experience. Lee will lead the investment operations staff and have responsibilities for monitoring, compliance and analysis of outside investment asset managers, transition managers, private equity fund management, short term cash management, legislative efforts, administrative departmental budgeting and portfolio performance reporting. She is a Chartered Financial Analyst (CFA) charter holder as well as a CPA, CMA (Certified Management Account) and CTP (Certified Treasury Professional). She earned her MBA from the University of Denver and a Bachelor's Degree from the University of Montana. Previously, she was an investment officer for Franklin County Treasurers' Office and The Ohio State University Office of the Treasurer.

Vincent Thomas, CTP, Senior Investment Manager

Vincent Thomas joined BWC on May 1, 2006 as Senior Investment Manager. Vince has 18 years of fiduciary investment management experience as a portfolio manager for KeyCorp and also a predecessor bank of Huntington Bancshares Inc. He is a Certified Treasury Professional (CTP) and has passed Level I of the CFA exam. Vincent has earned a BA from the University of Notre Dame, an MBA from the University of Pittsburgh and a JD from Cleveland-Marshall College of Law.

Douglas Walouke, CFA, Senior Investment Manager

Doug Walouke joined BWC on August 7, 2006 as a Senior Investment Manager. Doug has 15 years of experience as a portfolio manager, fixed income trader, equity research analyst, and investment banker with Banc One Corp, The Ohio Company, and Hilliard Lyons. He is a Chartered Financial Analyst (CFA) and has been a long-time Board Member and recent President of the CFA Society of Columbus. Doug earned his BBA in Finance with a minor in Economics from the University of Cincinnati.

Vytautas (Vyts) Kulpa, CFA, Investment Administration Manager

Vyts Kulpa joined BWC on July 30, 2007 as Investment Administration Manager. Vyts has over 20 years of investment industry experience as a senior performance measurement analyst, financial operations principal and pension trust officer with InterSec Research Corp, Citizens Financial Securities and Chase Manhattan Bank. He is a Chartered Financial Analyst (CFA). Vyts earned both his BBA in Accounting Information Systems and his MS in Investment Management from Pace University in New York.

Gregory Stought, CFA, Assistant Investment Manager

Greg Stought joined BWC on August 7, 2006 as an Assistant Investment Manager. Greg has over 8 years of investment industry experience as an investment analyst, investment accountant, portfolio control associate, and proprietary equity trader with Goldman Sachs, Bank of New York, Hold Brothers, and Prudential Investments. He holds series 7, 66, and 55 licenses. Greg is a Chartered Financial Analyst (CFA) charterholder who earned this designation in 2006. Greg earned his BSBA in Finance from The Ohio State University.

Roy Charles, Assistant Investment Manager

Roy joined BWC on April 10, 2006 as Assistant Investment Manager. Roy has over 7 years of investment experience as lead mutual fund analyst, investment performance reporting analyst and short term cash management with School Employees Retirement System of Ohio (SERS) and Bisys. Roy has passed Level II of the CFA (Chartered Financial Analyst) exam. Roy earned his BS from The Ohio State University in Finance.

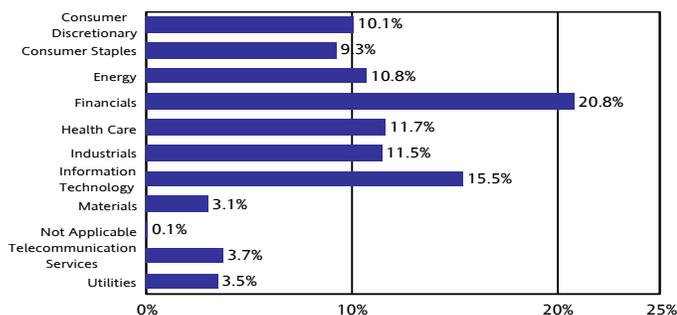
Darnée Jalil, Assistant Investment Manager

Darnée Jalil joined BWC on July 30, 2007 as an Assistant Investment Manager. Darnée has over 8 years of investment industry experience as a financial planner, correspondence specialist, performance analyst and fixed income research analyst with JPMorgan. Darnée passed Level I of the CFA (Chartered Financial Analyst) exam. She is currently working towards her MBA in finance from Franklin University. Darnée also holds a CFS (Certified Fund Specialist), as well as having series 6, 63, and 65 licenses. Darnée earned her BSBA in Finance from The Ohio State University.

Portfolio Characteristics

Total Net Asset Value (Millions)	2,641.5	Trailing 1 Year	Trailing 3 Years	Trailing 5 Years	Since Inception
P/E Ratio	20.98	Tracking Error	-	-	-
Price to Book	4.32	Information Ratio	-	-	-
Dividend Yield	1.78	Std Deviation of Portfolio	-	-	-
Return on Equity	21.55	Std Deviation of Benchmark	-	-	-
Sales Growth	12.97	Sharpe Ratio of Portfolio	-	-	-
Market Capitalization	101.89	Sharpe Ratio of Benchmark	-	-	-
Earnings per Share	3.47	R-Squared	-	-	-
Number of Holdings	501	Jensen's Alpha	-	-	-

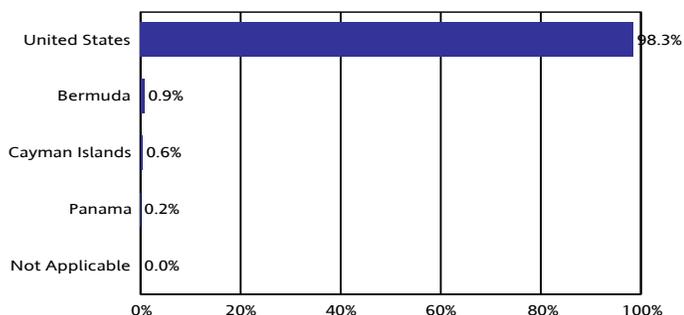
Sector Weightings



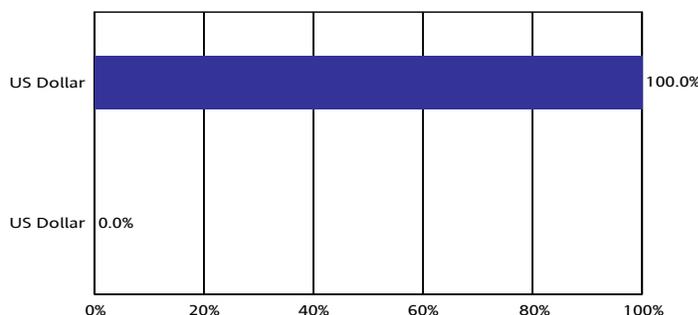
Top Ten Portfolio Holdings

Security ID	Security Name	% of Assets
30231G102	EXXON MOBIL CORP COM NPV	3.53%
369604103	GENERAL ELECTRIC CO. COM STK U	2.97%
00206R102	AT&T INC COM STK USD1	1.91%
172967101	CITIGROUP INC COM STK USD0.01	1.90%
594918104	MICROSOFT CORP COM USD0.000012	1.86%
060505104	BANK OF AMERICA CORP COM STK U	1.62%
742718109	PROCTER & GAMBLE CO COM STK NP	1.44%
026874107	AMER INTL GRP COM USD2.50	1.35%
166764100	CHEVRON CORP COM STK USD0.75	1.35%
717081103	PFIZER INC COM USD0.05	1.34%

Top Ten Country Weights

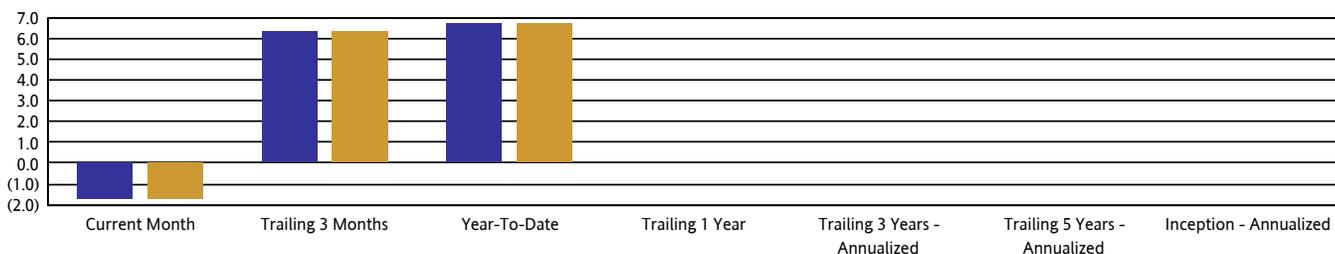


Top Ten Currency Weights



Returns Series

	Current Month	Trailing 3 Months	Year-To-Date	Trailing 1 Year	Trailing 3 Years	Trailing 5 Years	Inception
SIF-SSGM S&P 500 Passive Index	(1.65)	6.27	6.71				
S & P 500 Index	(1.66)	6.28	6.69				
Excess	0.01	(0.01)	0.03	(0.00)	(0.00)	(0.00)	(0.00)



■ SIF-SSGM S&P 500 Passive Index ■ S & P 500 Index

OHIO BUREAU OF WORKERS' COMPENSATION OVERSIGHT COMMISSION

INVESTMENT COMMITTEE CHARTER

PURPOSE

The Investment Committee has been established by the Ohio Bureau of Workers' Compensation Oversight Commission ("WCOC") for the express purpose of assisting the WCOC to carry out its responsibilities in matters regarding the investment of the assets of the State Insurance Fund and each Ancillary Fund (collectively, the Funds) assets. The Committee members will carry out their duties with the care, skill, prudence, and diligence of a prudent person acting in a similar institutional investment Board member capacity, and will strive to follow sound policies and procedures that enhance good, fair, and open decision making.

The Committee's core objective is to advise and assist the WCOC in maximizing investment returns within acceptable risk parameters, in accordance with the WCOC's overall objective of promoting the best interests for the Ohio Bureau of Workers' Compensation, its members, and beneficiaries.

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))

AUTHORITY

The Investment Committee has the authority to consider and make recommendations to the WCOC on all matters relating to the Ohio Bureau of Workers' Compensation investment portfolios in accordance with the WCOC Investment Policy Statement and other applicable legal requirements. In executing its duties, the Committee will not consider any proposed investment that has not gone through the Funds' due diligence process and been reviewed by Ohio Bureau of Workers' Compensation staff.

COMPOSITION

The Committee shall be composed of a minimum of four (4) members, appointed by the Chairperson of the WCOC. At least two (2) members shall be "investment experts", as required by Ohio Revised Code, and at least two (2) members shall be voting members of the WCOC. The Committee shall select its Chairperson.

MEETINGS

The Committee will meet at least four times a year and otherwise on an as-needed basis as determined by the Committee Chair in consultation with the Chair of the WCOC.

RESPONSIBILITIES

The WCOC is the primary body charged with overseeing investment activities relating to the Funds. The WCOC may appoint members to the Investment Committee for the express purpose of assisting the WCOC to carry out its oversight functions, including 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.

OHIO BUREAU OF WORKERS' COMPENSATION

Passive External Managers

Assets Under Management

July 31, 2007

<u>Benchmark Index</u>	<u>Manager</u>	(\$ millions) <u>Market Value</u>
<i>Fixed Income</i>		
Lehman Customized Long Government/Credit	State Street	7,757
Lehman Customized Long Government/Credit	Barclays	1,464
Total Long Duration Fixed Income		<u>9,221</u>
Lehman U.S. TIPS	State Street	3,108
Lehman Aggregate	State Street	<u>1,349</u>
Total Fixed Income		<u>13,678</u>
<i>Equity</i>		
S&P 500	*Northern Trust	2,588
Total Portfolio		<u>16,266</u>

*Effective 8/1/07