Fiscal Year 2014 Report

Ohio | Bureau of Workers' Compensation

Governor John R. Kasich
BWC Administrator/CEO Stephen Buehrer

Table of Contents

Letter from the Administrator

Dear Governor Kasich:

I am pleased to present the annual report of the Ohio Bureau of Workers' Compensation for fiscal year 2014 (FY14).

During FY14, we implemented several exciting initiatives that support our mission to protect Ohio's workers and employers through prevention, care and management of workplace injuries and illnesses at stable, reasonable rates. Additionally, we are proud we could play a part in boosting the state's economic vitality.

- At your request, we provided $1 billion in rebates for eligible employers who pay into the State Insurance Fund. We sent rebate checks to nearly 200,000 businesses, local governments and school districts in July 2013.
- The BWC Board of Directors approved a private employer base-rate reduction of 6.3 percent. Effective July 1, 2014, the rate reduction brings combined collections over the last four years down by $409 million.
- In addition, the board followed our recommendation to reduce average rates for public employer taxing districts by 1.6 percent. Combined with rate reductions in 2012 and 2013, public employers have saved an estimated $70 million in premiums during the past three years.
- We tripled the funding of our Safety Intervention Grant Program to support expanded statewide efforts to promote workplace safety and encourage further investment in protecting Ohio's workers. As a result, we awarded a record $15 million in grants to 535 employers.
- We continue to move forward with our plan to transition to the industry standard of prospective billing for premiums. We plan to provide a $1.2 billion credit to employers to make this transition without added costs to Ohio's businesses. This change will be effective July 1, 2015, for private employers, and Jan. 1, 2016, for public employers.
- We continue to maintain our prescription formulary to protect injured workers and further reduce prescriptions of commonly overused drugs. Opioid doses have decreased by 10.9 million since 2010, and prescriptions for opioids dropped by 29 percent in 2014 compared to 2010.
- Our Core Project, which will modernize our technology architecture to better serve Ohio's injured workers and employers, is continuing. This project will replace our outdated claims, policy and employer billing systems with a commercial product called PowerSuite.
- Finally, our special investigations department made significant gains in the battle against workers' comp fraud and abuse during FY14 identifying more than $60 million in savings.

In fiscal year 2015, we gave back another $1 billion in rebates to Ohio's private and public sector employers. The Another Billion Back plan also includes major new investments for worker safety research and training. Moving forward, we will keep working tirelessly to improve the lives of our citizens and support the state's economic growth.

Sincerely,

Stephen Buehrer

Stephen Buehrer, Administrator/CEO
Ohio Bureau of Workers' Compensation

Introduction

From our leadership to our frontline employees, we are committed to help strengthen our great state. We're here to help employers with what's most important to make their businesses successful — maintaining a healthy and productive workforce. Our goal is to maintain an effective and efficient workers' compensation system that lets businesses focus on growing and getting injured workers back to work.

We want to be a partner in:

- Keeping workers safer on the job by preventing on-the-job injuries and occupational illnesses;
- Helping injured workers recover and return to their lives – at work and home as quickly as possible;
- Offering safety education, training and consultations to help prevent workplace injuries;
- Providing superior customer service;
- Keeping costs down for businesses;
- Maintaining fiscal responsibility;
- Continuing to upgrade technology and processes.

BWC made sizeable strides in accomplishing these objectives during fiscal year 2014 (FY14) as we constantly worked to improve the quality of life for Ohio's workers and to ensure we're a positive influence on economic growth in Ohio. This allows businesses to thrive and, keeps Ohio's workers healthy and safe in the workplace.

BWC history

Ohio's workers' compensation system has cared for injured workers since 1912. We will continue to seek ways to operate more efficiently and provide high-quality service to our customers: injured workers, employers and medical providers. We remain committed to protecting the State Insurance Fund and other specialty funds, so those who rely on it receive the best possible care.

By the numbers

Focusing on improving the quality of life for Ohio's workers and ensuring we're a positive influence on economic growth in Ohio guided us to operate more efficiently during FY14. Our administrative cost budget for FY14 was $12 million less than appropriated by the Ohio General Assembly. This fiscal prudence continues into FY15 with an appropriation that is 5.5 percent less than the FY14 appropriation. Our FY14-15 biennial budget is nearly $82 million less than the FY10-11 biennial budget.

With assets totaling approximately $30 billion, BWC is the largest state-fund insurance system in the U.S. BWC provides insurance to 254,000 Ohio employers. In FY14, we approved 97,572 new claims, bringing our total to 858,773 open claims. Medical and indemnity compensation paid to injured workers totaled nearly $2 billion.

Accomplishments

During FY14, we introduced several initiatives that further strengthened our commitment to protecting Ohio's workers, improving the lives of injured workers and helping boost the state's economic vitality.

Returning $1 billion to employers

Governor John R. Kasich and Administrator/CEO Stephen Buehrer announced the A Billion Back plan in May 2013. That same month, the BWC Board of Directors authorized the rebate of $1 billion for private employers and public employer taxing districts.

We offered the $1 billion rebate to employers who pay into the State Insurance Fund. The rebate was part of the three-part proposal, A Billion Back. We designed the proposal to help stimulate Ohio's economy, improve worker safety and modernize our operations.

At the time of the rebate, we had generated a three-year annual return of 11.4 percent. This return far exceeded the expected 4-percent return. Net assets surpassed $8 billion and the funding ratio far exceeded the guidelines set by the BWC Board of Directors. We proposed A Billion Back to move our net position to within its funding ratio guidelines.

We sent rebate checks equaling 56 percent of annual premiums to nearly 200,000 businesses, local governments and school districts in July 2013. Approximately 2,000 of those employers, all of whom participated in group-retrospective rating, received their checks in fall 2013.

Private employer base-rate reduction of 6.3 percent

Ohio, private employers again benefited from lower overall workers' compensation base rates with a 6.3-percent reduction that became effective July 1, 2014. The rate reduction, which the BWC Board of Directors approved in May 2014, brings combined collections over the last four years down by $409 million.

Private employers previously benefited from a 4-percent rate decrease in 2011, no change in 2012 and a reduction of 2.1 percent last year. The actual premium paid by individual private employers depends on a number of factors, including the expected future costs in their industry segment, their recent claims history, and their participation in various discount and savings programs.

Reduced average rates for public employer taxing districts by 1.6 percent

We continued the trend of lowering local government rates when the BWC Board of Directors approved an average rate reduction of 1.6 percent for public employer taxing districts. Combined with rate reductions in 2012 and 2013, public employers have saved an estimated $70 million in premiums during the past three years.

The change resulted in Ohio's 3,815 cities, counties, townships, villages, schools and special districts paying an estimated $3.9 million less in premium in 2014. Combined with 5-percent rate reductions adopted in 2012 and 2013, BWC will collect a cumulative estimated $68.3 million less than if the 2011 rates had remained in place.

Tripled the funding of our Safety Intervention Grant Program to $15 million

We supported expanded statewide efforts to promote workplace safety and encourage further investment in protecting Ohio's workers. We did this by tripling the Safety Grant Program funding from $5 million to $15 million as part of the A Billion Back plan. Under this program expansion, BWC matched every employer dollar with three dollars. In addition, we instituted a new policy that allows businesses to receive additional awards over their lifetime. From July 1, 2013, through June 30, 2014, we had approved 850 grant applications for 535 employers totaling approximately $15 million in funds requested.

The breakdown is as follows:

- Safety Intervention Grants – 515 totaling $14,301,405.18;
- Workplace Wellness Grant Program – 175 totaling $511,289.86;
- Drug-Free Safety Program grants – 160 totaling $178,636.75.

Switching to prospective billing

What it means

In July 2015, as the third part of A Billion Back, we will transition private employers to a prospective billing system. The Ohio General Assembly passed legislation to authorize BWC to move toward a prospective payment system. Under this new system, we will collect premiums before extending coverage to an employer.

Transition credit to employers

We will provide an eight-month premium credit in July 2015 for all active (non-lapsed) private state-fund employers to cover the costs of the transition.

The benefits

- An overall base-rate reduction of approximately 2 percent for private employers and a 4-percent reduction for public employers
- More flexible payment options for businesses
- Better non-compliance and fraud detection, which provides long-term savings

Whether it's through updates to our website, letters to employers or speaking engagements across the state, we've gotten the word out about the upcoming switch to a prospective billing process. We've also partnered with various associations by providing them updates they can include in their publications and newsletters. Additionally, we're using our Twitter account to get updates out to our followers.

New resources on our website

The prospective billing page on www.bwc.ohio.gov also has updated resources, including recently added overview sheets for both private and public employers. Employers can now find information that pertains to them more easily with headings added to the resources column for public and private employer documents.

Updating our infrastructure

Our Core Project, which will modernize our technology architecture to better serve Ohio's injured workers and employers, also is proceeding as planned. Parts of the current systems aren't easy to use and have occasional speed and downtime problems. The systems also don't share enough information with each other. This project involves replacing our outdated claims, policy and employer billing systems with a commercial product called PowerSuite. Our updated infrastructure will improve service to our customers.

Improving pharmacy management

In FY14, we continued to tweak our prescription formulary to protect injured workers and further reduce prescriptions of commonly overused drugs. Opioid doses dropped by 10.9 million since 2010, before the introduction of BWC's first-ever outpatient medication formulary in 2011. The changes also resulted in a 27.8-percent drop in opioid prescriptions and a 72.9-percent decrease in skeletal muscle relaxant prescriptions in 2013 compared to 2010. In addition, we saved more than $20 million in total drug costs since 2011.

We introduced the pharmacy program changes following direction from Gov. John Kasich to focus on improving injured worker care while finding ways to reduce prescription drug abuse.

We update the formulary regularly, which includes guidelines for coverage of various drugs. For example, a 2012 update restricted most skeletal muscle relaxants to coverage for 90 days from the first prescription, plus one additional 30-day prescription per 12-month period. Some restrictions put into place for opioid and anti-ulcer agents require prior authorization or a related condition approved in the claim.

In addition, a new rule requires medical providers caring for chronically injured workers to use the Ohio Automated Rx (prescription) Reporting System (OARRS). BWC's newest pharmacy rule, similar to recently adopted statewide Opioid Prescribing Guidelines, became effective Jan 1, 2014. Ohio providers who write controlled substance prescriptions for chronic care must now enroll in OARRS in order for BWC to cover these prescriptions. Chronic care is when providers write three or more prescriptions for controlled substances for the same injured worker during a 12-week period.

Other pharmacy program controls BWC implemented to support prescription drug safety for injured workers include:

- A lock-in program that limits the practice of doctor and pharmacy shopping;
- Standardized drug utilization reviews objectively evaluate the necessity and appropriateness of prescription drug treatment and identify overuse or danger;
- Generic medications are required when available;
- Point of service edits allow for prescriptions that aren't related to injured worker claims to be screened out to ensure injured workers receive medications relevant to their injuries.

Fraud efforts continue to pay off

Our special investigations department (SID) made significant gains in the battle against workers' comp fraud and abuse during FY14.

The department identified more than $60 million in savings. It closed 2,055 cases; 924 (45 percent) of these were classified as closed founded, meaning the original allegation was proven. Of those 924 founded cases, SID referred 267 (28.9 percent) for prosecution. SID obtained 132 convictions and 149 indictments, an 11 percent increase in indictments compared to the prior year. The average closed founded case in FY14 identified $65,069 in savings to the Ohio workers' compensation system.

During FY14, SID and BWC continued to focus on prescription drug fraud and abuse, and remained active members of the Governor's Cabinet Opiate Action Team enforcement committee. Drug cases, claimants working while receiving benefits and employer complaints continued to be the top three complaint types investigated. In fact, 20.1 percent of complaints investigated were drug-related.

SID is constantly evolving and developing strategies to increase the investigation and prosecution of all subject types. During FY14, SID worked with the Ohio State Highway Patrol to develop and host the first-ever Electronic Surveillance Equipment Symposium. SID is comprised of 123 employees, two less than FY13.

The department continued to increase its presence and fan base on social media to promote fraud awareness and deterrence. The department features surveillance video footage, descriptions of common fraud schemes, prosecutions and anti-fraud efforts on its blog, BWC Special Investigations page on Facebook and @OhioBWCFraud account on Twitter. Blog readers, Facebook fans and Twitter followers learn how to recognize fraud and may report it via links to an online fraud referral form.

Best of all, we achieved these accomplishments, and more, while keeping our administrative cost fund expenses under budget. At BWC, we're proud to be part of the overall effort to improve the lives of Ohio's citizens and the state's economy today and into the future.

BWC Leadership

Board of Directors

The 11-member BWC Board of Directors represents a broad representation of BWC's customers. Members provide professional expertise and foster accountability and transparency. The board oversees our operations and ensures that we meet our goals. Their areas of expertise include actuarial management, financial accounting, and investments and securities.

Administrator/CEO

Stephen Buehrer has served as BWC's Administrator/CEO since January 2011. He previously served as BWC's chief of human resources and oversaw all workers' compensation legislation while chairman of the State Senate Insurance, Commerce and Labor Committee. In addition to his work as an attorney, he represented the citizens of northwest Ohio for 12 years as a state representative and as a state senator. During his time as Administrator/CEO, he has focused on connecting with stakeholders to partner on ways to improve the workers' compensation system in Ohio.

BWC Year-End Statistics

	FY 2014	FY 2013	FY 2012
State-fund claims filed			
Lost time	12,134	11,539	12,130
Medical only	84,688	84,632	87,943
Occupational disease	592	714	920
Death	158	156	172
Disallowed or dismissed	10,977	11,049	11,448
Total	108,549	108,090	112,613
Net allowed injuries	97,572	97,041	101,165

NOTE: Every claim is evaluated at 60 days after filing for purposes of claim type, state fund versus self-insured, combine status and allowance status. Values exclude combined and self-insured claims.

	FY 2014	FY 2013	FY 2012
Open claims (per statute)			
Lost time	315,951	346,039	374,482
Medical only	542,822	612,586	695,574
Total	858,773	958,625	1,070,056
Benefits paid			
Medical benefits paid	$662,319,483	$705,758,248	$748,851,329
Compensation paid			
Wage loss	$14,948,538	$16,960,502	$20,027,409
Temporary total	231,607,195	250,848,501	268,918,187
Temporary partial	37,368	22,422	17,049
Permanent partial	17,869,347	14,877,251	20,990,997
% Permanent partial	65,387,993	69,588,261	68,938,435
Lump sum settlement	184,218,915	181,163,702	149,216,151
Lump sum advancement	24,768,008	21,581,813	29,282,177
Permanent total and DWRF	395,160,052	392,040,670	389,656,231
Death	82,644,603	84,093,415	83,307,500
Rehabilitation	38,651,042	38,977,535	41,644,211
Other	6,046,420	5,919,080	6,700,579
Total compensation paid	$1,061,339,481	$1,076,073,152	$1,078,698,926
Total benefits paid	$1,723,658,964	$1,781,831,400	$1,827,550,255

	FY 2014	FY 2013	FY 2012
Fraud statistics			
Fraud dollars identified	$60,124,021	$55,058,157	$59,373,483
$$$ saved to $$$ spent ratio	5.28 to 1	4.83 to 1	5.61 to 1
Prosecution referrals	267	236	251
Active employers by type			
Private	249,602	249,085	249,668
Public (local)	3,815	3,794	3,801
Public (state)	121	129	122
Self-insured	1,197	1,205	1,196
Black lung	36	36	35
Marine fund	146	139	132
Total	254,917	254,388	254,954
BWC personnel	**1,953**	**1,920**	**1,939**
Managed care organization fees paid	$169,580,627	$169,814,894	$168,403,331

BWC combined funds financial data (000s omitted)

	Audited FY 2014	**Audited FY 2013**	**Audited FY 2012**
Operating revenues			
"Premium and assessment income, net of provision for uncollectibles and ceded premiums"	$2,085,821	$1,492,389	$1,944,478
Other income	8,141	11,723	14,115
Total operating revenues	$2,093,962	$1,504,112	$1,958,593
Non-operating revenues			
Net investment earnings	$664,718	$670,654	$720,210
Increase (decrease) in fair value	2,348,938	230,200	1,323,434
Net investment income (loss)	$3,013,656	$900,854	$2,043,644
Dividends, rebates and credits	$1,229,045	$965,636	$-
Total BWC assets	$30,341,708	$28,242,089	$28,016,507
Total Net Position (Deficit)	$9,460,213	$6,779,077	$7,817,739

Investment Class Annual Report Comments

Table of Contents

Background

The U.S. economy continued to strengthen in fiscal year 2014 (FY14), sustaining a fifth consecutive year of respectable but not heated economic growth following the financial shocks and recessionary period of FY09. Real gross domestic product (GDP) increased by between a very solid 3.5 percent and 4.6 percent in FY14 for each of calendar — third quarter 2013, fourth quarter 2013 and second quarter 2014. However, the GDP actually contracted 2.1 percent in first quarter 2014 largely due to temporary factors triggered by the brutal winter weather conditions. As a result, real GDP averaged 2.6 percent growth quarter-over-quarter for the four quarters of FY14.

The national unemployment rate fell steadily during FY14 from 7.5 percent in June 2013 to 6.1 percent in June 2014. Despite the impressive decline in the U.S. unemployment rate, new Fed Chair Janet Yellen stated in July 2014 that "significant slack" remains in the labor market with a mismatch between jobs available and the skills needed to fill many jobs and a significant number of underemployed and part-time workers. The Federal Reserve message delivered recently called for low interest rates to last for a "considerable time" due in part to "significant underutilization of labor resources." The Fed's current dual mandate emphasizes the trends in employment and inflation and consequent possible wage pressures that do not appear to be very evident.

Inflation continued to be moderate during FY14 with the annualized growth in the Consumer Price Index being 2.1 percent for all items and only 1.9 percent excluding food and energy. The prospects for global economic growth remain somewhat muted as the economic recovery in the Eurozone has been slow to take shape with near record unemployment prompting the European Central Bank to initiate a very accommodative monetary policy to further reduce interest rates in part to address deflationary risks. Emerging market economies also slowed in GDP growth led by China, although China still is exhibiting solid GDP growth in excess of 7 percent annually.

The financial condition and balance sheets of many prominent U.S. and international companies have never been stronger as these companies exhibit high worker productivity and a very low cost of capital with extremely low borrowing rates. These fundamental conditions fueled the continuation of the very strong performance of many large equity markets in the world, including the U.S. stock market in FY14 despite geopolitical risks evident in Ukraine and the Middle East.

The investment portfolio of BWC provided an excellent total return of 13.4 percent (net of management fees) in FY14. The return posted for FY14 was the fourth fiscal year out of the past five fiscal years where the net portfolio return significantly exceeded the 4-percent discount rate applied to future liabilities (net returns of 12 percent in FY10; 12.4 percent in FY11; 9.8 percent in FY12; 3.8 percent in FY13). The annualized returns of the investment portfolio of BWC for the three-year and five-year fiscal periods ending June 30, 2014 were 8.9 percent and 10.2 percent, respectively.

The BWC investment portfolio exhibited positive returns in each of 11 of the 12 months of FY14 (exception being August 2013), with five months each providing monthly returns of 1.9 percent or higher. The BWC equity portfolio followed up its exceptional annual net return of 19 percent in FY13 with an even stronger net return of 23.3 percent in FY14. A continuation of the very accommodative Federal Reserve monetary policy maintaining very low interest rates combined with very high overall U.S. corporate profit margins encouraged U.S. equity investors and sustained the trend of higher stock prices in FY14. The BWC bond portfolio returned a very solid net return of 8.7 percent in FY14 and was fueled and led by the long duration credit bond portfolio, which provided a net return of 13.9 percent in FY14. The long duration credit bond mandate is easily the single largest bond mandate of BWC and represents more than 40 percent of total bond assets of BWC and more than 50 percent of total State Insurance Fund (SIF) bond assets at fiscal year-end 2014. By comparison, each of the other bond asset class mandates of BWC returned between 2.8 percent and 6.3 percent during FY14.

FY14 represented the first full year of performance for the real estate asset class whereby the first core real estate commingled fund investment occurred at the end of calendar year 2012. This asset class provided an impressive net return after management fees of 11.4 percent in FY14 as valuations rose for high quality, well-located commercial real estate properties held by each of the eight core real estate commingled funds owned by BWC with leasing rental income also rising.

There were three important asset class strategy initiatives for the SIF implemented by the BWC Investment Division in FY14. They were:

(a) Transition of 8 percent of SIF targeted portfolio assets from passive to active management of long credit fixed income to complete the strategy of this largest single SIF asset class from being all passively managed to all actively managed;
(b) Transition of the 19 percent of SIF targeted portfolio assets from passive All-Cap U.S. equity to a combination of 12 percent targeted passive large cap U.S. equity and 7 percent targeted active mid-cap and small-Cap U.S. equity;
(c) Continue to build SIF real estate assets to a targeted 6 percent of total portfolio assets.

Upon the recommendation of the BWC Chief Investment Officer (CIO) and as supported by BWC investment consultant R.V. Kuhns & Associates (RVK), the BWC Investment Committee and the BWC Board of Directors approved at their separate June 2013 meetings that all SIF portfolio assets allocated toward long duration credit fixed income assets be actively managed. This decision resulted in a revision to the BWC investment policy statement whereby the remaining 8 percent allocation of SIF invested assets targeted to passive management of long duration credit assets was eliminated and the allocation of SIF invested assets toward active managed long credit assets was increased from 20 percent to 28 percent.

The CIO presented a recommendation on allocating these passively managed long credit assets (totaling $1,475 million on Aug. 31, 2013,) to three of the six existing active long credit managers of SIF at the July and August 2013 Board Investment Committee meetings. The Investment Committee and BWC Board of Directors approved these manager recommendations in August 2013. The Investment Division engaged a transition manager to execute this transition of assets. A total of approximately $1,466 million market value of bonds and cash, representing virtually all remaining assets identified for purchase by the three target managers, were transferred respectively to each manager in early December 2013 for active management. This action subsequently eliminated the passively managed long credit assets account of SIF.

After discussion and education involving the CIO, BWC Director of Investments and investment consultant RVK, the Investment Committee and BWC Board of Directors approved in January 2012 a targeted 7-percent SIF asset allocation toward actively managed U.S. mid-cap and U.S. small-cap equities segmented into five separate concentrated U.S. equity mandates. They are 2 percent mid-cap value; 2 percent mid-cap growth; 1.5 percent mid-cap core; 0.75 percent small-cap value; 0.75 percent small-cap growth.

The Investment Division received approval by the Investment Committee and BWC Board of Directors at their respective February 2012 meetings to issue a request for proposal (RFP) involving each of these five separate actively managed mandates. After a long and thorough RFP process involving the evaluation of 95 manager bid proposals, the RFP Evaluation Committee recommended finalist active managers for each of the mid-cap growth, mid-cap value, mid-cap core, small-cap value and small-cap growth U.S. equity mandates. These mandates were approved by the Investment Committee and BWC Board of Directors after hearing presentations from each recommended manager at the respective April, May, July, September and October 2013 Investment Committee meetings.

Thirteen active U.S. equity managers were recommended and approved, consisting of three managers each for each of the three mid-cap U.S. equity mandates and two managers each for each of the two small-cap U.S. equity mandates. The RFP Evaluation Committee believes the managers selected for each of the five active U.S. equity mandates have different but complementary investment styles and strategies desired. Contracting and background checks were completed with all chosen new active managers in January 2014. The transitioning of assets to be managed by each of these active managers was also completed in January 2014. Approximately $1,906 million in funds were provided and divided among the 13 active mid-cap and small-cap U.S. equity managers. The funding source for this invested capital came from a portion of the $5,097 million of assets transferred from the two passive all-cap U.S. equity portfolio legacy accounts.

In addition, the Investment Division received approval by the Investment Committee and BWC Board of Directors at their respective June 2013 meetings to issue a RFP involving passive management of the large-cap U.S. equity mandate. The benchmark index for this mandate is the Russell Top 200 U.S. equity index. This mandate has a 12 percent SIF portfolio asset allocation target. The RFP Evaluation Committee provided its recommendation of a finalist manager for consideration by the Investment Committee at the August 2013 meeting. This recommended finalist manager was reviewed and approved by both the Investment Committee and BWC Board of Directors at their respective August 2013 meetings.

Similar to the new active U.S. equity managers selection, contracting was completed with this chosen finalist manager and the transitioning of assets totaling $3,232 million was provided to the chosen finalist passive manager in January 2014. Similar to the new active mid-cap and small-cap U.S. equity mandates, this new passive large-cap U.S. equity mandate was funded by the two legacy passive all-cap U.S. equity portfolios and was implemented largely at no transaction cost from in-kind transfers of the existing ownership positions of all stocks that comprised the new Russell Top 200 benchmark index for this mandate.

The Investment Division continued to execute the strategy of building the SIF real estate portfolio in FY14. A total of $826.6 million of capital commitments in eight open-ended core real estate commingled funds and two value-added real estate commingled funds were funded by the end of FY13. An additional $219.1 million of capital commitments were funded in FY14 for a total of $1,045.7 million of capital funded toward real estate commingled fund assets. Of the $219.1 million invested in real estate in FY14, 190.6 million was invested in three core funds and the remaining $28.5 million was invested in three value-added funds, including a new fund. The Investment Committee and BWC Board of Directors approved respective $50 million commitments in two new value-added real estate funds in FY14. One fund will focus exclusively on medical building property investments and the other new fund will focus exclusively on hospitality properties.

An additional $123.3 million of capital was invested in two core real estate funds in early July 2014, which completed the funding of all approved capital commitments to core real estate funds totaling $1,121.5 million. Of the $200 million of capital commitments made toward four value-added real estate funds, $47.5 million had been invested at the end of FY14 or approximately 23.8 percent of total value-added fund commitments. The Investment Division relies on RVK to screen and filter all value-added real estate opportunities before presenting to the BWC investment staff only the most attractive value-added real estate fund investments for consideration. It is anticipated several new value-added real estate fund opportunities will be presented to the BWC Investment Committee and Board for consideration in FY15.

Compliance

The investment portfolios were in compliance with the BWC investment policy at the end of each month of FY14 except for several matters, including several instances related to asset class allocation ownership target ranges. Per the BWC investment policy, any asset class whose asset allocation falls outside the permitted percentage ownership range specified is subject to rebalancing only after the end of each calendar quarter if such asset class remains outside of its portfolio allocation range.

The U.S. equity asset class portfolio allocation of the Coal Workers' Pneumoconiosis Fund (CWPF) was 16.8 percent at the end of December 2013 at $52.5 million. This exceeded its upper limit ownership range of 10 percent to 16 percent by 0.8 percent or by approximately $2.4 million. The BWC Senior Officer Rebalancing Committee met in early January 2014 to consider a portfolio rebalancing recommendation made by the CIO whereby a targeted amount of funds ($6.6 million) would be sold from the U.S. equity asset class of CWPF to achieve an allocation for U.S. equity of 14.5 percent. This was midway between its targeted portfolio allocation of 13 percent and its upper limit of 16 percent as consistent with the rebalancing policy stated in the BWC investment policy statement. It was recommended that this $6.6 million redeemed from U.S. equities be reinvested in U.S. TIPS which was the asset class most underallocated in the CWPF portfolio at 37.1 percent or 2.9 percent under its targeted asset allocation at quarter-end Dec. 31, 2013. After some discussion, the BWC Senior Officer Rebalancing Committee approved this CIO portfolio rebalancing recommendation for CWPF. The Investment Division subsequently executed this portfolio rebalancing activity for CWPF in January 2014.

At the end of July 2013, the Public Work-Relief Fund (PWRF) had a cash position of 6.2 percent ($1,799,000) of total invested assets or 0.2 percent ($58,500) above its 0 percent to 6 percent permissible portfolio allocation range. As a result, its intermediate-term bond portfolio was 93.8 percent of total invested assets or 0.2 percent under its 94 percent to 100 percent permissible portfolio allocation range. The increase in cash balance for PWRF had been continuing during many preceding months as premiums received have been exceeding claims paid, and this trend was expected to continue. As a result, the investment staff decided not to wait until the end of the quarter ending Sept. 30, 2013, to address this matter. This excessive cash allocation was eliminated by the BWC investment staff initiating the execution in August 2013 of a $1.7 million additional investment in the approved intermediate-term passive managed commingled bond fund that was funded from operations cash after consultation with the BWC Fiscal and Planning Division.

The effective duration of the SIF long credit fixed income portfolio managed by one of the active long credit managers was 13.65 years at the end of October 2013 or 0.61 years longer than the effective duration of 13.04 years for the Barclays U.S. long credit benchmark index. The investment guideline for the SIF long credit portfolio managed by this investment manager pertaining to the permissible effective duration range for the BWC portfolio managed is to be within +/- 0.50 years of the benchmark index duration. After discussion with the investment manager by the CIO, appropriate action was taken by this investment manager in November 2013 to get this portfolio back within the target range of the benchmark index effective duration.

Portfolio rebalancing action was also taken in mid-July 2013 to rebalance the DWRF portfolio because the DWRF U.S. equity portfolio had a June 30, 2013, allocation of 24.6 percent of total invested assets or 1.6 percent above its upper ownership permitted level of 23.0 percent. The BWC Senior Officer Rebalancing Committee met in mid-July 2013 and accepted the CIO recommendation to rebalance the DWRF portfolio by redeeming $54 million from U.S. equities and directing $27 million each to the U.S. Aggregate and U.S. TIPS fixed income classes.

Valuation and Performance

As reflected in columns A and B of the table provided at the end of this annual report, total investment assets at fair value held by BWC were $25,470 million on June 30, 2014. This represented an increase of $2,593 million when compared to $22,877 million on June 30, 2013. SIF invested assets were $23,418 million at the fair value on June 30, 2014, which represented 91.9 percent of total BWC invested assets at fiscal year-end 2014.

As stated earlier, the total rate of return on invested assets of BWC for FY14 ended June 30, 2014, was 13.4 percent net of management fees. Net investment income for FY14 was $3,014 million, comprised of $698 million in interest and dividend income ($548 million interest income; $150 million dividend income, including $47 million of real estate dividend income,) plus $2,349 million appreciation in fair value of investments less $33.2 million in investment expenses, including $31.8 million in investment manager fees. The investment manager fees for FY14 represented an annual fee of between 13-14 basis points (less than 14/100 of 1 percent) of total average month-end market value of fixed income, equity and real estate assets.

The investment expenses of $33.2 million for FY14, including $31.8 million in investment management fees, compares to $19.1 million of total investment expenses for FY13, including $17.9 million in investment management fees (between 8-9 basis points of average month-end investment assets excluding operating cash). The increase in investment fees of $13.9 million in FY14 was largely attributable to:

(a) The transfer of approximately $1,466 million of SIF long duration credit assets from passive to active management in early December 2013 resulting in higher management fees per additional dollar actively managed during the remaining seven months of FY14;

(b) The commencement of active management in late January 2014 of all SIF mid-cap and small-cap U.S. equities totaling approximately $1.9 billion that were previously passively managed at lower fees as part of the former all-cap U.S. equity mandate;

(c) An additional $219 million of new capital invested in SIF commingled real estate funds during FY14 as well as a full year of real estate fund management fees incurred during FY14 from real estate fund investments phased in during FY13;

(d) The higher asset value trend occurring throughout FY14 for each of the fixed income, equity and real estate asset classes of BWC, which results in higher management fees as investment management fees are based on a percentage of the market value of assets under management.

The incremental increase in management fees for FY14 compared to FY13 for each of these specific SIF asset classes were:

(i) $0.7 million for long credit bonds ($10 million in FY14 versus $9.3 million in FY13);

(ii) $4.7 million for U.S equities ($6.7 million in FY14 versus $2.0 million in FY13);

(iii) $8.8 million for real estate ($12.5 million in FY14 versus $3.7 million in FY13).

The six SIF active long credit managers in the aggregate continued to deliver superior performance for their second consecutive full year of active management in FY14. These six managers provided a combined total return for FY14 on SIF assets managed that exceeded the benchmark index return by +1.18 percent (14.52 percent vs. 13.34 percent) before management fees and by +1.00 percent (14.34 percent vs. 13.34 percent) after management fees. For FY13, these six managers provided incremental returns to SIF of +1.27 percent above the benchmark index before fees and +1.13 percent after fees. It is estimated that the excess net return of +1.00 percent above this benchmark index achieved by these six long credit managers in the aggregate for FY14 provided incremental net income for SIF of approximately $58 million in FY14.

The asset allocation mix of BWC investment portfolio at fair value on June 30, 2014, was 59.0 percent bonds, 34.1 percent equities, 4.7 percent real estate and 2.2 percent cash and equivalents. This asset mix compares to 60.8 percent bonds, 31.7 percent equities, 3.7 percent real estate and 3.8 percent cash and equivalents on June 30, 2013. The increase in allocation to equities from 31.7 percent to 34.1 percent was largely attributable to the superior performance of equities to the other asset classes. Cash and cash equivalents was unusually high at 3.8 percent of total assets on June 30, 2013, due to the significant amount of cash raised from intentional stock and bond redemption sales made near the end of FY13 to fund the "Billion Back" premium rebate program to Ohio employers. Cash and equivalents representing 2.2 percent of total portfolio allocation on June 30, 2014, reflected a more normal percentage allocation for the end of the fiscal year.

Column D, E and F of the table provided at the end of this annual report summarize the asset class transfer activity occurring over FY14. These activities are important to highlight because they had a material impact on the respective fair value levels of bond, equity and real estate portfolios during the course of FY14. Column E reflects the redemption activity initiated by the Investment Division to provide cash needed to fund operational requirements of BWC. Portfolio net asset redemptions for cash to fund BWC operations in FY14 totaled $162 million. This included $129 million for SIF operating needs with the remaining $33 million for operating needs of the specialty funds. The asset transfer activity shown in Column D involves shifts of assets from one asset class to another for portfolio-rebalancing purposes and to fund real estate fund capital drawdowns.

The new capital investments of $219 million shown in Column D for real estate during FY14 were funded largely from the redemption of U.S. TIPS. This is consistent with the real estate funding strategy communicated to the BWC Investment Committee by the CIO. The reason for U.S. TIPS showing a net outflow in Column D of only $123 million was due to a combination of a portfolio rebalancing event involving the DWRF portfolio in early July 2013 receiving $27 million in additional U.S. TIPS and the timing to fund large real estate fund capital investments in early July of 2013 and 2014 from the redemption of U.S. TIPS for cash made in late June of each year. The outflow of $61 million from U.S. equities for asset class transitions shown in Column D for FY14 involved end-of-quarter precipitated portfolio rebalancing events involving the DWRF and CWPF portfolios whereby such U.S. equity redemptions were directed to bond investments as previously described in the Compliance section of this annual report.

The total fair value of the bond portfolio of BWC was $15,034 million on June 30, 2014, compared to $13,918 million on June 30, 2013, representing an increase of $1,116 million. The bond portfolio had net outflows totaling $122 million during FY14 (see Column F of table) resulting from U.S. TIPS redemptions to fund real estate investments offset in part by inflows from portfolio rebalancing actions. Adjusted for these net bond sale outflows, the fair value change of the bond portfolio of BWC was an increase of $1,238 million, which represented a total return of 8.7 percent for FY14. The TIPS bond portfolio had a more modest total return of 4.4 percent and the non-TIPS bond portfolio had a total return of 10.1 percent in FY14, led by the SIF long duration credit portfolio total return of 13.9 percent.

The bond portfolio of BWC in FY14 earned $548 million in interest income and had net realized/unrealized gains of $687 million that resulted primarily from interest rate levels being lower for long duration credit bonds at the end of FY14 compared to the start of the fiscal year as well as the 1 percent outperformance of the active bond credit managers versus the benchmark index. The weighted average yield-to-maturity of the Barclays long duration U.S. credit bond benchmark index declined from 5.16 percent on June 30, 2013, to 4.56 percent on June 30, 2014, a decline of 0.60 percent in yield for bonds in the index, which had 13.5-year duration on June 30, 2014.

The difference in fiscal year-end yields of the other four bond benchmark indexes of BWC were very slight with a range of between only 1-13 basis point lower at June 30, 2014, versus June 30, 2013, so that these other fixed income asset classes contributed little to the net realized/unrealized gain for bonds reported for FY14. For example, the long duration Barclays U.S. government bond benchmark index declined in average yield to maturity from 3.33 percent on June 30, 2013, to 3.20 percent on June 30, 2014. Long duration credit bonds in the Barclays benchmark index narrowed in yield spread to the Barclays benchmark U.S. government bonds index by 0.47 percent. This resulted in significant outperformance of the Barclays long duration U.S. credit bond benchmark (+13.9 percent) compared to the Barclays long duration U.S. government bond benchmark (+6.4 percent) in FY14.

This significant outperformance of long credit bonds compared to long U.S. government bonds (largely treasuries) is attributable to the persistent strong institutional demand (especially from corporate pension funds) for long maturity investment-grade corporate bonds offering attractive yields versus shorter maturity corporates and treasuries in a low yield/return environment.

The bond portfolio of BWC maintained a high average quality of "AA" over the FY14 with 46 percent of the fair value of the bonds held on June 30, 2014, being U.S. government issues of "AAA" quality (by credit rating agencies Moody's and Fitch) or "AA" rated (by Standard & Poor's notable downgrade in August 2011). The weighted average effective duration of the bond portfolio on June 30, 2014, was 10.3 years, based on individual asset class duration calculations of BWC's investment accounting vendor as represented in the FY14 audited financial statements.

The total fair value of the equities portfolio of BWC was $8,682 million on June 30, 2014, an increase of $1,439 million compared to $7,243 million on June 30, 2013. There were net outflows totaling $200 million (see Column F table) of BWC equities portfolio all from its U.S. equities portfolio during FY14. These outflows were to fund operations ($139 million) as well as to rebalance the DWRF and CWPF portfolios ($61 million) that became too large in U.S. equities holdings due to the significant outperformance of their respective U.S. equities portfolio compared to fixed income assets over the past several fiscal years. Accounting for these net outflows, the adjusted fair value increase in the total equities portfolio of BWC was $1,639 million for FY14. The total return of the equities portfolio was an exceptionally strong 23.3 percent for FY14.

The total fair market value of the U.S. equities portfolio was $6,062 million on June 30, 2014, an increase of $972 million compared to the fair value of $5,090 million on June 30, 2013. Accounting for the $200 million of net outflows during FY14, the adjusted fair value increase of the U.S. equities portfolio was $1,172 million during FY14, which represented a total return of 24 percent for FY14.

As mentioned earlier in this annual report, the SIF U.S. equities portfolio underwent in January 2014 a complete transition from passive management indexed to the Russell 3000 all-cap U.S. equity benchmark to a combination of:

(1) Passive management by one investment manager of approximately $3.2 billion at inception of large cap U.S. equities indexed to the Russell Top 200 large cap U.S. equity benchmark;

(2) Active management of approximately $1.9 billion at inception of mid-cap and small-cap U.S. equities to five different benchmark indexes divided among 13 investment managers that each have specific focused mandates.

The transfer of all passively managed SIF all-cap U.S. equity assets totaling $5,097 million in early January 2014 into a new U.S. equity transition account managed by a BWC transition manager chosen by the BWC investment staff resulted in significant realized capital gains. Both passive all-cap U.S. equity legacy accounts owned many shares of

Russell 3000 index common stocks purchased in the 2010 inception year of both accounts when U.S. stock prices in general were at considerably lower values. These assets transferred had an aggregate cost basis of $3,136 million and were transferred to the new transition account on Jan. 2, 2014, at an aggregate market value of $5,097 million. This resulted in a realized capital gain of $1,961 million booked in January 2014. This realized capital gain of $1,961 million represented a total return of 62.5 percent on the aggregate cost basis of $3,136 million for these two passive U.S. equity legacy accounts.

The total fair value of the non-U.S. equities was $2,620 million on June 30, 2014, an increase of $467 million in fair value compared to $2,153 million on June 30, 2013. There were no inflows or outflows of funds during FY14 involving the non-U.S. equity commingled fund used by each of SIF, DWRF and CWPF for all assets owned by BWC in this asset class. The non-U.S. equities portfolio of BWC had a total rate of return of 21.7 percent for FY14.

As referenced earlier in this annual report, an additional $219 million was invested in three open-ended core real estate funds and three closed-ended value-added real estate funds during FY14, representing capital call drawdowns of BWC Board of Directors' approved capital commitments. The total fair value of the real estate portfolio was $1,188 million on June 30, 2014, an increase of $334 million in fair value compared to $854 million on June 30, 2013. Adjusted for the $219 million of new capital investments at cost, the adjusted fair value increase in the real estate portfolio was $115 million during FY14. This represented a total return of 11.4 percent for this asset class for FY14, net of management fees, derived from both dividend income received and reinvested as well as capital value appreciation.

Total cash and cash equivalents of BWC had a fair value of $563 million on June 30, 2014, compared to $861 million on June 30, 2013. The decrease in cash balances year-over-year was the return to a more normal seasonal pattern at the end of FY14 compared to FY13 year-end when significant cash had been raised from investment asset sales in late June 2013 to fund the "Billion Back" rebate program. BWC used an institutional U.S. government money market fund offered by its custodian bank (JPMorgan Chase Bank) throughout FY14 to earn interest income on its short-term invested assets. Short-term yields on money market investments remained extremely low throughout FY14 as the Federal Reserve Bank kept the targeted federal funds rate between 0 percent and 0.25 percent and maintained a very accommodative monetary policy with low interest rates to encourage and support U.S. economic growth. The total rate of return earned by BWC on its cash and cash equivalent assets was a very low 0.01 percent for FY14.

Portfolio Interest Rate Sensitivity

R.V. Kuhns prepared an updated SIF fixed income portfolio sensitivity analysis based on the market value of the SIF portfolio as of June 30, 2014. This sensitivity analysis examined estimated changes in the aggregate market values of the SIF fixed income portfolio for given hypothetical increases in interest rate levels.

The SIF bond portfolio had an estimated effective duration of 10.5 years on June 30, 2014, as consistent with the estimated duration of SIF total liability payments of 10.4 years exhibited in a recent analysis provided to the CIO by the BWC Actuarial Division that was based upon a reserve report of BWC actuarial consultant Oliver Wyman. This estimated duration of 10.5 years for the SIF bond portfolio was longer than the estimated effective duration made by RVK one year ago for June 30, 2013, (10.1 years). This was largely due to the lower market yields being earned by long duration U.S. government and credit bonds at the end of FY14 compared to FY13, which by definition extends duration. This close matching of the duration of SIF fixed income assets with its duration of liability payments is intentional and consistent with the stated investment policy. Because of the long-term nature of its liability payments and its supporting long duration bond portfolio, the SIF bond portfolio market value is quite sensitive to movements in interest rate levels in both directions.

The following are observations made from the RVK fixed income sensitivity analysis on the June 30, 2014, SIF fixed income portfolio. These observations are based on defined interest rate movements during a one-year time frame across the entire yield curve from 0 year to 30+ year maturities.

If interest rate levels remain unchanged, the total SIF fixed income portfolio could earn a return of +3.7 percent, resulting in an increase in market value of +$506 million.

If interest rate levels increase by +0.50 percent, the total SIF fixed income portfolio could decline in value by -1.4 percent, resulting in a decrease in market value of -$189 million.

If interest rate levels increase by +1 percent, the total SIF fixed income portfolio could decline in value by -6 percent, resulting in a decrease in market value of - $825 million.

If interest rate levels increase by +2 percent, the total SIF fixed income portfolio could decline in value by -13.9 percent, resulting in a decrease in market value of - $1,923 million.

Summary Table

As referenced throughout this annual report, the table that follows provides a summary of asset class valuations, asset class sales to fund operations, transfers of funds involving transition activity including portfolio asset allocation rebalancing actions, and performance returns of asset classes and the total portfolio for FY14.

Prepared by: Bruce Dunn, CFA
BWC Chief Investment Officer

Asset Class Fair Value/Performance Summary

Fiscal Year 2014 Ending June 30, 2014

($millions) Asset class	(A) Fair value 6/30/14	(B) Fair value 6/30/13	(C) Actual fair value change	(D) Net from portfolio transitions	(E) Net for operations fundings	(F) Total Inflow/ (Outflow)	(G) Adjusted fair value change	**FY 2014 annual return**
Bonds ex U.S. TIPS	$ 11,566	$ 10,457	$ 1,109	$ 24	$ (4)	$ 20	$ 1,089	+ 10.1 %
U.S. TIPS	3,468	3,461	7	(123)	(19)	(142)	149	+ 4.4 %
Total bonds	15,034	13,918	1,116	(99)	(23)	(122)	1,238	**+ 8.7 %**
U.S. equities	6,062	5,090	972	(61)	(139)	(200)	1,172	+ 24.0 %
Non-U.S. equities	2,620	2,153	467				467	+ 21.7 %
Total public equities	8,682	7,243	1,439	(61)	(139)	(200)	1,639	**+ 23.3 %**
Real estate	1,188	854	334	219		219	115	**+11.4%**
Miscellaneous	3	1	2				2	
Cash and equivalents	563	861	(298)	(59)	162	103	(401)	0.0 %
Net change				0	0	0	2,593	
Total invested assets	$25,470	$22,877	$ 2,593				*2,994*	**+ 13.4%**

Column definitions
C = A minus B
F = D plus E
G = C minus F

*Represents all fair value asset class changes except cash and equivalents
Asset class fair values shown exclude accrued investment income and trade payables/receivables
Amounts rounded to nearest $1 million

Outcomes and Savings of the Health Partnership Program

Table of Contents

The Health Partnership Program

The Health Partnership Program (HPP) has operated as BWC's system for providing managed care services since its implementation in March 1997. Per Ohio Revised Code (ORC) 4121.44 (H)(3), BWC must publish a report on the measures of outcomes and savings of the HHP. BWC submits the report to the president of the senate, the speaker of the House of Representatives and the governor. BWC prepares the annual report under division (F)(3) of section 4121.12 of the ORC. BWC's chief of medical services and compliance directs the program. The Medical Services Division coordinates BWC's health-care services through a network of providers and managed care organizations (MCOs).

How HPP Works

BWC contracts with MCOs to manage the medical component of workers' compensation claims, while also determining compensability and paying indemnity benefits. MCOs educate employers and injured workers on HPP. They also process *First Report of an Injury, Occupational Disease or Death* (FROI) applications. In addition, MCOs help employers establish transitional/early return-to-work programs. Finally, MCOs process medical bills and make provider payments.

BWC monitors MCO managed-care performance. For example, it measures the effectiveness of the MCOs' return-to-work efforts using the Measurement of Disability (MoD) metric. BWC also measures MCO FROI timing, FROI data accuracy, bill timing and bill data accuracy. Further, it publishes most of these measures in an annual *MCO Report Card*, available on www.bwc.ohio.com. BWC encourages employers to view this report before selecting an MCO. Sixteen MCOs serve Ohio's employers and injured workers.

BWC Medical Services objectives

BWC strives to ensure prompt, quality, cost-effective health care for injured workers to facilitate their early, safe and sustained return to work and quality of life. BWC's Medical Services and Compliance Division along with the Chief Medical Officer Division, coordinates health-care delivery through a network of certified providers and MCOs. We accomplish this by using management, pricing and payment strategies that benefit injured workers and employers. Specific supporting responsibilities include:

- Developing, maintaining and executing quality and cost-effective medical and vocational rehabilitation benefits plans and associated fee schedules;
- Developing and supporting the appropriate managed-care processes, including contract management and training;
- Establishing and maintaining a quality pool of medical and vocational service providers to ensure injured workers have access to quality, cost-effective and timely care;
- The development and implementation of appropriate medical and vocational policies, rules and training, which address the management from inception to resolution of all of medical and vocational issues arising out of an allowed claim;
- Evaluating and processing medical bills, guaranteeing proper and timely payment consistent with benefits plan criteria.

During the course of the year, we have made positive progress on initiatives undertaken to support existing divisional and BWC enterprise business objectives and strategies. The remainder of this report provides selected highlights of HPP activities and outcomes.

Benefits plan design

Prompt, effective medical care is crucial for those injured on the job. Such care is often the key to a quicker recovery, timely return to work and quality of life for injured workers. Maintaining the right benefit plan design and service level reimbursement also ensures access to quality, cost-effective service.

Access for injured workers means the availability of appropriate treatment. Having access to appropriate treatment facilitates faster recovery and a prompt, safe return to work. For employers, it also means the availability of appropriate, cost-effective treatment provided based on medical necessity.

Implementing a sound and effective provider-fee schedule is a critical component of maintaining an effective benefit plan. Pursuant to required rules and law, and to ensure injured workers access to quality care, we establish discounted yet competitive fee schedules. We annually reimburse more than 28,000 providers for medical and vocational services rendered to Ohio's injured workers. An equitable and competitive fee for the right medical service is essential to maintain a quality provider network across the wide range of necessary provider disciplines.

We continuously improve our medical, vocational rehabilitation and pharmaceutical services offerings. This results from us executing quality methodologies and protocols for revising benefits plans and their corresponding fee schedules. We strive to review all fee schedules annually.

For medical and vocational services rendered during FY13, as of September 2014, we have paid providers $691.5 million; which is $32.9 million less than what we paid in FY12. For FY14, as of September 2014, we have paid $634.9 million, which is $56.6 million less than what we paid for FY13. Note: Given providers have 12 months to bill for services rendered, the estimated difference for FY14 from FY13 will be closer to a $15 to $20 million decrease in medical spending. We have achieved those reductions while the following four objectives have continued to guide BWC:

1. To maintain stability in the environment and reimbursement methodologies;
2. To ensure injured workers access to quality care;
3. To promote efficiency in the provision of quality services;
4. To maintain a competitive environment where providers can render safe effective care.

These four objectives also continued to guide our evaluation of Ohio's reimbursement methodologies, as well as the development of recommendations for FY14 to FY16. As a result, we made minimum changes to the majority of BWC's current reimbursement methodologies and protocols. Pursuant to adopted recommendations for FY15 to FY16, we expect total medical and vocational services reimbursements to increase between 3 percent to 6 percent depending on injury mix and services utilization mix and rates. Below is a summary of the fee schedule, their effective dates and projected impact on medical and vocational service spending.

While minimum changes were made to the majority of the current BWC reimbursement methodologies, we did recommend a major change to the current vocational rehabilitation reimbursement methodology and protocols. The BWC Board of Directors in February 2014 approved a new reimbursement methodology and protocols for vocational rehabilitation services. This new methodology migrates BWC from the current pure fee-for-service model to an outcomes fee-for-services model. The goals guiding the development of this model were:

- An increase in return-to-work outcomes for injured workers receiving vocational rehabilitation plan services;
- Creation of a more direct relationship between the reimbursement for selected

Chart 1.

Fee schedule	Effective date		Update summary for current fee schedule
Medical providers and services	Jan. 1, 2015	Aug. 21, 2014 Sep. 25, 2014 Dec. 18, 2014	Covers all medical providers and medical services not covered by any of the other schedules (OAC 4123-6-8) Projected 2015 impact: .7 percent spending increase
Hospital inpatient	May 1, 2015	Nov. 20, 2014 Dec. 18, 2014	Covers facilities for outpatient services (OAC 4123-6-37.2) Projected 2015 impact: 2.2 percent spending increase
Hospital outpatient	Feb. 1, 2015	Aug. 21, 2014 Sep. 25, 2014	Covers facilities for inpatient services (OAC 4123-6-37.1) Projected 2015 impact: 3.3 percent spending decrease
Ambulatory surgical centers (ASC)	May 1, 2015	Nov. 20, 2014 Dec. 18, 2014	Covers surgical procedures not requiring inpatient hospitalization (OAC 4123-6-37.3) Projected 2015 impact: 1.2 percent spending increase
Vocational rehabilitation services	Feb. 1, 2015	Feb. 27, 2014 March 26, 2014	Covers all vocational rehabilitation services (OAC 4123-18-09) Projected 2015 impact: 1.7 percent spending

services and the expected outcomes expected as a result of those services;
- An improvement in the quality of services and providers available to injured workers;
- Creation of a clear reward to providers for achieving and progressing toward established return to work goals;
- Creating protocols, which effectively encourage providers to take all claims regardless of the complexity of the claim.

There are approximately 80 service codes covered in the vocational-rehabilitation benefit service plan. Under the current fee-for-services reimbursement model, we reimburse for vocational rehabilitation services per an established fee and payment protocols. As providers perform these services, we pay the fee, per those protocols. Currently, we pay the established fee irrespective of the ultimate outcome of the services.

The reimbursement model the board approved and which we will implement on Feb. 1, 2015, reflects a hybrid reimbursement methodology and approach. For certain services, we will maintain the current simple standard fee for services methodology. For all other services, we will apply an outcomes fee-for-services methodology.

The outcomes fee-for-services methodology will contain two separate payment components:

- A modified fee-for-service payment;
- An outcome-success payment.

Using our current standard fees for services covered by this methodology, along with other provider operational cost metrics, we will pay a modified fee for services. The proposed modified fee will be 90 percent of the current standard fee rate. We will pay the modified fee per standard reimbursement protocols as a provider provides services to an injured worker.

The outcomes portion for the fee will be an established payment amount, which a provider will receive when an injured worker has successfully returned to work. If a provider achieves a successful return to work, the total payment the provider will receive because of both components will typically be 10 percent greater than the current amount received in the simple fee-for-services model. Additionally, to ensure continued access to care for all injured workers in need of vocational rehabilitation services, the outcome-based component includes recommendations for modifying the fees based on the complexity of the injured worker's needs.

The table below indicates the categorization of services and which methodology applies.

Simple standard fee	*Outcome fee*	
Standard services	Employment services	Plan Implementation by the VRCM
Vocational rehabilitation case management (VRCM) for assessment and plan development • Assessment and evaluation services • Training • Physical-restoration services • Travel, wait and mileage • Other services	• Job club • Job seeking skills training • Job development • Job placement	VRCM for plan implementation, including: • Phone calls; • Report writing; • In-person meetings; • Amendment writing.

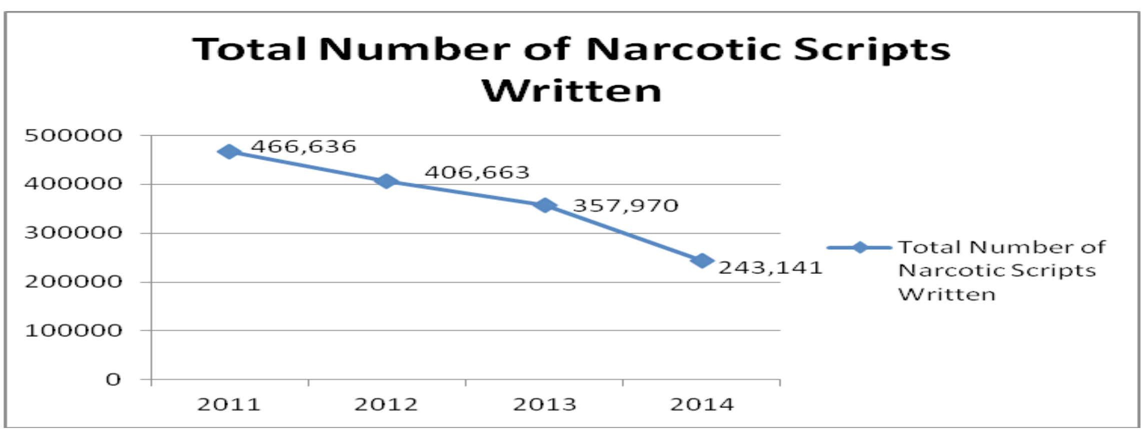
The anticipated impact of these enhancements will be an increase in the success of returning injured workers back to both work and life.

Pharmacy program

Our pharmacy program implemented a formulary for prescription drugs that became effective Sept. 1, 2011. When comparing FY14 with the base FY11 before the formulary became effective, the agency experienced:

- A 74-percent reduction in prescriptions for skeletal muscle relaxants;
- A 25-percent decline in prescriptions for narcotics (Chart 2);
- An 80-percent reduction in prescriptions for anti-ulcer agents;
- A 28-percent reduction in prescriptions per injured worker.

Chart 2.



In FY2014, opioid use among injured workers as measured by injured workers receiving opioid prescriptions as well as total opioid load as measured by morphine equivalent dose declined. By the end of FY14, injured workers receiving opioid prescriptions had declined to below the FY13 level. The total average opioid load of injured workers has declined for the past 11 quarters.

BWC experienced a $20.7 million (15-percent) reduction in total prescription drug costs in FY2014 compared to FY2011.

To ensure the safety of injured workers, the pharmacy program proposed the following changes to its outpatient medication rules (OAC 4123-6-21.1 and OAC 4123-6-21.3):

- Restrict reimbursement for topical compounded prescriptions to those preparations that meet specified criteria. For example, the compound contains not less than one or more than three FDA approved medications;
- Revised the drug formulary rule to adopt a maximum daily dose of anti-anxiety agents that we reimburse. This amount is the equivalent of 40mg of diazepam per day.

In addition, the pharmacy program enacted a new rule (OAC 4123-6-21.5) that adopted standard dose tapering (weaning) schedules for opioids and anti-anxiety drugs. This rule requires us to use these weaning schedules for state fund and self-insured claims when issuing an order denying payment for a drug in either of these classes.

Managed-care processes

Per OAC 4121.44, BWC certifies MCOs to participate in the HPP for two-year periods. The current certification period expires Dec. 31, 2014. We are reviewing recertification applications from current MCOs to re-certify the MCOs for the period Jan. 1, 2015, through Dec. 31, 2016.

The MCO contract expired Dec. 31, 2013. We worked with the MCOs to finalize a new, two-year MCO contract effective Jan. 1, 2014.

The outcome of the negotiation efforts was a contract with language that reflected BWC's goals of:

- Facilitating a greater focus on outcomes;
- Facilitating increased effectiveness of the MCOs in execution of their responsibility for medical management;
- Facilitating increased effectiveness of the MCOs in execution of their responsibility for return-to-work and remain-at-work management;
- Facilitating increased collaboration between BWC and the MCOs;
- Reduction of redundancy and duplication.

A key highlight of this contract is the refinement of the MCO compensation methodology, which increases the connection between an MCO's outcomes and that MCO's resulting compensation. This pay for performance approach encourages MCO competition and innovation with the expected impact of improving return-to-work outcomes for injured workers and employers. The two-year contract covers 2014 and 2015. The contract compensation for the term of this contract will remain the same as it is now, which is $170 million.

In October 2012, the administrator introduced a series of BWC/MCO workgroups. The workgroups focused on resolving barriers to optimal medical management. They also aimed to improve the overall outcomes of injured workers. The objective of this process was to obtain recommendations and actions that would enable BWC to undertake opportunities to improve the Ohio worker's compensation claim and medical case-management process. Thus, we added relevant language to the contract to accommodate implementation and next steps actions during the term of the contract for the recommendations produced by the workgroups.

To address implementation of recommendations during the contract terms, BWC included robust contract opener language. This allows for good-faith negotiation of material changes to current MCO operational expectations and any appropriate increase in payments to MCOs. Additionally, we modified contract terms to reflect a change from prescriptive directives by BWC to qualitative oversight and/or review of submitted MCO operational procedures. This allows the MCOs to exercise more innovation in how they execute their administrative tasks. Finally, we added language to encourage MCOs to innovate. MCOs can receive incentive payments for BWC-MCO special projects provided:

- The project(s) are beyond normal MCO contract requirements;
- The project(s) assists BWC in enhancing operations in ways that benefit Ohio's workers' compensation system;
- BWC and the MCO must agree on the project(s).

Medical providers

To support the HPP goal of having and maintaining a strong, effective network of certified providers, BWC updated the following rules:

- OAC 4123-6-02.7 Provider decertification procedures: A progressive compliance path began in January 2013 for violations of a workers' compensation statute or rule or a term of the provider agreement. At the end of FY14, we sent 198 first notices and 18 second notices. This equates to a 9-percent repeat provider violation rate; thus showing effectiveness with the onset of this process. The path provides for written notice and submission of a correction plan for those receiving the second notice, and prior to BWC initiating decertification proceedings, none which have occurred to date. It excludes certain violations, due to their nature, and may lead to BWC immediately starting the decertification process. Our goal is to provide educational notice but to ensure providers abide by mandatory requirements;
- OAC 4123-6-02.2 HPP Credentialing Criteria Rule: Adds three new provider types of occularist (artificial eye prosthetics), hospice providers and an employment specialist provider type for which BWC has never required any minimum criteria in the past. Employment specialists will perform job placement, job development, job-seeking skills training, job club and job-coaching services. The rule also added a certification criteria and a grandfathering clause. This rule became effective April 1, 2014. BWC aims that the addition of employment specialists will aid in helping to return workers to their jobs as quickly as safely possible.

We completed our first full year of an electronic newsletter exclusively for our provider community. This newsletter reaches our medical stakeholder associations, providers working with us electronically through our website accounts, and those who elect for us to notify them through an internal provider listserv. Our communications department tracks notices sent through a provider's electronic profile method within BWC, and reports the statistics on average viewing. Through this service, Medical Services delivers just in time updates on new policies and information that assists providers in serving injured workers and understanding their day-to-day BWC practice knowledge needed.

Medical and vocational service administration support

New catastrophic claims pilot

We initiated a new catastrophic-claims, case-management pilot program to help seriously injured workers with catastrophic injuries recover with the best outcomes possible. After an extensive RFP process, BWC contracted with Paradigm Outcomes Management, a company that will provide professional, high-quality services with the goal of achieving the highest quality of life and medical stability with a return to work where possible. Paradigm specializes in managing medically complex cases such as:

- Spinal cord injuries and brain injuries;
- Multiple trauma injuries;
- Blood borne pathogens and exposure;
- Industrial blindness;
- Severe burns and major extremity amputations.

Under its model, an injury-management team led by a physician specialist supportively drives and directs the injured worker's medical care. A key objective of this new pilot program is to determine and evaluate innovative ways for workers with catastrophic injures to obtain better:

- Quality outcomes;
- Return-to-work outcomes;
- Quality lives for the injured workers and their family members.

We are reviewing claims and determining the ones to refer to the vendor, while Paradigm submits monthly reports to us on injured workers' progress.

We evaluate every catastrophic claim for appropriate referral to Paradigm. Reasons for not referring a claim would include the claim does not meet catastrophic critereia with regard to severity and/or complexity; if there are compensability issues; if there is a tremendous lag in claim notification and an injured worker's death. The table below indicates pilot activities covering June 2013 to June 2014.

Table: Paradigm Pilot catastrophic claims referral activities

Activity	Claim count	Percent
Number of catastrophic claims	113	
Number referred to Paradigm	34	30 percent of total
Number of claims on which Paradigm extended a contract	16	47 percent of referred
Number of contracts BWC accepted1	13	81 percent of extended contracts
Number of contracts BWC rejected	3	19 percent of extended contracts
Number of contracts closed complete or abrogated2	2	13 percent of extended contracts

1As of November 2014, one contract is still pending.

2 Contract was abrogated due to a change in the injured worker's status.

Referrals made to Paradigm for which BWC did not develop a contract or accept were for the following reasons:

1. Injured worker's death (two);
2. Compensability issue (five);
3. Claim was determined not to meet the catastrophic criteria after a Paradigm initial assessment (eight);
4. Paradigm was unable to develop an outcome plan for a referred case (two).

The pilot program has experienced expected operational and administrative challenges. However, during the initial course of the pilot activities, operational processes have experienced significant improvement. There has been improved coordination and collaboration between BWC, the MCOs and Paradigm in managing and data exchange on relevant catastrophic claims. Additionally, negotiations with Paradigm on maximum level of expected outcomes for claims it manages resulted in a reformation of the level 5 outcome plan expectations. This includes a more aggressive and clear objective of positioning injured workers to be successful in vocational rehabilitation when an injured worker cannot return to his or her previous job due to an injury. We will report the ultimate results of managed cases in future annual reports.

Medical bill processing

The Medical Services Division was involved in two key initiatives intended to modernize BWC's technical infrastructure. These projects included:

a) The retirement of the Medical Invoice Information System (MIIS), BWC's legacy medical bill processing and provider system, in place since 1990;

b) The development of changes to the infrastructure to facilitate receipt, storing and sending of International Classification of Diseases (ICD)-10 codes. This update to the health-care industry's diagnosis code set is mandatory for most providers effective Oct. 1, 2015.

In the past year, the Medical Services Division has consolidated all medical bill processing into a single system. This means users only must learn one system. MIIS retirement added about 30,000 bills per week to the 55,000 bills per week that CAM*BWC already processed. We have also streamlined the drug-bill adjustment process, by automating the process using a file provided by BWC's pharmacy benefit manager, Catamaran.

International Classification of Diseases (ICD)

The ICD provides codes to classify diseases and a variety of signs, symptoms, abnormal findings, complaints, social circumstances and external causes of injury or disease. We can assign every health condition to a unique category and give it a code. The Center for Medicare and Medicaid Services plans to transition from ICD-9 to ICD-10 codes on Oct. 1, 2015.

ICD-10 codes allow for much more specific diagnoses and will reflect advancement in medical knowledge and technology. The Medical Services Division staff is leading an inter-agency ICD-10 team to implement the new coding system. The new system will add approximately 56,000 diagnosis codes to the group available in ICD-9. This transition includes the manual conversion of more than1,400 unmapped ICD-10 codes. To date, the division staff has completed 33,631 ICD-9 coding modification requests.

BWC is an exempt entity from the Health Insurance Portability and Accountability Act (HIPPA). Therefore, we are not required to adopt ICD-10. However, doing so allows us to take advantage of health-care industry tools. These tools include prospective pricing methodologies used for hospital bills and clinical editing tools for professional bills. Further, the update will also reduce the administrative burden on health-care providers who would otherwise need to maintain a second coding system exclusively for their workers' compensation patients. Providers include diagnosis codes on each of the roughly 11,000 medical bills MCOs receive daily. MCOs use the diagnosis codes to validate the billed treatment is related to the injured worker's claim.

To implement ICD-10, the health-care industry must implement system infrastructure changes. This includes the adoption of the 5010 electronic data interchange format for medical bills. 5010 is a HIPAA-mandated standard electronic format used between health-care entities to transmit data. The migration to the 5010 version will allow BWC to fulfill a Medicare reporting requirement relative to claims payment data ahead of schedule. The target date for full implementation of 5010 is Feb. 28, 2014.

Successful completion of these projects will ensure BWC can continue to interact with providers and Medicare using the industry-standard code sets. It will also support a smoother transition to PowerSuite.

Changes that we have already implemented in preparation for the ICD-10 conversion include:

- Moved all MCOs to a new electronic bill format that supports the new ICD codes (this involved extensive testing with MCOs);
- Modified CAM*BWC so that it may store ICD-10s as reference codes, receive ICD-10 codes on medical bills and report on bills that contain ICD-10s via BWC's Data Warehouse.

Selected HPP Measurements

All dollar amounts are shown in thousands.

The figures below are limited to the HPP.

Measurement	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Active employers (1)	233,105	229,765	228,144	227,619	227,487	227,370
Active claims (2)	275,579	245,634	311,315	326,264	316,935	306,268
FROI timing (3)	17.28	17.4	15.47	15.61	16.28	14.28
% of FROIs filed within seven days of date of injury (4)	73.83%	74.47%	74.39%	74.40%	74.61%	75.94%
% of claims determined within 14 days of filing date (5)	73.10%	73.41%	66.82%	61.52%	57.88%	57.44%
Bill timing (6)	82.88	79.21	78.1	79.92	86.28	73.21
LDOS–MCO	68.03	64.31	62.37	64.48	71.19	61.98
MCO–BWC	5.6	5.76	6.59	6.24	6.53	5.46
BWC–MCO	7.3	7.2	7.19	7.25	7.16	4.38
MCO–Provider	1.95	1.95	1.95	1.95	1.39	1.39
Total regular medical payments (7)	805,856	774,939	755,797	724.395	691,461	634,919
Payments for file reviews and IMEs (8)	23,285	22,275	20,507	19,687	18,930	17,754
MCO fees (9)	161,317	165,187	166,960	168,403	169,815	169,581
Total medical payments, plus MCO fees	990,458	962,401	943,265	912,485	880,207	822,254
Total indemnity	1,115,083	1,071,508	1,039,299	1,065,739	1,062,656	1,053,655
payments (10)						
Grand total (11) Benefits paid (Total regular medical payments, plus MCO fees, plus total indemnity payments)	2,082,256	2,011,634	1,962,056	1,958,537	1,923,932	1,858,155

(1) Average number of employers in an active, reinstated or debtor in possession status assigned to an MCO during the time frame noted.

(2) Average number of active claims (claims with a payment or application submitted to us within a specified length of time) assigned to an MCO during the period noted. The specified length of time changed from 13 months to 24 months in November 2010. This change in the definition of active accounts is the reason for the increase in the number of active claims in FY11 versus FY10.

(3) Average time, in calendar days, from date of injury to date BWC received a FROI for all FROIs received during the period noted for claims assigned to an MCO.

(4) Percent of claims assigned to an MCO where BWC receipt of the FROI is within seven calendar days from the date of injury where BWC received the FROI during the period noted.

(5) Percent of claims assigned to an MCO determined within 14 days of the filing date where the determination was during the time frame indicated regardless of date of injury or filing date. BWC considers a claim determined when we place it in an Allow/Appeal or Disallow/Appeal status.

(6) Average time, in calendar days, between the last date of service being billed (LDOS) to a check being issued to the provider for bills processed by the MCOs. This does not include bills for prescription drugs processed through BWC's pharmacy benefits manager. It is further broken down into the component steps of the process:

- LDOS–MCO: LDOS to MCO receipt;
- MCO-BWC: MCO receipt (for review and payment determination) to BWC receipt;
- BWC-MCO: BWC receipt (for review and final payment determination) to date monies are deposited into the MCO's provider account;
- MCO-Provider: MCO receipt of the final payment information and monies to the MCO issuing the check to the provider.

BWC bases the MCO-provider information on a desk audit of the MCOs' check issuance timing, updated in CY12.

(7) Payments for medical services made on claims assigned to an MCO during the period noted. Amounts include payments on claims associated with bankrupt self-insured claims assigned to the MCOs and payments for prescription drugs processed through BWC's pharmacy benefits manager. Regular denotes this category includes payments for physicians, hospitals, therapies, diagnostic testing, etc. It excludes payments made for file reviews and independent medical examinations (IMEs) requested to facilitate administrative decisions in the claim.

(8) Payments made during the time frame noted for file reviews and IMEs requested to facilitate administrative decisions in the claim.

(9) Payments issued to the MCOs during the period noted per the MCO Agreement for their services. BWC bases MCO contracts on calendar years. Fluctuations in the amounts paid to the MCOs between fiscal years are attributable to several factors, including:

- Changes in the overall amount available to the MCOs from year to year;
- Timing of different types of payments (administrative payments are monthly, outcome payments are quarterly, and in the past, we made exceptional performance payments annually);
- BWC made some payments after the end of the contract. For example, the agency made the balance of the CY09 exceptional performance payment in February 2010.

(10) Payments for salary compensation made on claims assigned to an MCO during the time frame noted. This includes payments for temporary total, living maintenance, wage loss, lump sum settlements, etc. Amounts include payments on claims associated with bankrupt self-insured claims assigned to the MCOs.

(11) Excludes payments for file reviews and independent medical exams as these are not benefits paid to or on behalf of an injured worker but are conducted to facilitate administrative decisions in the claim.

Division of Safety and Hygiene Annual Report

Table of Contents

Division of Safety & Hygiene Financials

BWC's Division of Safety and Hygiene (DSH) budget appropriation for Fiscal Year 2014 (FY14) was approximately $21.7 million. This figure excludes safety grants, the Long-Term Care Loan Program, Bureau of Labor & Statistics (BLS) federal grant and Occupational Safety and Health Administration (OSHA) On-Site's federal grant. Additionally, DSH appropriated $15 million for grants (safety intervention, workplace wellness and drug-free workplace training) and $100,000 for the Long-Term Care Loan Program. The total premium assessment for DSH for FY14 was approximately $16 million. Additional funding came from a federal BLS grant of $116,919 and federal OSHA On-Site grant of approximately $1.7 million. Table A provides FY14 premium assessments.

Table A: FY14 DSH premium assessments

Employer type	Assessments ($)
Private	$13,533,200
Public taxing districts	$1,196,090
Public state	$357,000
Self insured	$901,308
Total assessments	$15,987,598

As of June 30, 2014, DSH disbursements for safety services amounted to about $17.6 million. Grants disbursements amounted to approximately $15 million. Table B provides general description of the DSH disbursements.

Table B: Division of Safety & Hygiene disbursements (Disbursements in $)

Department	Safety admin.	Field consultants	Outreach program and services	Education services	Meetings and conventions, safety council and congress	Resource center	Technical advisors	OSHA state fund match (10%)	PERRP	Training overhead (XTRS)	BLS state match 50%	Totals	Safety grants	Long- term care loan	OSHA federal grant 90%	BLS federal 50%
Payroll	233,706	9,803,990	535,584	468,268	357,756	325,622	821,546	160,764	931,643	0	87,276	13,726,155	0	0	1,446,795	87,272
Overtime	49	2,307	0	4,376	326	0	126	0	222	0	493	7,899	0	0	0	493
Purchased services	147,068	0	192,234	377,724	54,150	1,780	10,675	1,511	7,293	0	0	792,435	0	0	13,427	0
Other purchased services	12,842	2,588	895	39,331	4,703	50,683	3,224	769	662	6,050	0	121,747	0	0	7,521	0
Total	393,665	9,808,885	728,713	889,699	416,935	378,085	835,571	163,044	939,820	6,050	87,769	14,648,236	0	0	1,467,743	87,765
Edible products	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Supplies	15,705	12,212	1,712	24,391	688	92,150	218,703	3,678	9,528	0	495	379,262	0	0	33,099	495
Vehicle maintenance	3,506	135,444	0	2,766	2,907	18	7,165	3,197	13,156	0	0	168,159	0	0	28,817	0
Travel	3,390	38,304	478	5,549	24,178	47	17,966	1,193	13,653	0	3,224	107,982	0	0	22,770	3,224
Communications	28,060	62,697	1,030	1,343	12,915	2,224	7,402	1,514	8,044	0	164	125,393	0	0	12,991	153
Fuel/Utilities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Maintenance/ Repairs	18,924	783	597	14,592	0	42	8,883	204	0	0	0	44,025	0	0	1,838	0
Rentals	501,271	0	0	52,043	185,123	0	0	0	0	0	0	738,437	0	0	169	0
Printing/Advertising	25,505	0	0	0	40,537	0	735	944	20	0	0	67,741	0	0	321	0
General/Other/ Subsidies	69,278	25,577	859	43,790	1,007,537	4,619	1,291	747	4,453	0	121	1,158,272	14,991,332	0	11,171	121
Total	665,639	275,017	4,676	144,474	1,273,885	99,100	262,145	11,477	48,854	0	4,004	2,789,271	14,991,332	0	111,176	3,993
Office equipment	0	0	0	0	0	0	0	171	236	0	0	407	0	0	1,538	0
Motor vehicles	110,941	0	0	0	0	0	0	1,555	0	0	0	112,496	0	0	13,994	0
Communication equipment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	59,346	0
Med/Lab/Therapeutic	0	0	0	0	0	0	44,061	6,594	0	0	0	50,655	0	0	3,994	0
Educational/ Recreational	0	0	0	11,763	0	0	0	444	0	0	0	12,207	0	0	0	0
Data processing equipment	15,135	0	0	0	0	0	0	0	0	0	0	15,135	0	0	0	0
Copy/Print equip	0	0	0	0	0	102	0	0	0	0	0	102	0	0	0	0
Total	126,076	0	0	11,763	0	102	44,061	8,764	236	0	0	191,002	0	0	78,872	0
Grand total	1,185,380	10,083,902	733,389	1,045,936	1,690,820	477,287	1,141,777	183,285	988,910	6,050	91,773	17,628,509	14,991,332	0	1,657,791	91,758

BWC's Occupational Safety and Health Services

DSH provides a variety of occupational safety and health services to Ohio employers and employees. Primarily, DSH's services include safety education and training, safety councils, safety congress, safety grants and loan programs, on-site and field consulting safety services, Public Employment Risk Reduction Program (PERRP), and library services. Table C provides general statistics about the number of employers who benefited from these services.

Education and training services

BWC's safety education and training services include classroom and Web-based safety courses in industrial and construction safety, industrial hygiene, ergonomics, and risk and safety management. Course completions for classroom, Web-based and on-site training totaled 28,445 completions by 20,245 students, representing 8,841 employers. BWC offered 79 courses through 349 classes at 11 locations. Field staff conducted 53 additional on-site classes to 997 students representing 224 employers. BWC's learning management system offered 13 online courses, resulting in 19,245 completions by 14,347 students representing 5,847 employers.

Safety Council Program

The Ohio Safety Council Program provides a forum for promoting occupational safety and health, loss prevention, workers' compensation cost control, and management and networking to more than 8,600 Ohio employers through monthly meetings. BWC co-sponsors 78 safety councils throughout the state, organized through chambers of commerce, trade and manufacturing associations, safety education providers and other local community organizations.

BWC provided $954,350 in subsidies toward the direct costs of these councils and paid $9.5 million in premium rebates to employers who met the safety councils' enrollment, active participation and performance requirements. Beyond subsidies and rebates, BWC presented more than 5,500 awards through a structured program to recognize companies for their efforts in injury and accident prevention. Safety councils held 1,130 meetings during FY14.

Table C: Fiscal Year 2014 occupational safety and health services statistics by policy type

Service type	Private employers	Public employers	State agencies	Self-insured	Marine fund	Black lung	Undeter-mined	Total
Training and education	8,105	480	28	223	1	0	4	8,841
Safety congress	1,930	225	31	263	2	0	105	2,556
Safety council	7,233	901	10	405	0	1	86	8,636
Safety grants*	572	193	0	0	0	0	0	765
Video library	1,016	114	13	103	0	0	1	1,247
Specialized field consulting - visit only	3,462	555	34	231	1	0	0	4,283
OSHA On-site	665	0	0	0	0	0	0	665
PERRP field consulting – visit only	15	336	11	11	0	0	0	373

* = 849 grants awarded to 765 employers.

Ohio Safety Congress & Exposition

The annual Ohio Safety Congress & Exposition continues to be the largest occupational safety and health state conference in the United States. This year's safety congress hosted 6,299 individuals, representing 2,556 Ohio businesses. The free, three-day event offered general sessions, workshops, lectures, panel discussions, simulations, and demonstrations. Additionally, the event featured a safety innovations showcase and an exposition marketplace.

A record-setting 229 product and service providers participated in the exposition, providing $291,689 of event revenue to BWC. These providers showcased the latest advances in safety and health training, equipment, technology and services. Local and national experts presented 180 general sessions, workshops and educational sessions.

Of those who attended safety congress, 90 percent indicated they were "completely satisfied" or "satisfied" with the event and will implement what they learned. Furthermore, 31 percent of participants attended the event for the first time. In addition to servicing the training and education needs of Ohio businesses and workforce, the event provided professional development for BWC employees, reducing the funds needed to provide for such training through external sources.

Grant programs

The primary focus of BWC's safety grant programs is to assist employers in managing the financial costs associated with implementing safety measures to prevent accidents and injuries in the workplace. Another major goal is to establish safety best practices in the field of occupational safety and health.

The grant programs include Safety Intervention Grants (SIG) Program, the Workplace Wellness Grant Program (WWGP) and the Drug-Free Safety Program (DFSP) grants. In FY14, BWC awarded 849 grants totaling $14,991,332 to 765 employers.

Safety Intervention Grants Program

The SIG Program, now in its 15th year, provides financial assistance to employers to purchase equipment to make their workplaces safer. The program provides 3-to-1 matching funds, up to a maximum of $40,000 per employer eligibility cycle. The total payroll reported for the last full policy year determines the eligibility cycle. Employers can only use funds toward the purchase or improvement of equipment to significantly reduce or eliminate the risk of injury. The program requires employers to evaluate their interventions and share their results with BWC.

In FY14, BWC awarded 515 SIG grants totaling $14,301,405 to 446 employers, compared to 130 SIG grants totaling $3,991,469 to 128 employers in FY13. This year, 84 percent of the awards went to employers with 200 or fewer employees. The majority of employers who participated in the program were manufacturing industry (94), followed by construction industry (78).

Employers receiving grant funds through the SIG Program must provide quarterly reports and a year-end case study to document their experience with the equipment purchased through the grant. BWC uses the data and information to:

- Conduct cost/benefit analysis;
- Identify best practices;
- Advance knowledge in the area of occupational safety and health;
- Show other employers how they can benefit from implementing safety and health improvements in their workplaces.

Last year, 134 companies fulfilled their participation requirements in SIG. These companies reported $2,196,952 in annual productivity savings, $694,751 in annual claim cost savings and $1,336,938 in other savings (quality, absenteeism, etc.). The return on investment on the cost of the interventions based on this reported information is 1.37 years.

Workplace Wellness Grants Program

The WWGP assists Ohio employers with the development and implementation of a workplace wellness program. The program's goal is to control the escalating cost of workers' compensation claims through addressing health-risk factors. The WWGP's collateral goals are also to reduce healthcare costs for employers, as well as improve the health of the workforce. Participating employers may receive $300 per participating employee during a four-year period, up to a maximum amount of $15,000 per employer. Employers participating in the WWGP must use wellness grant funds to compensate an external wellness program vendor for administering health-risk assessments (HRAs) and biometric screenings, and providing appropriate coaching and other health promotion services to address the results of the screening and assessment. Participating employers receive grant funds after the completion and submission of aggregate HRA and biometric screening and employee data to BWC. During FY14, 103 employers entered year two of the program and 58 employers entered their first year of the program. BWC disbursed $511,290 to 175 participating employers. In comparison to last year, BWC dispersed $514,600 to 156 employers in FY13.

Drug-Free Workplace Safety Grants

The DFSP provides support for Ohio's employers in their efforts to maintain safe, drug-free workplaces. In FY14, BWC awarded 159 grants amounting to $178,637 to 144 employers. Construction and manufacturing accounted for 53 percent of the participating employers; commercial, service and transportation also benefited from these grants. In comparison to last year, there were 241 grants amounting to $179,491 awarded to 235 employers.

On-site and field consulting services

BWC's on-site and field consulting safety services include the OSHA On-Site Consultation Program, Public Employment Risk Reduction Program (PERRP), and specialized field consulting services in the areas of industrial safety, construction safety, ergonomics and industrial hygiene. BWC's on-site and field safety specialists work directly with employers on hazard and risk assessment and mitigation, safety management system enhancements as well as the introduction of safety interventions in the workplace.

OSHA On-Site Consultation Program

The OSHA On-Site Consultation Program is 90-percent funded by a federal OSHA grant of $1,731,000 with BWC funding the remaining 10 percent ($187,470). The program provides highly specialized services to relatively small employers (less than 250 employees) in high hazard/risk private industries.

Program field consultants conducted 942 visits to workplaces belonging to 665 employers with 48,596 employees. In addition, the program provided on-site safety training for 1,662 employees. BWC recognized three companies as having exemplary safety and health programs in FY14. These companies earned the Safety and Health Achievement Recognition Program (SHARP) designation. This brings the number of companies with SHARP designation to 29.

Public Employment Risk Reduction Program

Legislation passed in 1992 requires the adoption and application of federal occupational safety and health standards to public employers and employees. The PERRP is tasked with enforcing adopted safety and health standards. It also assists the public sector employers in creating safe and healthy workplaces. PERRP completed its five-year rule review, and simplified and reorganized all of the Chapter 4167 rules that govern PERRP.

During FY14, PERRP provided compliance assistance services to 373 public employers and conducted 66 enforcement activities, including five fatality investigations. PERRP services resulted in public employers voluntarily correcting more than 1,100 workplace hazards, which resulted in improved working conditions for Ohio public employees.

PERRP's outreach efforts included the issuance of a safety alert on the hazards associated with tree felling and limbing operations and the creation of a new training course, "Advanced Safety for Public Employers." In addition, PERRP staff conducted an all day Accident/Investigation Analysis workshop at Ohio Safety Congress. PERRP also supported programs by helping 38 public employers enrolled in the Industry-Specific Safety Program (ISSP) complete the program requirements and earn premium rebates.

Specialized field consulting safety services

Specialized consulting services provided through the BWC service offices help employers implement safety programs, identify hazards and apply remediation techniques. These field activities include thousands of noise measurements, air quality sampling, ergonomic surveys, and safety audits in workplaces throughout Ohio. In FY14, BWC's field consultants made 13,018 visits to Ohio workplaces belonging to 4,283 employers to provide consulting services in industrial hygiene, industrial and construction safety and ergonomics.

Library services

BWC libraries offer access to information, training materials and experienced staff members to help employers with their workplace safety and health activities. BWC's library is the only library of its kind in Ohio and among a few in the nation with such specialized services. The library provides free information services on state-of-the-art developments in occupational safety and health, workers' compensation and rehabilitation. Employers, local and state government, attorneys, health-care professionals, researchers, union members and students, as well as the general public and BWC employees use the library services. The library is part of the statewide OHIOLINK library network.

The video library houses a video collection, which includes more than 800 workplace safety and health DVDs, videotapes and training aids. It is a convenient and popular source for Ohio employers to obtain quality workplace safety and health training aids for their employees. The video library has partnered with several online streaming video vendors, offering more than 150 titles in that format for Ohio employers. This year, the video library served 1,247 Ohio employers and loaned 8,226 DVDs and videotapes to these employers.

Technical advisors unit

BWC's technical advisors unit provides specialized technical support to BWC field consultants and employer management staff in the areas of ergonomics, industrial hygiene, industrial safety and construction safety. The technical advisors also serve as subject matter experts in the development and administration of BWC safety grant and rebate programs such as the ISSP, DFSP, SIG Program and WWGP.

The unit assists the service offices with reviewing applications, interviewing, and mentoring new safety, ergonomics and industrial hygiene field consultants. They also arrange professional development events and discipline-specific staff meetings, and lead special projects and safety initiatives.

This unit also maintains and updates the Ohio Administrative Code specific safety requirements. The unit completed seven code revisions in FY14. Additionally, the unit disseminates information on new advancements in safety research, consulting tools, standards and technology. Finally, the technical advisors provide technical support for the development and revision of the BWC safety services website, safety publications, training courses and presentation modules, and teach several occupational safety, ergonomics and industrial hygiene courses.

Industrial hygiene laboratory

BWC's industrial hygiene laboratory provides a variety of support services to BWC consultants. The laboratory handles the inventory repairs, maintenance and calibration of more than 2,000 measurement devices and tools used by DSH staff. Last year, the laboratory performed certified calibration of 762 devices, with estimated savings of approximately $135,845.

Furthermore, by working with an external specialized laboratory, BWC's laboratory coordinated elaborate testing of 783 air quality samples to measure workers' exposure to a variety of chemicals at 557 Ohio workplaces.

Bureau of Labor Statistics

BWC renewed the cooperative agreement with the Federal Bureau of Labor Statistics (BLS) for the Survey of Occupational Injuries and Illnesses (SOII) for FY14. The survey is the only comprehensive measure of work-related injuries and illnesses in American workplaces. The agreement allows BWC to continue to administer the survey for the State of Ohio. This federally mandated survey was developed as part of the Occupational Safety and Health Act of 1970. BLS provides 50 percent of the funding and BWC provides 50 percent as a match. The survey provides information on the number and frequency of non-fatal injuries and illnesses occurring in workplaces. It also provides demographic and case characteristics information for serious injuries requiring time away from work. The information gathered through this report is used to generate state and national benchmarks for incidence of occupational injuries and illnesses. The report is a valuable tool for the development of prevention policies and training toward improving safety standards in work places at both state and national levels.

The survey gathered data on occupational injuries and illnesses for the 2013 calendar year. BLS randomly selected 4,146 establishments (both private and public) as a representative sample for the entire Ohio workforce. The survey achieved a 95-percent response rate with more than 5,000 cases of occupational injuries and illnesses reported. This number includes a sampling of cases with job restriction and transfer and all recordable cases involving days away from work. Of the total cases reported, 99.9 percent of these were coded using both the Occupational Injury and Illness Classification System and the Standard Occupational Classification System for the purpose of comparison and analysis. BLS and BWC will make comprehensive statistics and publishable data available to the public later this year.

Last year, the program successfully published the survey statistics available from the BLS survey for calendar year 2012 for Ohio. This is the first time in 20 years that the State of Ohio has had state level data in the survey. A valuable finding from the survey is that Ohio had a lower incidence rate of occupational injuries and illnesses than the nation and all neighboring states in 2012. To ensure accessibility of the survey data, BWC created a Web page for the program at www.bwc.ohio.gov. BWC updates the page with educational articles on safety and prevention using statistics available within the survey.

Research Activities and Initiatives

In FY14, the BWC and the National Institute for Occupational Safety and Health (NIOSH) collaborated on the three research projects described below.

Innovative Methods for Measuring the Impact and Economic Return to Wellness Programs and their Integration with Occupational Safety and Health (OSH) programs — The project addresses research gaps by collaborating with BWC to evaluate the WWGP and its impact on OSH programs. The specific aims of the project are as follows:

- Measure the effectiveness of wellness programs by comparing data from pre- and post-implementation of the effect of wellness program on health risk appraisal scores, biometric data, absenteeism rates, turnover rates and health-care costs;
- Gain better understanding of the relationship between wellness programs and the frequency, severity and cost of injuries;
- Estimate the costs, savings and return on investment for wellness programs.

The Effectiveness of Insurer-Supported Safety and Health Engineering Controls — NIOSH and BWC collaborated to study the effectiveness of the BWC SIG Program. For affected employees, total claim frequency rates (both medical-only and lost-time claims) decreased 66 percent. Lost-time claim frequency rates decreased 78 percent and paid cost per 100 employees decreased 81 percent in the area of the intervention. Reductions varied by employer size, specific industry and intervention type. This study was published in the Journal of Industrial Medicine.

Ohio Bureau of Workers' Compensation Data Historical Trend Analysis— NIOSH and BWC continue to work collaboratively on workers' compensation trend analyses. The purpose of these analyses is to identify high-risk industries and occupations in the State of Ohio and to reduce injury risk through prevention and loss control efforts. This work helped in the launch of BWC's new safety microsite that allows employers to determine the average injury rates and claims costs in their industry.

Employer outreach initiatives

In FY14, DSH began working with the communications department and the strategic direction and IT divisions on the development of a safety campaign to increase the reach and range of our services. The first step was the development of a microsite where employers can compare their injury/illness rates with the average rates for other organizations of the same size within their industry. Fact sheets summarizing injury and illness prevention tips and BWC resources for nine specific industry groups were also developed along with links for helping employers locate and request assistance from BWC consultants. Employers are encouraged to visit the microsite via electronic advertising, social media and BWC mailings.

Ohio occupational injury fatalities for calendar years 2009 through July 2014

Following is an analysis of work-related injury fatalities reported to BWC during calendar years 2009 through July 2014. The focus is on fatalities that occurred in 2013. The analysis does not include 18 fatalities that resulted from occupational illnesses/diseases (OD).

At the time of this report, 84 work-related injury fatalities have been reported to the BWC for calendar year 2013. Of those, 58 workers were injured and died on the day of injury, 18 workers were injured and died on different dates during 2013, and eight workers were injured in previous years and died in 2013.

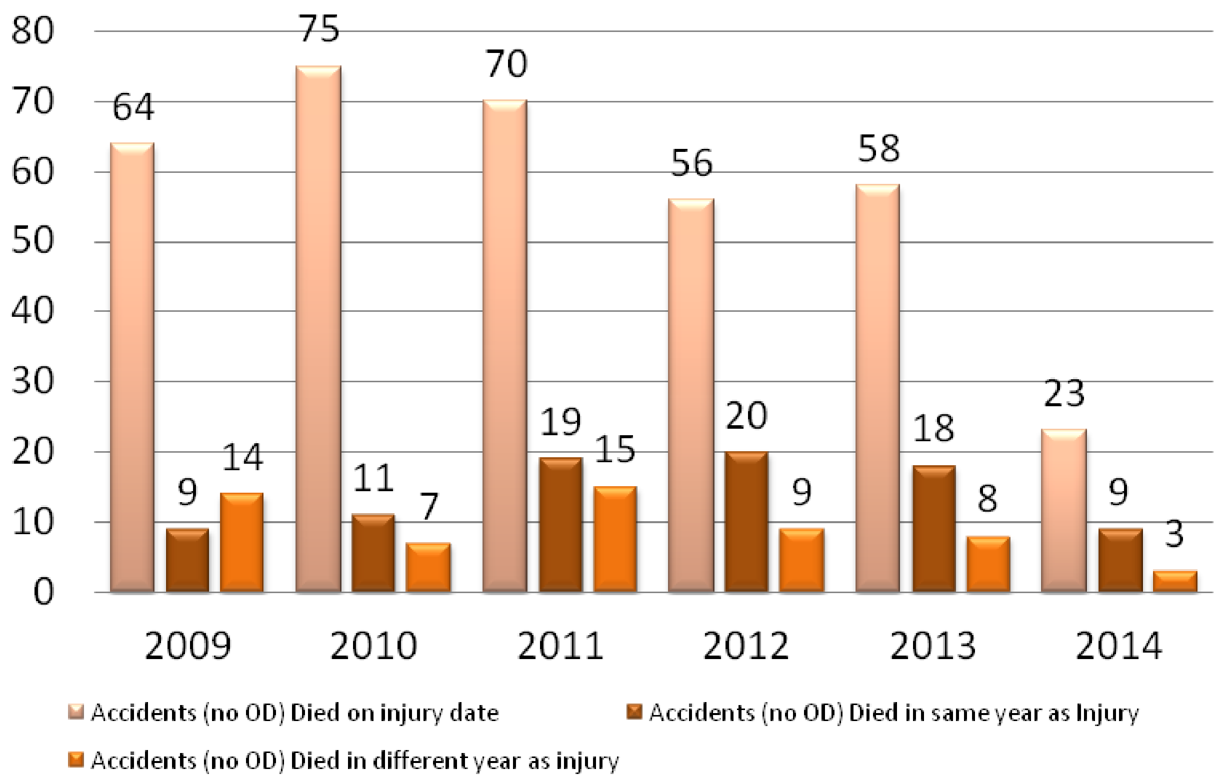


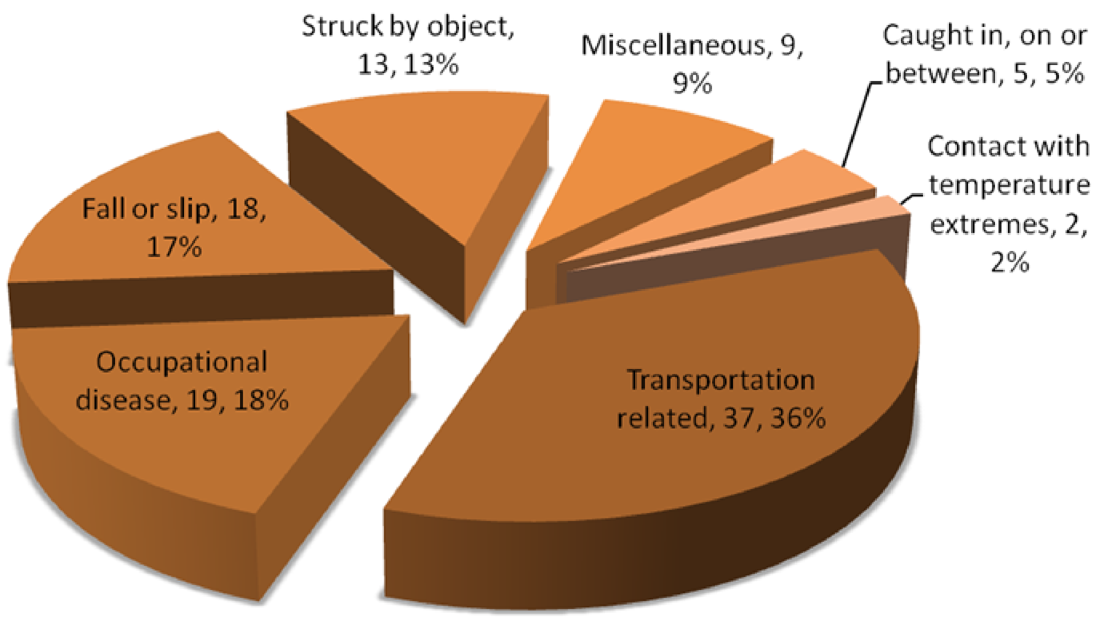
Figure 1 provides a general overview of work-related fatalities in Ohio for calendar years 2009 through July 2014.

Figure 1: Ohio occupational injury fatalities (not including fatalities from OD) from 2009 through July 2014. For each year, the chart depicts the number of fatalities where the worker died on the date of their injury, fatalities where the worker was injured and died on different dates during the same year and fatalities where the worker died in a different year as their injury.

As can be seen in Figure 1, occupational injury fatalities in Ohio have followed a downward trend during the past few years, which is consistent with the national trend. The majority of the fatalities were immediate with injury date and death date being the same.

Additional analysis of fatality data for 2012 and 2013 identified the following:

- A decrease in workplace violence fatalities (three less than 2012);
- A decrease in fatalities from being caught in or between machines/parts (two less than 2012);
- An increase in transportation-related fatalities (four more than 2012);
- An increase in fatal falls (three more than 2012);
- An increase in electrocutions (two more than 2012).



2013 Fatalities according to source of injury/illness (causation)
Figure 2 provides a summary of the primary causations for the fatalities reported to BWC for calendar year 2013.

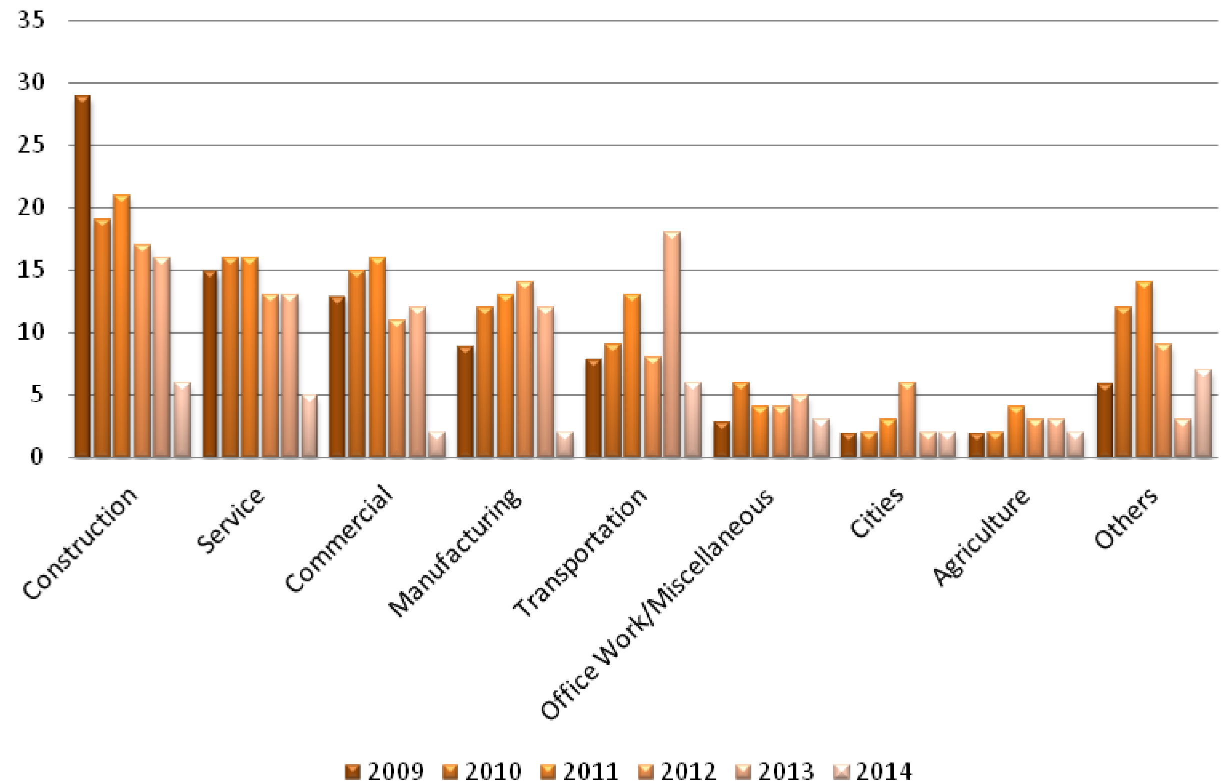
Figure 2: Calendar year 2013 fatalities by causation. The chart depicts the number and percentage of fatalities for 2013 grouped by causation.

As can be seen in Figure 2, transportation-related accidents were the leading cause of work-related fatalities in 2013, resulting in 37 deaths. Twenty-seven workers died in motor vehicle accidents as a driver or passenger, six workers were killed in accidents related to forklifts or construction equipment and four workers died from being struck by vehicular traffic while walking or working by the roadway.

Fatalities from slips/trips and/or falls increased from 15 to 18 from last year, becoming the second leading cause of work-related fatalities (not counting occupational disease-related fatalities). Other leading causes of fatalities included being struck by flying or falling objects (13), getting caught in or between machines or machine parts (five) and being a victim of workplace violence (four).

The remaining coded causations for calendar year 2013 injury fatalities are as follows:

- Three workers died as a result of contact with electrical current;
- Two workers were fatally injured as a result of fires or flames;
- One worker died as a result of an explosion;
- One worker died from engulfment.



2013 Fatalities according to industry sector

Figure 3 shows the fatality counts for calendar years 2009 through July 2014, according to the industry sector.

** 2014 data as of 7/23/2014*

Figure 3: Fatalities by employer industry sector. For each industry sector, the chart depicts the number of fatalities for each year from 2009 through July 2014.

As can be seen in Figure 3, the industry sector with the most fatalities in 2013 was the transportation sector with 18 fatalities, which is 10 more fatalities than that sector had in 2012. The two primary causes were motor vehicle accidents and accidents involving forklifts and earthmoving equipment.

The construction industry sector had the second highest number of fatalities (16) in 2013. The leading causes of fatalities in the construction industry were falls and struck by injuries.

The service industry sector had the third highest number of fatalities in 2013. The service industry sector's top two fatality causes were motor vehicle accidents and falls.

Market Value of BWC's Safety Services and Programs

Table F provides the estimated market value of BWC's occupational safety and health services based on number of service hours and type of services provided according to private-market fee schedules.

Table F: Estimated market value of BWC's occupational safety and health services (FY14).

Employer Type	Field consulting	Video library	Training	Safety congress	Safety grants	Library other	PERRP	On-Site	TOTAL
Private (PA)	$7,584,249	$1,292,164	$2,354,475	$1,625,250	$9,664,982	$7,242	$14,349	$1,884,000	$24,426,711
Public taxing district (PEC)	$1,327,079	$197,285	$337,345	$265,650	$5,296,350	$779	$531,777	$0	$7,956,265
Public state (PES)	$249,204	$68,786	$388,155	$432,300	$0	$284,457	$141,129	$0	$1,564,031
Self-insured	$1,073,997	$171,332	$292,465	$648,450	$0	$1,971	$76,400	$0	$2,264,615
Not defined	$1,581	$6,119	$2,000	$1,100	$0	$14,703	$3,795	$0	$29,298
TOTAL	$10,236,110	$1,735,686	$3,374,440	$2,972,750	$14,961,332	$309,152	$767,450	$1,884,000	$36,240,920

Industrial Commission of Ohio Annual Report

Letter from the Chairman

Under Governor John Kasich's guidance, Ohio's state agencies have demonstrated they can greatly increase the quality of customer service throughout state government without placing an additional burden on Ohio's taxpayers.

Throughout Fiscal Year 2014 (FY14), the Ohio Industrial Commission (OIC) has shared Governor Kasich's vision by delivering timely and impartial workers' compensation hearings while decreasing costs, restructuring procedures, streamlining hearing processes, improving customer service and eliminating unneeded bureaucracy. This report demonstrates our agency's dedication to implementing creative ideas while remaining fiscally responsible to the residents of Ohio.

Fiscal and customer service highlights from the fiscal year include:

- Cut administrative rates for three of four Ohio employer groups for a fourth straight year. This resulted in an estimated combined $7.8 million savings for these groups. Our agency's annual revenue needs are now 30.3 percent lower than 2008;
- Improved on the previous fiscal year's record low total expenditures by another $700,000 to $45.2 million for FY14;
- Reduced employment levels in FY14, resulting in a 22-percent decrease through attrition since January 2008. This represents an estimated cumulative savings of $27.7 million;
- Achieved a 19.8 percent set-aside rate for Minority Business Enterprise (MBE) Set-Aside directed expenditures. This exceeded the statutory minimum by 4 percent for the fourth consecutive year. The OIC also met its Encouraging Diversity, Growth and Equity (EDGE) goal of 5 percent for the third straight year;
- Installed state-of-the-art, 54-inch digital signage monitors in each OIC office lobby to display the agency's docket sheets, notices and legal postings;
- Launched an Emergency Text Alert program to immediately notify representatives and employers of office closures and emergency situations at the OIC;
- Conducted office security checks in each regional and district office to increase the safety of our customers.

In addition to our fiscal responsibility, our agency has remained compliant with statutory mandates despite reducing costs and implementing innovative initiatives to our daily activities. In the next fiscal year, the OIC will continue to implement cost-effective procedures that will cut costs while increasing our customers' satisfaction. The agency will remain a place where creative ideas will be met with enthusiasm and quick implementation when those changes will benefit the stakeholders of Ohio's workers' compensation system.

Under Governor Kasich's leadership, the OIC will continue to provide injured workers and employers with timely, impartial resolution of their workers' compensation appeals while remaining on a fiscally-sound path into the next fiscal year.

Sincerely,

Thomas H. Bainbridge
Chairman
Industrial Commission of Ohio

About the OIC

The OIC conducts more than 136,000 hearings each fiscal year. Most of these hearings take place within 45 days of the original claim appeal. That means customers may expect first-class customer service as the OIC provides a forum for appealing BWC and self-insuring employer decisions.

Since 1912, the OIC has resolved issues between parties who have a dispute in a workers' compensation claim. With each claim, the agency offers information and resources to help customers navigate through the appeals process.

The OIC conducts hearings on disputed claims at three levels: the District level, the Staff level and the Commission level. The Governor appoints the three-member Commission, and the Ohio Senate confirms these appointments.

By previous vocation, employment or affiliation, one member must represent employees one must represent employers, and one must represent the public.

During this fiscal year, Chairman Thomas H. Bainbridge represented the employees, Jodie M. Taylor represented employers, and Karen L. Gillmor represented the public.

FY14 Highlights

In addition to the Commissioners, there are 89 hearing officers — all attorneys — in five regional and seven district offices throughout the state.

In FY14, the OIC heard 136,204 claims. District hearing officers (DHO) heard 95,167 claims. Staff hearing officers (SHO) heard 40,675 claims, and the Commission heard 362 claims.

The OIC consistently achieved a high success rate in adjudicating claims well within the periods mandated by law throughout this fiscal year. From filing date to hearing date, district level (first level) hearings averaged 29 days. Staff level (second level) hearing appeals averaged 33 days. Both averages are well below the 45 days mandated by law.

Filing date to mailing date statistics were just as positive. For the district level, filing date to mailing date was 33 days on average. For the staff level, it averaged 36 days.

The Industrial Commission Online Network (ICON) is the primary reason for our continued success because it makes it easy to file appeals online. There were 60,169 first-level motions and appeals filed on ICON this fiscal year.

There were also 59,435 second-level (or above) appeals filed on ICON during the fiscal year. AskIC is another tool that has helped accelerate our response to customer inquiries. AskIC is an email feature of our website, www.ic.ohio.gov. The feature gives injured workers, employers and their representatives the opportunity to submit questions to our customer service department.

Customer Service received and responded to 1,024 AskIC submissions during this fiscal year. The department also scheduled 1,081 interpreters for injured workers' hearings. In addition, our toll-free customer service line received 7,415 calls this fiscal year. Staff personally assisted 7,749 people at our Columbus office.

Commission Performance Highlights – FY14

The OIC heard approximately 136,204 claims during FY14 at all adjudicatory levels. OIC workloads and performance are initiated by and heavily dependent upon the volume of new claims filed with the Bureau of Workers' Compensation along with new motion and appeal filings. OIC inventory volume is subject to volatile daily swings dependent on appeal filings, claim flows from the BWC, docketing loads and other factors.

The District Hearing Officer volume accounts for 70 percent of overall hearings at 95,167 claims heard. Staff Hearing Officers heard 40,675 claims. Deputy venue claims heard totaled 117 in FY14, while the Commission venue recorded 245 claims heard. Statewide average monthly DHO/SHO inventory was 21,750 claims for FY14. Regional breakdown of average inventories for FY14 is as follows: Columbus – 30 percent; Cleveland – 28 percent; Cincinnati – 19 percent; Akron – 14 percent; Toledo – 9 percent.

Hearing time frame performance mandates and benchmarks have been set forth in House Bill 107 and House Bill 413 for the District, Staff and Commission hearing venues. On average, all OIC offices and venues performed within the statutory limits set forth that require the OIC to hear a claim within 45 days of a motion or appeal filing. The overall IC performance benchmarks for filing to mailing are set at 52 days for each hearing venue. This performance measure is based on the combination of the two statutory periods: filing to hearing and hearing to mailing (45 + 7).

DHO Performance

DHOs conduct hearings on two formal docket types – allowance (primarily injury allowance, compensation and treatment issues) and C-92 (permanent partial disability issues).

Only allowance dockets fall under time frame requirements outlined in HB107.

DHOs heard 75,056 allowance docket claims during FY14. Of those, 62,032 qualified for inclusion in time studies. On average, the DHO process was completed within 33 days during FY14.

SHO Performance

SHOs conduct hearings on five formal docket types:

- Appeal (primarily injury allowance, compensation and treatment issues);
- Permanent total disability;
- Reconsideration (permanent partial disability issues:
- Violations of Specific Safety Requirements;
- Miscellaneous (other issues not designated to a pre-defined docket type).

Only appeal dockets fall under time frame requirements outlined in HB107. SHOs heard a total of 33,841 appeal claims during FY14. Of those, 29,548 qualified for inclusion in time studies.

On average, the SHO process was completed within 36 days during FY14.

BWC Audited Financial Statements

OHIO BUREAU OF WORKERS' COMPENSATION
AND INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)
Columbus, Ohio

Financial Statements
and
Supplementary Financial Information
For the years ended June 30, 2014 and 2013

and Independent Auditors' Report Thereon

SCHNEIDER DOWNS

Big Thinking. Personal Focus.

www.schneiderdowns.com

C O N T E N T S

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's discussion and analysis of the Ohio Bureau of Workers' Compensation's (BWC's) and the Industrial Commission of Ohio's (IC's) financial performance for fiscal years ended June 30, 2014, 2013, and 2012. BWC and IC are collectively referred to as BWC/IC. This information is based on BWC/IC's financial statements, which begin on Page 11.

Financial highlights

- BWC/IC's total assets at June 30, 2014 were $30.3 billion, an increase of $2.1 billion or 7.4 percent compared to June 30, 2013.
- BWC/IC's total liabilities at June 30, 2014 were $20.9 billion, a decrease of $582 million or 2.7 percent compared to June 30, 2013.
- BWC/IC's operating revenues for fiscal year 2014 were $2.1 billion, an increase of $590 million or 39.2 percent compared to fiscal year 2013.
- BWC/IC's operating expenses for fiscal year 2014 were $1.6 billion, an increase of $24 million or 1.5 percent from fiscal year 2013.
- BWC/IC had $1.2 billion in transition credit expenses and reduced the loss contingency expense by $439 million in fiscal year 2014.
- BWC's non-operating revenues for fiscal year 2014 were $3.0 billion, compared to $901 million for fiscal year 2013.
- BWC/IC's net position increased by $2.7 billion in fiscal year 2014, compared to a $1.0 billion decrease in fiscal year 2013.

Financial statement overview

BWC/IC's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Management's discussion and analysis is intended to serve as an introduction to BWC/IC's financial statements, which are prepared using the accrual basis of accounting and the economic resources measurement focus.

- Statement of Net Position - This statement is a point-in-time snapshot of BWC/IC's assets, liabilities and net position at fiscal year end. Net position represents the amount of total assets less total liabilities. The statement is categorized by current and noncurrent assets and liabilities. For the purpose of the accompanying financial statements, current assets and liabilities are generally defined as those assets and liabilities with immediate liquidity or those that are collectible or will be due within 12 months of the statement date.
- Statement of Revenues, Expenses and Changes in Net Position - This statement reflects the operating revenues and expenses, as well as non-operating revenues and expenses, for the fiscal year. Major sources of operating revenues are premium and assessment income. Major sources of operating expenses are workers' compensation benefits and compensation adjustment expenses. Revenues and expenses related to capital and investing activities are reflected in the non-operating component of this statement.
- Statement of Cash Flows - The statement of cash flows is presented using the direct method of reporting, which reflects cash flows from operating, noncapital financing, capital and related financing, and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents for the fiscal year.
- Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of BWC/IC's financial position and results of operations presented in the financial statements.

Continued

- Supplemental Information - This section includes supplemental schedules presenting the statement of net position and the statement of revenues, expenses and changes in net position for the individual accounts administered by BWC/IC. This section also includes required supplemental information that presents 10 years of revenue and reserve development information.

Financial analysis

Components of BWC/IC's Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position as of June 30, 2014, June 30, 2013, and June 30, 2012, and for the years then ended were as follows (000's omitted):

	2014	2013	2012
Current assets	$ 1,980,409	$ 2,935,812	$ 1,813,133
Noncurrent assets	28,361,299	25,306,277	26,203,374
Total assets	$ 30,341,708	$ 28,242,089	$ 28,016,507
Current liabilities	$ 3,867,108	$ 3,713,761	$ 2,779,729
Noncurrent liabilities	17,014,387	17,749,251	17,419,039
Total liabilities	$ 20,881,495	$ 21,463,012	$ 20,198,768
Net investment in capital assets	$ 125,998	$ 88,663	$ 57,105
Unrestricted net position	9,334,215	6,690,414	7,760,634
Total net position	$ 9,460,213	$ 6,779,077	$ 7,817,739
Net premium and assessment income, including provision for uncollectibles	$ 2,085,821	$ 1,492,389	$ 1,944,478
Other income	8,141	11,723	14,115
Total operating revenues	$ 2,093,962	$ 1,504,112	$ 1,958,593
Workers' compensation benefits and compensation adjustment expenses	$ 1,519,175	$ 1,491,515	$ 1,832,992
Other expenses	117,277	120,741	120,228
Total operating expenses	$ 1,636,452	$ 1,612,256	$ 1,953,220
Transition credit expense	$ (1,229,000)	$ -	$ -
Premium rebate	(45)	(965,636)	-
Legal settlement / loss contingency	439,440	(859,440)	-
Operating transfers out	(425)	(6,365)	(3,390)
Net investment income	3,013,608	900,854	2,043,644
Gain on disposal of capital assets	48	69	110
(Decrease) increase in net position	$ 2,681,136	$ (1,038,662)	$ 2,045,737

Continued

BWC/IC's net position increased by $2.7 billion during fiscal year 2014, compared to a $1.0 billion decrease during fiscal year 2013.

- Premium and assessment income exceeded workers' compensation benefits and compensation adjustment expenses by $567 million in fiscal year 2014 and $874 thousand in fiscal year 2013.
- Over the past two years, the net position of the State Insurance Fund (SIF) had grown to the degree that it exceeded the guidelines in the Net Asset Policy established by the BWC Board of Directors (the Board). A rebate to reduce the net position in SIF was approved by the Board on May 30, 2013. Private employers were granted a rebate equivalent to 56 percent of premiums for the July 1, 2011 through June 30, 2012 policy period, while public taxing district employers were granted a rebate equivalent to 56 percent of premiums for the January 1, 2011 through December 31, 2011 policy period. This action resulted in premium rebate expense of $45 thousand in fiscal year 2014 and $966 million in fiscal year 2013.
- On April 23, 2014, the Board approved a transition credit of $1.2 billion for private and public taxing district employers to minimize the cash flow impacts of transitioning from collecting premiums in arrears (or after the coverage period) to prospective billing where premiums are collected in advance of the coverage period. The transition credit will cover 100 percent of private employer premiums for the January 1, 2015 through August 31, 2015 policy periods and 50 percent of the public employer taxing district premiums for the January 1, 2015 through December 31, 2016 policy periods. While the transition credit applies to future policy periods, the transition credit is reflected in the fiscal year 2014 financial statements when the Board committed funds for paying these premiums.
- Premium and assessment income for fiscal year 2014 reflects 2.1 percent reduction in the overall premium rates for the majority of Ohio's private employers and a 1.6 percent reduction for public employer taxing districts (PECs) for the policy period that began on January 1, 2014. PECs include cities, counties, townships, villages, schools, libraries, and special taxing districts. Even with these rate decreases, premium and assessment income increased during fiscal year 2014 as the private employer payroll base increased to $98.6 billion for the twelve months ended December 31, 2013 compared to $94.9 billion for the twelve month period ended December 31, 2012. During fiscal year 2013, the change in the methodology to exclude the provision for future employer defaults from the estimated self-insured employer default liabilities resulted in a corresponding decrease of $458 million to unbilled premium receivables.
- As part of Destination: Excellence, savings were available to employers for effective policy maintenance such as reporting payroll and paying premiums online and keeping current on their premiums. The Go Green program rewards employers for reporting payroll and paying premiums on-line with a discount of one percent of premium up to a maximum discount of $1,000 per six month reporting cycle. In fiscal year 2014, over 41 percent of the employer population chose to Go Green, earning discounts of $3.7 million compared to $2.4 million in fiscal year 2013. To reward timely premium payers, employers with no lapses in coverage during the past 60 months can receive a premium discount of one percent up to a maximum of $1,000 per six month reporting cycle. Employers earned lapse-free discounts of $6.3 million in fiscal year 2014 and $7 million in fiscal year 2013. Employers earned discounts of $3.8 million in fiscal year 2014 by completing requirements of the Industry-Specific Safety Program and $3.1 million for completing the requirements to the Transitional Work Bonus Program.

Continued

- Ohio has 80 safety councils that promote increased safety awareness in the workplace and educate businesses on occupational health and safety issues. Employers meeting safety council participation eligibility requirements and performance goals for reducing either frequency or severity earned safety council bonuses of $9.5 million in fiscal year 2014 and $9.8 million in fiscal year 2013.
- BWC/IC has secured reinsurance as a risk management strategy to protect our assets in the event of a catastrophic event. Premium and assessment income has been reduced by $4.0 million in fiscal year 2014 and $6.0 million in fiscal years 2013 and 2012 for the accrual of the ceded reinsurance premiums.
- Workers' compensation benefits and compensation adjustment expenses were $1.5 billion in fiscal years 2014 and 2013 compared $1.8 billion in fiscal year 2012.

($in millions)	2014	2013	2012
Change in reserves for compensation and Compensation adjustment expenses	$ (468)	$ (515)	$ (245)
Net benefit payments	1,626	1,649	1,715
Payments for compensation adjustment expenses	191	188	195
Managed Care Organization administrative payments	170	170	168
	$ 1,519	$ 1,492	$ 1,833

- The discounted liabilities for workers' compensation benefits and compensation adjustment expenses as of June 30, 2014 are $468 million lower than the June 30, 2013 discounted liabilities. Although there was a change in the consulting firm providing the unpaid loss estimates, there were no material changes in the methodology to determine unpaid loss estimates other than for the Coal Workers' Pneumoconiosis Fund (CWPF). The changes in estimates for the other Funds are derived primarily from different actuarial assumptions with respect to the payment time horizon or duration which impacts the discounted value of the unpaid losses. The methodology used for the CWPF unpaid loss estimates has been developed by the consultant for use in other similar projects and uses both BWC and national data and assumptions to estimate the expected future Black Lung claim filings and awards to the CWPF.
- SIF benefit payments for all accident years emerged $70 million or 4.3 percent lower than expected during fiscal year 2014. Approximately $66 million of the lower than expected paid development is associated with medical benefits, while indemnity benefits were $4 million lower than expected. During the past 14 years, annual payments have remained steady, ranging from a low of $1.5 billion in fiscal year 2001 to a high of $1.9 billion in fiscal year 2008. Fiscal year 2014 payments totaling $1.6 billion is the lowest annual total since fiscal year 2001.
- The fiscal year 2013 loss contingency of $859 million resulting from the adverse decision issued by the Cuyahoga County Common Pleas Court awarding damages to the plaintiff class in the San Allen group rating litigation was reduced by $439 million when the parties agreed to a $420 million settlement during fiscal year 2014. The settlement is expected to be paid beginning in January 2015.
- In fiscal year 2014, BWC/IC recorded net investment income of $3.0 billion, compared to $901 million in fiscal year 2013. The investment portfolio earned a net return of 13.4 percent, after management fees, during fiscal year 2013 compared to 3.8 percent in fiscal year 2013 and a return of 9.8 percent in fiscal year 2012.

- The Board approved the active management of all SIF long duration credit fixed income assets. The Investment Policy Statement (IPS) was revised whereby the 8 percent allocation of SIF invested assets targeted to passive management of long duration credit assets was eliminated and the allocation of SIF invested assets towards actively managed long duration credit assets was increased from 20 percent to 28 percent. Approximately $1.5 billion was transitioned from SIF passively managed long credit assets to the three existing active long credit managers in December 2013.

- During January 2014, approximately $1.9 billion was transitioned from the passively managed all-cap U.S. equity portfolio to 13 investment managers responsible for the active management of a targeted 7 percent of SIF investment portfolio in U.S. mid-cap and U.S. small cap equities. At the same time, $3.2 billion was transitioned from the all-cap U.S. equity portfolio to the new passive large-cap U.S. equity mandate.
- The Board approved a 6 percent allocation of the SIF investment portfolio to real estate. This allocation is directed towards U.S. concentrated real estate funds divided between a targeted 4.5 percent allocation to private open-end core funds and a targeted 1.5 percent allocation to private close-ended value-added funds. As of June 30, 2014, a total of $998.2 million has been invested in eight core real estate funds. Four value-added real estate funds, with commitments of $50 million in each fund to be invested in stages over the next five years, have also been approved. As of June 30, 2014, capital investments totaling $47.5 million have been made to these value-added funds. Redemptions from the SIF passively managed U.S. long government bond portfolio and the SIF U.S. TIPS fixed income portfolio have been used to fund the real estate investments.
- The special obligation bonds issued in 2003, through the Ohio Building Authority (OBA) to refund the 1993 William Green Building Series A bonds were retired during fiscal year 2014. The debt for these bonds was $15.4 million at June 30, 2013. All matters related to the issuance of obligations for the financing of capital facilities were transferred to the Treasurer of State (TOS), effective January 1, 2012. The bonds were collateralized by lease rental payments pledged by BWC/IC. These bonds were rated Aa3 by Moody's Investors Service, Inc.

Conditions expected to affect financial position or results of operations

BWC/IC's guiding principles of prevention and care drive our commitment to keep Ohio workers safer on the job; help injured workers recover and return to their lives – at work and home; and to keep costs down for Ohio businesses.

- Private employer statewide average base rates will decrease an average of 6.3 percent for the July 1, 2014 policy year, producing estimated savings of $91 million for these employers. This rate decrease combined with previous reductions over the last four years will result in combined savings of $409 million to private employers.
- Public employer taxing district premiums decreased by an average of 1.6 percent for the January 1, 2014 policy year. Combined with rate reductions in 2012 and 2013, public employers have saved an estimated $70 million in premiums during the last three years.
- Investments in safety create safer workplaces, prevent costly accidents and ultimately results in lower premiums for employers. The Safety Grant Program provides matching funds up to $40 thousand for employers to purchase equipment that will substantially reduce or eliminate injuries and illnesses. The program was expanded in fiscal year 2014 with $15 million in grants awarded to 535 employers. BWC has already committed $15 million for fiscal year 2015 and will be committing $15 million for each of the next two fiscal years (2016 and 2017) to continue this program. BWC also plans to invest approximately $2 million each fiscal year to fund advanced research projects by higher-education and research organizations to promote innovation in areas of workplace safety

Continued

and health. Firefighter safety will be improved through BWC's partnership with the State Fire Marshal to increase funds available for fire fighter 1 training to improve safety, preparedness, and response time during emergencies. Financial resources are also being committed to implement and fund safety programming as part of required training in high-risk specialties such as carpentry, welding, and plumbing. BWC will work with two-year universities and trade schools to include this safety training as part of the education provided to those looking to attain skilled labor positions.

- The comprehensive annual actuarial analysis is indicating that the $5.6 billion discounted liability for unpaid medical costs represents 37.1 percent of the discounted liability for SIF unpaid claims. Medical is a benefit where the cost of the claim is based on current prices for medical services and is not dependent on the year of injury like indemnity benefits. Therefore, the cost of future medical payments is dependent on future inflation and future utilization rates. The average annual medical cost trend per lost time private employer claim is 4.5 percent from 2002 through 2013. These trends show the need for BWC to remain focused on cost control and returning injured workers back to work in a timely manner. An important factor in reducing claims costs is our ability to get injured workers back to leading productive lives. The sooner an injured worker gets healthy and back on the job, the more likely it is that there will be positive outcomes and the less expensive they will be to the workers' compensation system. BWC/IC is attacking return-to-work trends by focusing on triaging of claims, vocational rehabilitation, pharmacy programs, settlements, and the transitional work bonus program.
- Rooting out, investigating, and prosecuting cases of workers' compensation fraud is another way the BWC/IC works to control costs on behalf of our customers. Efforts in the pursuit to deter, detect, and investigate all types of workers' compensation fraud, including employer and provider fraud, resulted in the identification of more than $60 million in savings for the State Insurance Fund after closing 2,055 cases during fiscal year 2014. Significant resources have also been deployed to combat prescription fraud. Drug utilization reviews are requested in cases when there is a question of whether BWC paid prescriptions are medically necessary. In fiscal year 2014, these reviews resulted in the termination of drugs in 152 cases, generating $4.2 million in savings.
- The Board has approved the active management of all SIF intermediate duration credit fixed income assets. The Investment Policy Statement (IPS) has been revised whereby the 15 percent allocation of SIF invested assets targeted to passive management of intermediate duration credit assets will be eliminated. The active investment strategy approved by the Board is a Core Plus strategy allowing each active manager to manage a bond portfolio of securities that are mostly part of the broad Barclays U.S. Aggregate fixed income benchmark but permitting the investment in securities and sectors (including below investment-grade quality high yield bonds) that are not in the index. Consideration is also being given to increasing the SIF portfolio target asset allocation to real estate assets.

- Work continues on the Core Project to modernize BWC's technology architecture to better serve Ohio's injured workers and employers. This project will replace outdated claims, policy, and employer billing systems with a commercial product called PowerSuite. PowerSuite was scheduled to go into production in November 2014, but has been delayed because of quality concerns. BWC is in the process of reforming its contract with the vendor and will be laying out a revised approach and corresponding schedule this fall.

- Legislative approval has been obtained that will allow for modernizing how premiums are collected in Ohio by moving to a prospective payment system. This switch will result in rate reductions of 2 percent for private employers and 4 percent for public taxing district employers as premiums will be collected sooner. Management is working on the design and has presented rules to implement the prospective payment system with actual implementation beginning July 1, 2015 for private employers and January 1, 2016 for public employer taxing districts.

- BWC's net asset policy contains the business rationale, methodology, and guiding principles with respect to maintaining a prudent net position to protect SIF against financial and operational risks that may threaten the ability to meet future obligations. The Administrator, with the approval of the Board, established guidelines for a Funding Ratio (funded assets divided by funded liabilities) and a Net Leverage Ratio (premium income plus reserves for compensation and compensation adjustment expenses divided by net position). Over the past two years the net position has increased to the point these ratios are no longer within the guidelines established by the policy. As a strategy to reduce the net position, the Board approved a $966 million cash rebate in fiscal year 2013 and a $1.2 billion transition credit in fiscal year 2014. In September 2014, the Board approved an additional cash rebate which is estimated to return $1.1 billion to private and public taxing district employers in October and November 2014. Since the Board did not commit to this rebate until fiscal year 2015, this rebate was not reflected in the fiscal year 2014 financial statements. While this rebate will not immediately bring the ratios to within the policy guideline ranges, BWC is following this more conservative approach until a more comprehensive study can be completed regarding the risks associated with BWC's estimated reserves for compensation and compensation adjustment expenses and potentially the correlation of this risk with the investment risk.

	2014	2013	2012	2011	Guideline
Funding Ratio	1.57	1.39	1.47	1.33	1.15 to 1.35
Net Leverage Ratio	2.02	2.93	2.47	3.45	3.0 to 7.0

- The cities of Cleveland and Parma filed separate lawsuits on June 28, 2013 and September 18, 2013, respectively, alleging that BWC overcharged public employers that were not group rated. The lawsuit filed by Parma seeks class action status for similarly situated public employers. Similar to the allegations raised in the San Allen case, the cities claim that BWC overcharged non-group rated public employers in order to unlawfully subsidize the discounts for the group rated public employers. A trial date has not been set for either case. Management does not anticipate an adverse conclusion and intends to vigorously defend these cases. Accordingly, no provision for any liability has been reported in the financial statements for these matters.

From time to time, BWC/IC is involved in judicial proceedings arising in the ordinary course of its business. BWC/IC will vigorously defend these suits and expects to prevail; however, there can be no assurance that BWC/IC will be successful in its defense.

Continued

(This Page Intentionally Left Blank)

SCHNEIDER DOWNS

INDEPENDENT AUDITORS' REPORT

Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio
(A Department of the State of Ohio)
Columbus, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio (BWC/IC), a department of the State of Ohio (State), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the BWC/IC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining of internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statements misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the entity's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the BWC/IC, as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Schneider Downs & Co., Inc.
www.schneiderdowns.com
PrimeGlobal

One PPG Place
Suite 1700
Pittsburgh, PA 15222
TEL 412.261.3644
FAX 412.261.4876

41 S. High Street
Huntington Center, Suite 2100
Columbus, OH 43215
TEL 614.621.4060
FAX 614.621.4062

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, supplemental revenue and reserve development information on Pages 1-7 and 39-40, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any assurance.

Supplementary and Other Information

As discussed in Note 1, the financial statements of the BWC/IC are intended to present the financial position and changes in financial position and, where applicable, cash flows of the BWC/IC. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2014, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted to opine on the BWC/IC's financial statements taken as a whole.

The supplemental schedule of net position and schedule of revenues, expenses and changes in net position are managements' responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the supplemental schedule of net position and schedule of revenues, expenses and changes in net position to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the supplemental schedule of net position and schedule of revenues, expenses and changes in net position directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these supplemental schedules of net position and schedule of revenues, expenses and changes in net position are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2014, on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Government's internal control over financial reporting and compliance.

Schneider Downs & Co., Inc.

Columbus, Ohio
September 26, 2014

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)

STATEMENTS OF NET POSITION

June 30, 2014 and 2013

(000's omitted)

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$563,253	$861,448
Collateral on loaned securities (Note 2)	2,747	1,030
Premiums in course of collection	762,678	744,889
Assessments in course of collection	172,817	168,887
Accounts receivable, net of allowance for uncollectibles of $1,132,826 in 2014; $1,129,328 in 2013	110,880	134,832
Investment trade receivables	217,563	876,163
Accrued investment income	142,937	141,192
Other current assets	7,534	7,371
Total current assets	1,980,409	2,935,812
Noncurrent assets:		
Fixed maturities, at fair value (Note 2)	15,034,289	13,916,558
Domestic equity securities, at fair value - common stock (Note 2)	6,060,409	5,090,287
Domestic equity securities, at fair value - preferred stock (Note 2)	1,207	1,144
Non-U.S equity securities, at fair value - common stock (Note 2)	2,620,019	2,153,273
Investments in real estate funds (Note 2)	1,187,975	853,553
Unbilled premiums receivable	3,079,480	2,891,821
Retrospective premiums receivable	251,922	295,555
Capital assets (Notes 3 and 5)	125,998	104,072
Restricted cash (Note 2)	-	14
Total noncurrent assets	28,361,299	25,306,277
Total assets	30,341,708	28,242,089

	2014	2013
LIABILITIES		
Current liabilities:		
Reserve for compensation (Note 4)	$ 1,826,129	$ 2,015,531
Reserve for compensation adjustment expenses (Note 4)	388,893	393,792
Transition credit liability (Note 12)	831,000	-
Legal settlement (Note 11)	420,000	-
Warrants payable	24,396	284,820
Bonds payable (Notes 5 and 6)	-	15,422
Investment trade payables	337,625	292,822
Accounts payable	14,109	9,621
Obligations under securities lending (Note 2)	2,747	1,030
Premium rebate payable (Note 8)	-	683,504
Other current liabilities (Note 6)	22,209	17,219
Total current liabilities	3,867,108	3,713,761
Noncurrent liabilities:		
Reserve for compensation (Note 4)	15,042,071	15,288,626
Reserve for compensation adjustment expenses (Note 4)	1,464,607	1,492,108
Transition credit liability (Note 12)	398,000	-
Contingent liabilities (Note 11)	-	859,440
Premium payment security deposits (Note 6)	86,481	86,486
Other noncurrent liabilities (Note 6)	23,228	22,591
Total noncurrent liabilities	17,014,387	17,749,251
Total liabilities	20,881,495	21,463,012
NET POSITION		
Net investment in capital assets	125,998	88,663
Unrestricted net position	9,334,215	6,690,414
Total net position (Note 14)	$ 9,460,213	$ 6,779,077

The accompanying notes are an integral part of the financial statements.

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the years ended June 30, 2014 and 2013

(000's omitted)

	2014	2013
Operating revenues:		
Premium and assessment income net of ceded premium (Note 7)	$2,142,549	$ 1,533,153
Provision for uncollectibles	(56,728)	(40,764)
Other income	8,141	11,723
Total operating revenues	2,093,962	1,504,112
Operating expenses:		
Workers' compensation benefits (Note 4)	1,190,341	1,136,718
Compensation adjustment expenses (Note 4)	328,834	354,797
Personal services	64,157	64,810
Other administrative expenses	53,120	55,931
Total operating expenses	1,636,452	1,612,256
Net operating income (loss) before transition credits, premium rebates and loss contingencies	457,510	(108,144)
Transition credit expense (Note 12)	1,229,000	-
Premium rebate (Note 8)	45	965,636
Legal settlement / loss contingency (Note 11)	(439,440)	859,440
Total transition credits, premium rebates and legal settlement / loss contingency	789,605	1,825,076
Net operating loss	(332,095)	(1,933,220)
Non-operating revenues:		
Net investment income (Note 2)	3,013,608	900,854
Gain on disposal of capital assets	48	69
Total non-operating revenues	3,013,656	900,923
Net transfers out	(425)	(6,365)
Increase (decrease) in net position	2,681,136	(1,038,662)
Net position, beginning of year	6,779,077	7,817,739
Net position, end of year	$ 9,460,213	$ 6,779,077

The accompanying notes are an integral part of the financial statements.

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2014 and 2013

(000's omitted)

	2014	2013
Cash flows from operating activities:		
Cash receipts from premiums and assessments net of reinsurance	$ 2,117,977	$ 2,088,725
Cash receipts - other	37,932	55,028
Cash disbursements for claims	(1,855,158)	(1,958,567)
Cash disbursements to employees for services	(196,793)	(201,268)
Cash disbursements for other operating expenses	(80,793)	(72,811)
Cash disbursements for employer refunds	(1,105,218)	(83,022)
Net cash used for operating activities	(1,082,053)	(171,915)
Cash flows from noncapital financing activities:		
Operating transfers in	-	-
Operating transfers out	(425)	(6,365)
Net cash used by noncapital financing activities	(425)	(6,365)
Cash flows from capital and related financing activities:		
Purchase of capital assets, net of retirements	(30,623)	(25,077)
Principal and interest payments on bonds	(15,941)	(17,459)
Net cash used in capital and related financing activities	(46,564)	(42,536)
Cash flows from investing activities:		
Investments sold	22,497,355	8,274,646
Investments purchased	(22,334,098)	(8,317,413)
Interest and dividends received	696,201	700,117
Investment expenses	(28,625)	(17,343)
Net cash provided by investing activities	830,833	640,007
Net (decrease) increase in cash, cash equivalents and restricted cash	(298,209)	419,191
Cash, cash equivalents and restricted cash, beginning of year	861,462	442,271
Cash, cash equivalents and restricted cash, end of year	$ 563,253	$ 861,462

The accompanying notes are an integral part of the financial statements.

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)

STATEMENTS OF CASH FLOWS, Continued

For the years ended June 30, 2014 and 2013

(000's omitted)

	2014	2013
Reconciliation of net operating loss to net cash used for operating activities:		
Net operating loss	$ (332,095)	$ (1,933,220)
Adjustments to reconcile net operating loss to net cash used for operating activities:		
Provision for uncollectible accounts	56,728	40,764
Depreciation	8,745	9,724
Amortization of discount and issuance costs on bonds payable	519	1,248
Transition credit liability	1,229,000	-
Legal settlement / loss contingency	(439,440)	859,440
(Increases) decreases in assets and increases (decreases) in liabilities:		
Premiums and assessments in course of collection	(21,719)	(29,287)
Unbilled premiums receivable	(187,659)	490,038
Accounts receivable	(32,776)	(45,208)
Retrospective premiums receivable	43,633	4,318
Other assets	(163)	1,913
Reserves for compensation and compensation adjustment expenses	(468,357)	(514,645)
Premium payment security deposits	(5)	201
Warrants payable	(260,424)	260,160
Accounts payable	4,488	(2,146)
Premium rebate payable	(683,504)	683,504
Other liabilities	976	1,281
Net cash used for operating activities	$ (1,082,053)	$ (171,915)
Noncash investing, capital, and financing activities		
Change in fair values of investments	$ 2,348,938	$ 230,200

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014 and 2013

1. Background and Summary of Significant Accounting Policies

Organization

The Ohio Bureau of Workers' Compensation (BWC) and the Industrial Commission of Ohio (IC) were created in 1912 and 1925, respectively, and are the exclusive providers of workers' compensation insurance to private and public employers in Ohio that have not been granted the privilege of paying compensation and medical benefits directly (self-insured employers). BWC and IC are collectively referred to herein as BWC/IC. BWC/IC was created and is operated pursuant to Chapters 4121, 4123, 4127, and 4131 of the Ohio Revised Code (the Code).

The Governor of the State of Ohio (the State) appoints the BWC Administrator and the three members of the IC. House Bill 100 created an 11-member BWC Board of Directors (Board). All members have full voting rights. The BWC Administrator, with the advice and consent of the Board, is responsible for the operations of the workers' compensation system, while the IC is responsible for administering claim appeals.

BWC/IC is a department of the primary government of the State and is a proprietary operation for purposes of financial reporting. The accompanying financial statements include all accounts, activities, and functions of BWC/IC and are not intended to present the financial position, results of operations, or cash flows of the State taken as a whole. The financial information presented herein for BWC/IC will be incorporated within the State's financial statements.

Basis of Presentation

BWC/IC has prepared its financial statements in accordance with accounting principles generally accepted in the United States of America as applicable to government organizations. Accordingly, these financial statements were prepared using the accrual basis of accounting and the economic resources measurement focus. For internal reporting purposes, BWC/IC maintains separate internal accounts as required by the Code. For external financial reporting purposes, BWC/IC has elected to report as a single column business-type activity, since the individual accounts do not have external financial reporting accountability requirements. All significant interaccount balances and transactions have been eliminated.

Continued

BWC/IC administers the following accounts:

State Insurance Fund (SIF)
Disabled Workers' Relief Fund (DWRF)
Coal-Workers Pneumoconiosis Fund (CWPF)
Public Work-Relief Employees' Fund (PWREF)
Marine Industry Fund (MIF)
Self-Insuring Employers' Guaranty Fund (SIEGF)
Administrative Cost Fund (ACF)

Description of the Accounts

SIF, CWPF, PWREF, and MIF provide workers' compensation benefits to qualifying employees sustaining work-related injuries or diseases.

DWRF provides supplemental cost-of-living benefits to persons who are permanently and totally disabled and are receiving benefits from SIF or PWREF. The maximum benefit levels are changed annually based on the United States Department of Labor National Consumer Price Index.

SIEGF provides for the payment of compensation and medical benefits to employees of self-insured employers that are bankrupt or in default.

ACF provides for the payment of administrative and operating costs of all accounts except DWRF, CWPF, and MIF, which pay such costs directly. ACF also includes the portion of premiums paid by employers earmarked for the safety and loss prevention activities performed by the Safety & Hygiene Division.

Operating revenues and expenses generally result from providing services in connection with ongoing operations. Operating revenues are primarily derived from premiums and assessments. Operating expenses include the costs of claims, premium rebates, and related administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The GASB has recently issued the following new accounting pronouncements that will be effective in future years and may be relevant to BWC/IC:

- GASB No. 68, "Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27"
- GASB No. 69, "Government Combinations and Disposals of Government Operations"
- GASB No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68"

Management has not yet determined the impact that these new GASB Pronouncements will have on BWC/IC's financial statements.

Continued

Cash and Cash Equivalents

Cash and cash equivalents in the accompanying statements of net position and for the purposes of the statements of cash flows include cash and all highly liquid debt instruments purchased with a maturity of three months or less. Cash equivalents are stated at amortized cost, which approximates fair value.

Investments

BWC/IC's investments consist of fixed maturities, domestic equity securities, commingled bond index funds, commingled U.S. equity index funds, commingled non-U.S equity index funds, U.S. real estate funds, and collateral on securities lending.

Investments are stated at fair value. Fair values of fixed maturities are based on quotations from national security exchanges. Fair values of domestic securities are based on quotations from national exchanges and are valued at the last reported sales price. The fair value of the commingled bond index funds, commingled domestic equity funds, commingled non-U.S. equity funds, and U.S. real estate funds are based on the value of the underlying net position of the fund. Dividends, interest earnings, the net increase (decrease) in the fair value of investments (which includes both the change in fair value and realized gains and losses), and investment expenses are aggregated and reported as net investment income in the statements of revenues, expenses and changes in net position. The cost of securities sold is determined using the average cost method. Purchases and sales of investments are recorded as of the trade date.

Restricted Cash

Restricted cash balances are maintained in accordance with the 2003 bond agreement for special obligation bonds issued through the Ohio Building Authority.

Premium Income

SIF, CWPF, PWREF, and MIF premium income is recognized over the coverage period and is collected in subsequent periods for all accounts except MIF, which collects premiums in advance of the coverage period. Premiums earned but not yet invoiced are reflected as premiums in course of collection in the statement of net position. Premiums are based on rates that are approved by the Board and on the employers' payroll, except self-insured employer assessments, which are based on paid compensation. SIF rates for private and public taxing district employers meeting certain size criteria are adjusted based on their own claims experience.

Retrospective rating plans and group retrospective rating plans are offered to qualified employers. SIF recognizes estimated ultimate premium income on retrospectively rated businesses during the coverage period. Retrospective rating adjustments related to the coverage period are collected in subsequent periods, as experience develops related to injuries incurred during the coverage period. The estimated future retrospective rating adjustments are reflected in the statement of net position as retrospective premiums receivable.

Continued

Deductible plans and group experience rating plans are offered to qualified employers. The deductible plan is similar to that of other insurance deductible plans where an employer agrees to pay the portion of a workers' compensation injury claim that falls below their selected deductible level. For taking on this degree of risk, the employer receives a premium discount. The group experience rating plan allows employers who operate similar businesses to group together to potentially achieve lower premium rates than they could individually.

The Code permits State employers to pay into SIF on a terminal funding (pay-as-you-go) basis. Additionally, certain benefits are paid from the SIF Surplus Fund (see Note 14) for self-insured employers. Since BWC/IC has the statutory authority to assess premiums against the State and self-insured employers in future periods, an unbilled premiums receivable equal to their share of the discounted reserve for compensation and compensation adjustment expenses, less BWC/IC's portion of the discounted reserve, is reflected in the statement of net position.

Assessment Income

DWRF I (DWRF benefits awarded for injuries incurred prior to January 1, 1987) and ACF assessment income is recognized over the period for which the assessment applies and is collected in subsequent periods. These amounts are reflected as assessments in course of collection in the statements of net position. DWRF II (DWRF benefits awarded for injuries incurred on or after January 1, 1987) and SIEGF assessments received or in the course of collection, but not yet recognized, are reflected as a reduction to unbilled premiums receivable.

The Code permits employers to pay into DWRF and SIEGF on a terminal funding (pay-as-you-go) basis. As BWC has the statutory authority to assess employers in future periods, an unbilled premiums receivable equal to the discounted reserve for compensation and compensation adjustment expenses for DWRF and SIEGF, less BWC/IC's portion of the discounted reserve, is reflected in the statements of net position (see Note 4).

DWRF I assessments are based on employers' payroll and a statutorily determined rate. DWRF II and ACF assessments are based on rates that are approved by the Board and on employers' payroll, except for ACF assessments of self-insured employers, which are based on paid workers' compensation benefits. SIEGF assessments are based on the financial strength of self-insured employers and paid workers' compensation benefits with the exception of new self-insured employers, which are based on a percentage of base-rated premium.

Premium Payment Security Deposits

Premium payment security deposits are collected in advance from private employers to reduce credit risk for premiums collected in subsequent periods. A deposit is submitted upon application for coverage and generally represents 30% of an estimated eight-month premium, with a maximum deposit of $1 thousand. The deposit is applied to outstanding premiums or refunded to the employer upon cancellation of coverage.

Allowance for Uncollectible Accounts

BWC/IC provides an allowance for uncollectible accounts by charging operations for estimated receivables that will not be collected. The adequacy of the allowance is determined by management based on a review of aged receivable balances and historical loss experience.

Capital Assets

Capital assets are carried at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Description	Estimated Useful Lives (Years)
Buildings	30
Furniture and fixtures	10
Vehicles and equipment	5

When assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the statements of revenues, expenses, and changes in net position. The cost of maintenance and repairs is charged to operations as incurred; significant renewals and betterments are capitalized.

In accordance with GASB Statement No. 51, a capital asset category of “intangible assets – definite useful lives” for internally generated software has been added to capital assets. When expenditures for the design, software configuration, software interfaces, coding, hardware, hardware installation, data conversion (i.e. to the extent that they are necessary for the operation of the new software), testing, and licensure on internally generated software exceed $1 million, the costs will be capitalized as an intangible asset. Intangible assets will start being depreciated upon implementation of the software. The useful lives of intangible assets will vary and will be determined upon completion of each project.

Reserves for Compensation and Compensation Adjustment Expenses

The reserve for compensation includes actuarial estimates for both reported claims and claims incurred but not reported (IBNR). The reserve for compensation adjustment expenses is determined by estimating future expenses to be incurred in settlement of the claims. The reserve for compensation is based on the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors and projections as to future events, including claims frequency, severity, persistency, and inflationary trends for

Continued

medical claim reserves. The reserve for compensation adjustment expenses is based on projected claim-related expenses, estimated costs of the managed care Health Partnership Program, and the reserve for compensation. The methods of making such estimates and for establishing the resulting liabilities are reviewed quarterly and updated based on current circumstances. Any adjustments resulting from changes in estimates are recognized in the current period. The reserves for compensation and compensation adjustment expenses are discounted at 4.0% at June 30, 2014 and 2013 to reflect the present value of future benefit payments. The selected discount rate approximates an average yield on United States government securities with a duration similar to the expected claims underlying BWC/IC's reserves.

Management believes that the recorded reserves for compensation and compensation adjustment expenses make for a reasonable and appropriate provision for expected future losses. While management uses available information to estimate the reserves for compensation and compensation adjustment expenses, future changes to the reserves for compensation and compensation adjustment expenses may be necessary based on claims experience, changing claims frequency and severity conditions.

Reinsurance

BWC/IC purchases workers' compensation excess of loss reinsurance to include coverage for catastrophic events and terrorism. Ceded reinsurance transactions are accounted for based on estimates of their ultimate cost. Reserves for compensation and compensation adjustment expenses are reported gross of reinsured amounts. Reinsurance premiums are reflected as a reduction of premium income (see Note 7).

Income Taxes

As a department of the State, the income of BWC/IC is not subject to federal or state income tax.

Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates.

Reclassification

Certain 2013 financial statement amounts have been reclassified in order to conform to their 2014 presentation.

Continued

2. Cash and Investments

BWC/IC is authorized by Section 4123.44 of the Code to invest using an investment policy established by the Board, which uses the prudent person standard. The prudent person standard requires investments be made 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 so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

Custodial Credit Risk - Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, BWC/IC's deposits might not be recovered. Banks must provide security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in addition to amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. At June 30, 2014 and 2013, the carrying amount of BWC/IC's cash deposits were $10.5 million and $8.4 million, respectively, and the bank balances were $5.8 million and $3.3 million, respectively. Of the June 30, 2014 and 2013 bank balances, $250 thousand were insured by the FDIC. The remaining cash balance on deposit with the bank was collateralized by pledges held by the trustee of either a surety bond or securities with a market value of at least 100 percent or 102 percent, respectively, of the total value of the public monies that are on deposit at the financial institution and was not exposed to custodial credit risk. Any pledged securities are held by the Federal Reserve, the Federal Home Loan Bank, or an insured financial institution serving as agent of the Treasurer of the State of Ohio.

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of a failure of a counter party to a transaction, BWC/IC will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Remaining BWC/IC's investments are not exposed to custodial credit risk and are held in BWC/IC's name at either JP Morgan, in commingled account types, or are fixed maturity bank loans, which by definition, are not exposed to custodial credit risk.

The composition of investments held at June 30, 2014 and 2013 is presented below (000's omitted):

	2014 Fair Value	2013 Fair Value
Fixed maturities		
U.S. corporate bonds	$ 5,151,891	$ 4,555,960
U.S. treasury inflation protected securities	2,801,188	2,856,062
U.S. government obligations	2,442,096	2,279,297
Non-U.S. corporate bonds	1,258,157	1,013,696
Commingled U.S. treasury inflation protected securities	666,599	605,317
Commingled U.S. aggregate indexed fixed income	648,679	594,946
U.S. state and local government agencies	641,684	636,472
U.S. government agency mortgages	621,482	611,496
Non-U.S. government and agency bonds	391,473	390,645
U.S. government agency bonds	190,408	211,837
Commercial mortgage backed securities	54,875	46,701
Commingled U.S. intermediate duration fixed income	51,100	48,004
Supranational issues	49,378	48,028
Bank loans	27,498	6,747
Preferred securities	27,085	3,229
Asset backed securities	10,696	8,121
Total fixed maturities	15,034,289	13,916,558
Domestic equity securities - common stocks	6,060,409	5,090,287
Domestic equity securities - preferred stocks	1,207	1,144
Commingled Non-US equity securities - common stocks	2,620,019	2,153,273
Commingled investments in real estate	1,187,975	853,553
Securities lending short-term collateral	2,747	1,030
Cash and cash equivalents		
Cash	10,548	8,404
Repurchase agreements	-	6,400
Short-term money market fund	552,705	846,644
Total cash and cash equivalents	563,253	861,448
	$ 25,469,899	$ 22,877,293

Net investment income for the years ended June 30, 2014 and 2013 is summarized as follows (000's omitted):

	2014	2013
Fixed maturities	$ 547,706	$ 565,885
Equity securities	103,356	112,247
Real estate	46,827	11,596
Cash equivalents	56	68
	697,945	689,796
Increase in fair value of investments	2,348,938	230,200
Investment expenses	(33,275)	(19,142)
	$ 3,013,608	$ 900,854

Continued

Real Estate Investments

In fiscal year 2013, BWC/IC began investing in real estate through limited partnerships, commingled funds, and real estate investment trusts. Core real estate funds owned are open-ended funds that offer each investor the right to redeem all or a portion of their investment ownership interest once every quarter at the stated unit net asset value of the fund. Value-added real estate funds owned are close-ended funds and do not offer such redemption rights and, therefore, can be considered to be illiquid investments. The real estate funds provide BWC/IC with quarterly valuations based on the most recent capital account balances. Individual properties owned by the funds are valued by an outside independent certified real estate appraisal firm at least once a year, and are adjusted as often as every quarter if material market or operational changes have occurred. Each asset is also valued internally on a quarterly basis by each fund. The internal and external valuations of properties owned are subject to oversight and review by an independent valuation advisor firm. Debt obligations of each fund receive market value adjustments by the fund every quarter, generally with the assumption that such positions will be held to maturity. Annual audits of the funds include a review of compliance with the fund's valuation policies. BWC/IC has entered into agreements that commit the SIF funds, upon request, to make additional investment purchases up to a predetermined amount. As of June 30, 2014 and 2013, the real estate funds have unfunded investment commitments of $276 million and $395 million, respectively.

Short-Term Money Market Fund

The underlying securities in the short-term money market fund are high-quality, short-term debt securities issued or guaranteed by the U.S. government or by U.S. government agencies or instrumentalities, and repurchase agreements fully collateralized by U.S. Treasury and U.S. government securities. This U.S. Government Money Market Fund carries a AAA credit rating. Although the Fund is generally less sensitive to interest rate changes than are funds that invest in longer-term securities, changes in short-term interest rates will cause changes to the Fund's yield resulting in some interest rate risk.

Repurchase Agreements

Overnight repurchase agreements are considered cash and cash equivalents. In a repurchase agreement, the lender purchases a high quality, liquid security from another firm with an agreement in place for that firm to repurchase the security back from the lender on a specific date with specified terms. At June 30, 2014 and 2013, the Ohio BWC held zero and $6.4 million, respectively, in repurchase agreements fully collateralized by U.S. Treasuries held in the custody of JP Morgan.

Interest Rate Risk - Fixed-Income Securities

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. BWC/IC manages the exposure to fair value loss arising from increasing interest rates by requiring that each fixed-income portfolio be invested with duration characteristics that are within a range consistent with Barclays Fixed Income Index ranges.

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flow, weighted for those cash flows as a percentage of the investment's full price. Effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows arising from such investments such as callable bonds, prepayments, and variable-rate debt. The effective duration measures the sensitivity of the market price to parallel shifts in the yield curve.

At June 30, 2014 and 2013, the effective duration of BWC's fixed-income portfolio is as follows (000's omitted):

	June 30, 2014		June 30, 2013	
Investment Type	Fair Value	Effective Duration	Fair Value	Effective Duration
U.S. state and local government agencies	$ 641,684	13.25	$ 636,472	12.89
U.S. corporate bonds	5,151,891	12.64	4,555,960	12.14
Non-U.S. corporate bonds	1,258,157	11.85	1,013,696	11.32
Non-U.S. government and agency bonds	391,473	11.51	390,645	10.50
U.S. government obligations	2,442,096	11.06	2,279,297	10.70
U.S. treasury inflationary protected securities	2,801,188	7.71	2,856,062	7.74
Commingled U.S. treasury inflationary protected securities	666,599	7.71	605,317	7.74
U.S. government agency bonds	190,408	7.21	211,837	6.94
Preferred securities	27,085	6.73	3,229	8.62
Commingled U.S. aggregate indexed fixed income	648,679	5.60	594,946	5.48
Supranational issues	49,378	4.07	48,028	5.26
Commingled U.S. intermediate duration fixed income	51,100	3.90	48,004	3.90
U.S. government agency mortgages	621,482	3.82	611,496	3.97
Asset backed securities	10,696	3.70	8,121	4.12
Commercial mortgage backed securities	54,875	3.29	46,701	2.90
Bank loans	27,498	1.17	6,747	0.93
Total fixed maturities	$ 15,034,289		$ 13,916,558	

Credit Risk - Fixed-Income Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. On August 5, 2011, Standard and Poor's downgraded the United States Government's credit rating from AAA to AA+. Standard and Poor's has stated that the downgrade reflects their view that the effectiveness, stability, and predictability of American policymaking and political institutions have weakened at a time of ongoing fiscal and economic challenge. Moody's and Fitch, the other two major credit rating agencies, have not downgraded the credit rating at this time. U.S. government obligations, U.S. government agency mortgages, U.S. treasury inflation protected securities, and Commingled U.S. treasury inflation protected securities are all rated AA+ by Standard and Poor's in fiscal years 2014 and 2013. Obligations of the U.S. government are explicitly guaranteed by the U.S. government.

BWC/IC's fixed-income securities were rated by Standard and Poor's (S&P) and/or an equivalent national rating organization and the ratings are presented below using the S&P rating scale (000's omitted). At June 30, 2014 and 2013, fixed maturities held in commingled bond funds in the custody of State Street were $1.4 billion and $1.2 billion, respectively. In addition, in fiscal years 2014 and 2013 the $27.5 million and $6.7 million, respectively, in bank loans were not held by the custodian. The remaining balance presented as of June 30, 2014 was held by the custodian on behalf of BWC/IC.

Quality Rating	2014 Fair Value	2013 Fair Value
Credit risk debt quality		
AAA	$ 245,046	$ 237,806
AA	1,710,863	1,517,466
A	2,741,317	2,709,346
BBB	3,432,820	2,730,336
BB	171,209	141,121
B	11,261	16,474
Total credit risk debt securities	8,312,516	7,352,549
U.S. government agency bonds		
AAA	5,492	11,438
AA	184,916	199,559
A	-	840
Total U.S. government agency bonds	190,408	211,837
U.S. government agency mortgages	621,482	611,496
U.S. government obligations	2,442,096	2,279,297
U.S. treasury inflation protected securities	2,801,188	2,856,062
Commingled U.S. treasury inflation protected securities	666,599	605,317
Total fixed maturities	$ 15,034,289	$ 13,916,558

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of BWC/IC's investment in a single issuer. In 2014 and 2013, there is no single issuer that comprises 5% or more of the overall portfolio with the exception of BWC/IC's investments in the U.S. government.

Foreign Currency Risk - Investments

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. BWC's exposure to foreign currency risk as of June 30, 2014 and 2013 is as follows (000's omitted):

Currency	2014 Fair Value	2013 Fair Value
Australian Dollar	$ 142,792	$ 121,343
Brazilian Real	60,074	53,064
British Pound	400,594	331,305
Canadian Dollar	196,155	155,543
Chilean Peso	8,384	9,029
Chinese Renminbi	424	765
Colombian Peso	5,725	5,488
Czech Koruna	1,330	1,101
Danish Krone	27,583	16,847
Egyptian Pound	1,086	1,131
Euro	580,280	426,361
Hong Kong Dollar	153,243	130,521
Hungarian Forint	1,236	1,097
Indian Rupee	37,773	31,830
Indonesian Rupiah	13,600	14,940
Israeli Shekel	9,665	7,682
Japanese Yen	373,451	341,669
Malaysian Ringgit	21,442	18,897
Mexican Peso	28,284	25,406
Moroccan Dirham	-	393
New Zealand Dollar	2,540	1,861
Norwegian Krone	16,180	12,418
Philippines Peso	5,435	4,913
Polish Zloty	9,167	7,307
Qatari Rial	2,209	-
Russian Ruble	23,765	21,447
Singapore Dollar	26,247	25,024
South African Rand	41,413	33,644
South Korean Won	85,877	68,064
Swedish Krona	56,124	47,104
Swiss Franc	167,054	138,821
Taiwan Dollar	67,083	55,696
Thailand Baht	12,128	13,174
Turkish Lira	9,358	9,122
United Arab Emirates Dirham	2,623	-
Exposure to foreign currency risk	2,590,324	2,133,007
United States Dollar	29,695	20,266
Total international securities	$ 2,620,019	$ 2,153,273

Continued

Securities Lending

At June 30, 2014 and 2013, BWC/IC had no securities out on loan. BWC/IC has been allocated with cash collateral of $2.7 million in 2014 and $1 million in 2013 from the securities lending program administered through the Treasurer of State's Office based on the amount of cash equity in the State's common cash and investment account.

3. Capital Assets

Capital asset activity and balances as of and for the years ended June 30, 2014 and 2013 are summarized as follows (000's omitted):

	Balance at 6/30/2012	Increases	Decreases	Balance at 6/30/2013	Increases	Decreases	Balance at 6/30/2014
Capital assets not being depreciated							
Land	$ 11,994	$ -	$ -	$ 11,994	$ -	$ -	$ 11,994
Subtotal	11,994	-	-	11,994	-	-	11,994
Capital assets being depreciated							
Buildings	205,771	-	-	205,771	-	-	205,771
Building improvements	3,542	-	-	3,542	-	-	3,542
Furniture and equipment	29,418	1,765	(1,141)	30,042	284	(404)	29,922
Land improvements	66	-	-	66	-	-	66
Subtotal	238,797	1,765	(1,141)	239,421	284	(404)	239,301
Accumulated depreciation							
Buildings	(145,386)	(6,787)	-	(152,173)	(6,787)	-	(158,960)
Building improvements	(221)	(177)	-	(398)	(177)	-	(575)
Furniture and equipment	(23,801)	(2,759)	1,133	(25,427)	(1,780)	390	(26,817)
Land improvements	(57)	(1)	-	(58)	(1)	-	(59)
Subtotal	(169,465)	(9,724)	1,133	(178,056)	(8,745)	390	(186,411)
Capital assets being amortized							
Intangible assets - definite useful lives	7,324	23,389	-	30,713	30,401	-	61,114
Subtotal	7,324	23,389	-	30,713	30,401	-	61,114
Net capital assets	$ 88,650	$ 15,430	$ (8)	$ 104,072	$ 21,940	$ (14)	$ 125,998

BWC has not started amortizing the intangible assets yet because the internally generated software project has not been placed in to service as of June 30, 2014.

4. Reserves for Compensation and Compensation Adjustment Expenses

The reserve for compensation consists of reserves for indemnity and medical claims resulting from work-related injuries or illnesses. The recorded liability for compensation and compensation adjustment expenses is based on an estimate by BWC/IC's independent consulting actuary. Management believes that the recorded liability makes for a reasonable and appropriate provision for expected future losses; however, the ultimate liability may vary from the amounts provided.

All reserves have been discounted at 4.0% at June 30, 2014 and 2013. A decrease in the discount rate to 3.0% would result in the reserves for compensation and compensation adjustment expenses increasing to $20.9 billion at June 30, 2014, while an increase in the rate to 5.0% would result in the reserves for compensation and compensation adjustment expenses decreasing to $17 billion. The undiscounted reserves for compensation and compensation adjustment expenses were $31.7 billion at June 30, 2014 and $30.7 billion at June 30, 2013.

Continued

The changes in the reserves for compensation and compensation adjustment expenses for the years ended June 30, 2014 and 2013 are summarized as follows (in millions):

	2014	2013
Reserves for compensation and compensation adjustment expenses, beginning of period	$ 19,190	$ 19,705
Incurred:		
Provision for insured events of current period	1,854	1,720
Net (decrease) increase in provision for insured events of prior periods net of discount accretion of $768 in 2014 and $788 in 2013.	(338)	(229)
Total incurred	1,516	1,491
Payments:		
Compensation and compensation adjustment expenses attributable to insured events of current period	337	380
Compensation and compensation adjustment expenses attributable to insured events of prior period	1,647	1,626
Total payments	1,984	2,006
Reserves for compensation and compensation adjustment expenses, end of period	$ 18,722	$ 19,190

5. Bonds Payable

On April 22, 2003, BWC/IC issued special obligation bonds through the Ohio Building Authority (OBA) to refund the 1993 William Green Building Series A bonds. Amended Substitute House Bill 153 transferred all matters related to the issuance of obligations for the financing of capital facilities to the Treasurer of State, effective January 1, 2012. At that time OBA ceased operations and the Treasurer of State's office has assumed responsibility for the administration of the 2003 agreement. The 2003 bonds bear predetermined interest rates ranging from 1.61% to 3.95%, compared to interest rates ranging from 3.25% to 5.125% on the 1993 bonds. The reacquisition price exceeded the net carrying amount of the old debt by $5.1 million. This amount was netted against the new debt and amortized over the life of the new debt. As a result of the refunding, BWC/IC reduced its total debt service requirements by $9.8 million, which resulted in an economic gain of $8.9 million.

The bonds were collateralized by lease rental payments pledged by BWC/IC to the Ohio Treasurer of State's office. The lease period coincides with the State's biennial budget and is renewable for successive two-year periods until the bonds are retired. Lease payments are based on the estimated debt service of the bonds, but are limited to an amount appropriated by the Ohio General Assembly in BWC/IC's biennial budget.

The final bond payment was made in fiscal year 2014. Bond payments totaled $16 million and $17.5 million for the years ended June 30, 2014 and 2013, respectively. These payments included interest of $751 thousand and $1.5 million for the years ended June 30, 2014 and 2013, respectively.

6. Long-Term Obligations

Activity for long-term obligations (excluding the reserves for compensation and compensation adjustment expenses - see Note 4) for the years ended June 30, 2014 and 2013 is summarized as follows (000's omitted):

	Balance at 6/30/2012	Increases	Decreases	Balance at 6/30/2013	Due Within One Year
Contingent liabilities	$ -	$ 859,440	$ -	$ 859,440	$ -
Premium payment security deposits	86,285	1,793	(1,592)	86,486	-
Bonds payable	31,633	2,237	(18,448)	15,422	15,422
Other liabilities	36,729	54,452	(51,371)	39,810	17,219
	$ 154,647	$ 917,922	$ (71,411)	$ 1,001,158	$ 32,641

	Balance at 6/30/2013	Increases	Decreases	Balance at 6/30/2014	Due Within One Year
Transition credit payable	$ -	$ 1,229,000	$ -	$ 1,229,000	$ 831,000
Contingent liabilities/legal settelment	859,440	-	(439,440)	420,000	420,000
Premium payment security deposits	86,486	1,350	(1,355)	86,481	-
Bonds payable	15,422	1,238	(16,660)	-	-
Other liabilities	39,810	82,401	(76,774)	45,437	22,209
	$ 1,001,158	$ 1,313,989	$ (534,229)	$ 1,780,918	$ 1,273,209

7. Reinsurance

BWC/IC purchases catastrophic reinsurance for risks in excess of its retention limits on workers' compensation insurance policies written. Management is not aware of any catastrophes during the coverage periods listed below, and BWC/IC has not recorded any reinsurance recoveries.

In every policy period reported below, Section Two covers BWC's remaining liability under the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA). TRIPRA is the successor legislation to the Terrorism Risk Insurance Act (TRIA) of 2002. TRIPRA is in effect for losses up to $1 billion. Certain provisions frame the coverage under TRIPRA and they are the following:

- The aggregate losses from an occurrence must exceed $100 million
- Each insurer will have an annual aggregate retention equal to 20% of its prior year's direct earned premiums

- Each insurer will be responsible for 15% of losses otherwise recoverable that exceed its TRIPRA retention

Coverage for policies is provided under the following terms:

Policy Period: April 1, 2014 to March 31, 2016

Reinsurance Coverage:

- Section One - Other than Acts of Nuclear, Biological, Chemical, or Radiological (NBCR) Terrorism - 50% of $250 million in excess of $100 million per Loss Occurrence - Maximum loss of $5 million of any one person
- Section Two - Only for Acts of Terrorism including NBCR Terrorism - 15% of $650 million (or $97,500,000) in excess of $350 million per Loss Occurrence - Maximum loss of $5 million of any one person

Policy Period: April 1, 2013 to March 31, 2014

Reinsurance Coverage:

- Section One - Other than Acts of Nuclear, Biological, Chemical, or Radiological (NBCR) Terrorism - 50% of $275 million in excess of $125 million per Loss Occurrence - Maximum loss of $5 million of any one person
- Section Two - Only for Acts of Terrorism including NBCR Terrorism - 15% of $600 million (or $90 million) in excess of $400 million per Loss Occurrence - Maximum loss of $5million of any one person

Policy Period: April 1, 2012 to March 31, 2013

Reinsurance Coverage:

- Section One - Other than Acts of NBCR Terrorism - 100% of $250 million in excess of $250 million per Loss Occurrence - Maximum loss of $5 million of any one person
- Section Two - Only for Acts of Terrorism including NBCR Terrorism - 15% of $615 million (or $92,250,000) in excess of $385 million per Loss Occurrence - Maximum loss of $5 million of any one person

The following premiums ceded for reinsurance coverage have been recorded in the accompanying basic financial statements for the years ended June 30, 2014 and 2013 (000's omitted):

Premium and assessment income	$ 2,146,499	$ 1,539,301
Ceded premiums	(3,950)	(6,148)
Total premium and assessment income net of ceded premiums	$ 2,142,549	$ 1,533,153

Should the reinsurers be unable to meet their obligations under the reinsurance contracts, BWC/IC would remain liable for coverage ceded to its reinsurers. Reinsurance contracts do not relieve BWC/IC of its obligations, and a failure of the reinsurer to honor its obligations could result in losses to BWC/IC. BWC/IC evaluates and monitors the financial condition of its reinsurers to minimize its exposure to loss from reinsurer insolvency. BWC/IC management believes its reinsurers are financially sound and will continue to meet their contractual obligations.

BWC/IC's reinsurers had the following AM Best ratings at June 30, 2014 and 2013:

Reinsurer	2014	2013
Allied World Assurance Company	A	A
Aspen Insurance UK LTD	-	A
Axis Specialty LTD	A+	A
Hannover Re (Bermuda) LTD	A+g	A+
Odyssey America Reinsurance Corporation	-	A
Tokio Millennium Re Limited	A++	A++
Underwriters at Lloyd's	A	A
Alterra Zurich Branch of Alterra UK Underwriting Services Limited	Ag	A

8. Premium Rebate

BWC's net asset policy contains the business rationale, methodology, and guiding principles with respect to maintaining a prudent net position to protect SIF against financial and operational risks that may threaten the ability to meet future obligations. Over the past two years, the net position has increased to the point that the SIF Funding Ratio and Net Leverage Ratio were no longer within the guidelines established by the policy. In fiscal year 2013, a rebate to reduce the net position in SIF was approved by the Board on May 30, 2013. Private employers were granted a rebate equivalent to 56 percent of premiums for the July 1, 2011 through June 30, 2012 policy period, while public taxing district employers were granted a rebate equivalent to 56 percent of premiums for the January 1, 2011 through December 31, 2011 policy period. This action resulted in premium rebate expense of $966 million in fiscal year 2013 and $45 thousand in fiscal year 2014.

9. Benefit Plans

Pension Plans

BWC/IC contributes to the Ohio Public Employees Retirement System of Ohio (OPERS). OPERS administers three separate pension plans:

- The Traditional Plan - a cost-sharing, multiple-employer defined benefit pension plan.

Continued

- The Member-Directed Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under this plan, members accumulate retirement assets equal to the value of member and vested employer contributions plus any investment earnings thereon.
- The Combined Plan - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to, but less than, the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Benefits are established and may be amended by State statute. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by visiting https://www.opers.org/investments/cafr.shtml, by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 1-800-222-7377. As of June 30, 2014, the most recent report issued by OPERS is as of December 31, 2013.

Chapter 145 of the Ohio Revised Code provides OPERS statutory authority for employee and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. For the years ended December 31, 2013 and 2012, the employee contribution rate was 10% and the employer contribution rate was 14% of covered payroll. BWC/IC's contributions, representing 100% of the dollar amount billed, are as follows (000's omitted):

Twelve months ended June 30, 2014	\$19,919
Twelve months ended June 30, 2013	\$20,012
Twelve months ended June 30, 2012	\$20,617

Post-Retirement Health Care

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. To qualify for post-retirement health care coverage, age and service retirees must have 10 or more years of qualifying Ohio service credit. Health care coverage for disabled recipients and primary survivor recipients is available.

Continued

The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pension." The Ohio Revised Code permits, but does not mandate, OPERS to provide the OPEB Plan to its eligible members and beneficiaries. The Ohio Revised Code provides statutory authority for employer contributions and requires public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care coverage.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of the employer's contribution to OPERS set aside for the funding of OPEB for members in the Traditional Plan was 1% during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1% during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Based upon the portion of each employer's contribution to OPERS set aside for funding OPEB as described above, BWC/IC's contribution for the 12 months ended June 30, 2014 allocated to OPEB was approximately $1.4 million and $5.7 million for the 12 months ended June 30, 2013.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

10. Risk Management

BWC/IC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To cover these risks, BWC/IC maintains commercial insurance and property insurance. There were no reductions in coverage in either fiscal years 2014 or 2013. Claims experience over the past three years indicates there were no instances of losses exceeding insurance coverage. Additionally, BWC/IC provides medical benefits for its employees on a fully insured basis with independent insurance companies or the State's self-insured benefit plan.

11. Contingent Liabilities

BWC/IC is a party in various legal proceedings, which normally occur as part of BWC/IC's operations.

A class action case was filed against BWC/IC alleging that non-group-rated employers subsidize group-rated employers, and that this bias in premiums violates various provisions of the Ohio Constitution. Plaintiffs have asked the court to declare the group rating plan unconstitutional and require BWC/IC to repay to the class members all excessive premiums collected by BWC/IC, with interest and attorney fees. In April 2008, plaintiffs filed a motion for a preliminary injunction enjoining BWC/IC from enforcing the group rating statutes during pendency of the action (beginning July 1, 2008). A hearing was held on the injunction request in August 2008. In November 2008 the Cuyahoga County Common Pleas Court issued the requested preliminary injunction restraining BWC from continuing its current group rating plan for the policy year beginning July 1, 2009. At the same time, the common pleas court ordered that BWC enact a group retrospective rating plan for the policy year beginning July 1, 2009. BWC filed an appeal and a motion for stay with the common pleas court. On December 17, 2008, the General Assembly passed House Bill 79 clarifying that Ohio's group rating program was not intended to be retrospective only. On January 6, 2009 the Governor signed the bill making it effective immediately. On January 7, 2009 BWC filed a motion to dissolve the preliminary injunction and in March 2009, the common pleas court issued an order vacating the preliminary injunction. Plaintiff filed a motion for class certification and BWC filed a response in opposition. In January 2010, the common pleas court granted class certification and BWC had appealed. On April 7, 2011 the court issued its written decision affirming the trial court's decision to grant class certification, and remanding the case to the trial court. On December 28, 2012, the court issued an opinion which found that BWC unlawfully charged the class excessive premiums in violation of ORC 4123.29 and 4123.34, and that plaintiffs were entitled to restitution. On March 20, 2013, the court determined the damages and ordered that the class was entitled to restitution in the amount of $859 million. Accordingly, a provision for this liability was reported in the 2013 financial statements for this matter. On April 15, 2013, BWC filed a notice of appeal of the judgment. On July 19, 2013, BWC filed its appeal brief. The decision from the 8th District Court of Appeals in May 2014 did remand part of the case to the trial court for potential offset of damages, which did reduce the amount of judgment against BWC. On July 23, 2014 all parties agreed to a settlement of $420 million and the class action settlement will be paid in fiscal year 2015. The total impact to the financial statements is a decrease of $439 million in related operating expense and corresponding liability.

The cities of Cleveland and Parma have filed separate lawsuits on June 28, 2013 and September 18, 2013, respectively, alleging that BWC overcharged public employers that were not group rated. The lawsuit filed by Parma seeks class action status for similarly situated public employers. The cities claim that BWC overcharged non-group rated public employers in order to unlawfully subsidize the discounts for the group rated public employers. A trial date has been set for February 2015, but BWC does not believe that the trial will go forward because of the complex discovery that must be completed before trial. Management does not anticipate an adverse conclusion and intends to vigorously defend these cases. Accordingly, no provision for any liability has been reported in the financial statements for these matters.

A class action case was filed alleging that BWC/IC identifies permanent total disability (PTD) recipients not represented by counsel and encourages them to settle their PTD claims for substantially less than their actuarial present value. The plaintiffs contend that BWC/IC refuses to conduct good-faith settlement negotiations with PTD recipients represented by counsel. The trial court denied BWC/IC's motion to dismiss and/or change of venue, and granted class certification. The 8th District Court of Appeals issued a ruling affirming the trial court's rulings. BWC/IC appealed to the Ohio Supreme Court. In May 2008, the Ohio Supreme Court reversed the Court of Appeals' decision and held that, because this matter is a claim against the state for money due under a contract, and not a claim of equitable restitution, it must be brought before the Ohio Court of Claims. Plaintiffs filed action in the Court of Claims in November 2008. On July 7, 2009, the court granted a partial dismissal of this case. The court dismissed the claims of breach of duty, fraud, unjust enrichment, and violation of constitutional and statutory rights. The remaining claim is for breach of contract and associated declaratory relief. On October 22, 2011, the court issued a partial grant of BWC's motion for summary judgment, by dismissing plaintiff's breach of contract claim. On November 1, 2011, BWC filed a motion for judgment on the pleadings to dispose of the plaintiff's last remaining claim, a claim for declaratory relief, on the basis that the two year statute of limitations applies to all claims. On January 9, 2012, the court granted the motion, and entered judgment in favor of BWC. Plaintiff filed notice of appeal to the 10th District Court of Appeals on January 19, 2012. On September 27, 2012, the 10th District reversed the dismissal of the claims for fraud, unjust enrichment, and declaratory relief. However, the court affirmed the dismissal of the claims for breach of contract and breach of fiduciary duty, and the court upheld BWC's statute of limitations defense. On February 13, 2013, BWC filed another motion for summary judgment on the basis that plaintiff's claims were barred by the statute of limitations. On August 5, 2013, the court granted the motion, and rendered judgment in favor of BWC, however the plaintiff filed yet another appeal. The briefing on this appeal has not yet begun. In fiscal year 2014, BWC won at the trial court and 10th District Court of Appeals. The plaintiff filed a memorandum asking the Ohio Supreme Court to accept jurisdiction, but in September 2014 the Supreme Court denied plaintiff's request. With this denial, this case should be over. Accordingly, no provision for any liability has been reported in the financial statements for this matter.

A class action case was filed against BWC alleging violations of the Ohio Revised Code and unjust enrichment. The plaintiff asserts that BWC stopped issuing the plaintiff's temporary disability payments in the form of paper checks and instead began electronically transferring his benefits into an electronic benefits transfer debit card account. The bank charges a transaction fee if he visits a bank teller to withdraw money from the account more than once per month, regardless of the fact that his benefits are credited to the account every 14 days. Plaintiff asserts that this practice of charging transaction fees for withdrawals deprives the plaintiff and other workers' compensation claimants of 100 percent of their awarded benefits. On December 23, 2010, BWC filed a motion to dismiss for lack of subject matter jurisdiction, on the basis that plaintiff's complaint is an action in law (not an action in equity), which should be brought in the Ohio Court of Claims. This motion was denied. On August 15, 2012, BWC filed a motion for summary judgment. The plaintiff filed a motion for class certification, which BWC opposed on August 15, 2012. Effective September 2012, BWC negotiated a new fee schedule with JP Morgan Chase Bank pursuant to which the debit card now offers one free teller visit per deposit. BWC's motion for summary judgment and plaintiff's motion for class certification are still pending. Management does not anticipate an adverse conclusion and intends to vigorously defend this case. Accordingly, no provision for any liability has been reported in the financial statements for this matter.

Continued

A class-action case was filed challenging the constitutionality of BWC's practice of reimbursing injured workers for prescriptions paid prior to the allowance of a claim or additional condition. Plaintiffs allege that BWC should repay the full cash price of prescriptions, even if such amount is in excess of the amount permissible under BWC's provider fee schedule. On February 3, 2012, BWC filed a motion to dismiss plaintiff's complaint. On August 7, 2013, the court denied the motion. Management expects this case to settle for an amount that is not material to the financial statements.

Although the outcome of certain cases is not quantifiable or determinable at this time, an unfavorable outcome in certain cases could have a material effect on the financial position of BWC/IC.

BWC/IC is also involved in other claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with the Attorney General, the ultimate disposition of these matters is not likely to have a material adverse effect on BWC/IC's financial position.

12. Transition Credit Liability

In April 2014, the Board approved a transition credit estimated to be $1.2 billion for private and public employer taxing district policyholders to minimize the cash flow impacts of transitioning from collecting premiums in arrears (or after the coverage period) to prospective billing where premiums are collected in advance of the coverage period. The switch to prospective billing will occur for the policy period beginning July 1, 2015 for private employers and the policy period beginning January 1, 2016 for public employer taxing districts.

Private employers will receive a one hundred percent transition credit equal to $785 million in estimated premiums for the policy period January 1 through June 30, 2015. This transition credit is reflected as a current liability in the Statement of Net Position for the year ended June 30, 2014. For the policy period beginning July 1, 2015, a transition credit equal to one sixth of the estimated annual premiums will also be granted to private employers. This credit is estimated to be $262 million and is reflected as a noncurrent liability in the Statement of Net Position for the year ended June 30, 2014.

Public taxing district employers will receive transition credits equal to fifty percent of the billed premium for the January 1 through December 31, 2015 policy period and fifty percent of the estimated annual premium for the January 1 through December 31, 2016 policy period. The portion of the transition credit applicable to the January 1 through June 30, 2015 is estimated to $46 million and is reflected as a current liability in the Statement of Net Position for the year ended June 30, 2014. The estimated transition credit related to the July 1, 2015 through December 31, 2016 period is $136 million and is reflected as a noncurrent liability in the Statement of Net Position for the year ended June 30, 2014.

13. Subsequent Event

BWC's net asset policy contains the business rationale, methodology, and guiding principles with respect to maintaining a prudent net position to protect SIF against financial and operational risks that may threaten the ability to meet future obligations. Over the past two years the net position has increased to the point that the SIF Funding Ratio and Net Leverage Ratio are no longer within the guidelines established by the policy. In response, a

Continued

rebate to reduce the net position in SIF was approved by the Board at the September 2014 board meeting. As a result, the private employers will be granted a rebate equivalent to 60 percent of billed premiums for the July 1, 2012 through June 30, 2013 policy period, while public taxing district employers will be granted a rebate equivalent to 60 percent of premiums for the January 1, 2012 through December 31, 2012 policy period. The total estimated payments will be approximately $1.1 billion in fiscal year 2015. Ohio Revised Code 4123.32.1 and Ohio Administrative Code 4123-17-10 provide authority for the Board to return excess surplus to employers in either the form of a cash refund or reduction of premiums. The Board has discretionary authority to determine whether there is an excess surplus of premium and the rules surrounding the return of any surplus to employers. Thus the liability for any rebate is not established until approved by the Board. BWC will recognize this expense in 2015 when the Board officially approves the rebate.

14. Net Position

Individual fund net position (deficit) balances at June 30, 2014 and 2013 were as follows (000’s omitted):

	2014	2013
SIF	$ 8,044,783	$ 5,675,398
SIF Surplus Fund Account	19,345	24,116
SIF Premium Payment Security Fund	147,245	140,693
Total SIF Net Position	8,211,373	5,840,207
DWRF	1,535,732	1,365,435
CWPF	270,446	179,139
PWREF	25,599	26,581
MIF	19,608	19,198
SIEGF	25,063	25,076
ACF	(627,608)	(676,559)
Total Net Position	9,460,213	6,779,077

As mandated by the Code, the SIF net position is separated into three separate funds; the main fund, the Surplus Fund Account (Surplus Fund), and the Premium Payment Security Fund (PPSF).

The SIF Surplus Fund is established by the Code and is financed by a portion of all SIF premiums paid by private, self-insured, and public employers (excluding State employers). The Surplus Fund has been appropriated for specific charges, including compensation related to claims of handicapped persons or employees of noncomplying employers, and the expense of providing rehabilitation services, counseling, training, living maintenance payments, and other related charges to injured workers. The Surplus Fund may also be charged on a discretionary basis as ordered by BWC/IC, as permitted by the Code. Prior to the passage of House Bill 15 in 2009, contributions to the Surplus Fund were limited to 5% of premiums. The BWC administrator now has the authority to transfer money from SIF necessary to meet the needs of the Surplus Fund.

Continued

The SIF PPSF is established by the Code and is financed by a percentage of all premiums paid by private employers. Amounts are charged to the PPSF when the employer's premium due for a payroll period is determined to be uncollectible by the Attorney General of Ohio and the employer's premium payment security deposit is not sufficient to cover the premiums due for the payroll period.

The ACF fund deficit is a result of recognizing the actuarially estimated liabilities in accordance with accounting principles generally accepted in the United States of America, even though the funding for ACF is on a terminal funding basis in accordance with the Code. Consequently, the incurred expenses are not fully funded.

Continued

SUPPLEMENTARY SCHEDULES

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO

(A DEPARTMENT OF THE STATE OF OHIO)

REQUIRED SUPPLEMENTAL REVENUE AND RESERVE DEVELOPMENT INFORMATION, UNAUDITED

(See Accompanying Independent Auditor's Report)

June 30, 2014 and 2013

GASB Statement No. 30, "Risk Financing Omnibus," requires the presentation of ten years of supplemental revenue and reserve development information, if available.

The table on the following page illustrates how BWC/IC's gross premium revenues and investment income compare to related costs of workers' compensation benefits (compensation) and other expenses incurred by BWC/IC as of the end of each of the last ten and one-half reporting periods. The rows of the table are defined as follows: (1) This line shows the total of each period's gross premium revenues and investment income. (2) This line shows each period's operating expenses, including overhead and compensation adjustment expenses not allocable to individual claims. (3) This line shows incurred compensation and allocated compensation adjustment expenses (both paid and accrued) as originally reported at the end of the first period in which the injury occurred. (4) This section of ten rows shows the cumulative amounts paid as of the end of successive periods for each period. (5) This section of ten rows shows how each period's incurred compensation increased or decreased as of the end of successive periods. (6) This line compares the latest re-estimated incurred compensation amount to the amount originally established (line 3) and shows whether this latest estimate of compensation cost is greater or less than originally estimated. As data for individual periods mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred compensation currently recognized in less mature periods. The columns of the table show data for successive periods on an undiscounted basis for the fiscal years ended June 30, 2004 through 2014.

Continued

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)

REQUIRED SUPPLEMENTAL REVENUE AND RESERVE
DEVELOPMENT INFORMATION, UNAUDITED, Continued
(See Accompanying Independent Auditors' Report)
(In Millions of Dollars)

	Fiscal Years Ended June 30										
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
1. Gross premiums, assessments, and investment income	$ 5,194	$ 2,453	$ 4,044	$ 4,356	$ 4,206	$ 2,296	$ 2,968	$ 5,251	$ 3,015	$ 3,272	$ 3,558
2. Unallocated expenses	150	140	129	131	139	97	108	109	170	179	188
3. Estimated incurred compensation and compensation adjustment expense, end of period	1,854	1,720	1,800	1,863	1,870	2,139	2,219	2,327	2,270	2,392	2,335
Discount	872	830	968	974	985	1,472	1,892	2,099	2,147	2,227	2,447
Gross liability as originally estimated	2,726	2,549	2,767	2,837	2,854	3,611	4,111	4,426	4,417	4,619	4,782
4. Paid (cumulative) as of :											
End of period	337	380	386	400	384	458	415	423	417	449	449
One year later		600	620	641	639	711	755	747	743	795	843
Two years later			756	773	775	868	920	926	927	979	1,037
Three years later				879	883	979	1,056	1,048	1,066	1,121	1,181
Four years later					973	1,083	1,163	1,155	1,172	1,238	1,302
Five years later						1,179	1,256	1,251	1,268	1,336	1,408
Six years later							1,350	1,336	1,355	1,425	1,498
Seven years later								1,411	1,428	1,500	1,576
Eight years later									1,496	1,565	1,643
Nine years later										1,634	1,709
Ten years later											1,775
5. Re-estimated incurred compensation and compensation adjustment expenses (gross):											
One year later		2,494	2,501	2,680	2,701	2,865	3,607	3,946	4,087	4,456	4,604
Two years later			2,450	2,471	2,596	2,794	2,948	3,460	3,879	4,085	4,369
Three years later				2,438	2,425	2,730	2,909	2,909	3,410	3,929	4,138
Four years later					2,426	2,585	2,862	2,877	2,899	3,502	3,842
Five years later						2,668	2,748	2,812	2,877	2,977	3,489
Six years later							2,846	2,738	2,839	2,984	3,042
Seven years later								2,784	2,776	2,960	3,054
Eight years later									2,813	2,908	3,032
Nine years later										2,966	2,984
Ten years later											3,048
6. Decrease in gross estimated incurred compensation and compensation adjustment expenses from end of period		(55)	(317)	(399)	(428)	(943)	(1,265)	(1,642)	(1,604)	(1,653)	(1,734)

Ultimate incurred loss and LAE excludes liability associated with active working miners within the CWPF since they are not yet assignable to fiscal accident year.
The June 30, 2014 active miners nominal and discounted liability is approximately $55.1 million and $12.7 million, respectively.

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)
SUPPLEMENTAL SCHEDULE OF NET POSITION
(See Accompanying Independent Auditors' Report)
June 30, 2014
(000's omitted)

	State Insurance Fund Account	Disabled Workers' Relief Fund Account	Coal-Workers Pneumoconiosis Fund Account	Public Work-Relief Employees' Fund Account	Marine Industry Fund Account	Self-Insuring Employers' Guaranty Fund Account	Administrative Cost Fund Account	Eliminations	Totals
ASSETS									
Current assets:									
Cash and cash equivalents	$ 487,952	$ 1,821	$ 130	$ 32	$ 1,016	$ 67,888	$ 4,414	$ -	$ 563,253
Collateral on loaned securities	-	-	-	-	-	-	2,747	-	2,747
Premiums in course of collection	762,431	-	-	247	-	-	-	-	762,678
Assessments in course of collection	-	41,663	-	-	-	-	131,154	-	172,817
Accounts receivable, net of allowance for uncollectibles	89,835	15,850	19	1	1	201	4,973	-	110,880
Interfund receivables	10,500	88,847	(13)	448	1	107	122,353	(222,243)	-
Investment trade receivables	217,563	-	-	-	-	-	-	-	217,563
Accrued investment income	142,936	-	-	-	-	1	-	-	142,937
Other current assets	2,116	-	-	-	-	-	5,418	-	7,534
Total current assets	1,713,333	148,181	136	728	1,018	68,197	271,059	(222,243)	1,980,409
Non-current assets:									
Fixed maturities	13,667,911	1,061,909	253,369	29,887	21,213	-	-	-	15,034,289
Domestic equity securities:									
Common stock	5,656,260	355,562	48,587	-	-	-	-	-	6,060,409
Preferred stocks	1,207	-	-	-	-	-	-	-	1,207
Non-U.S equity securities - common stock	2,416,433	176,820	26,766	-	-	-	-	-	2,620,019
Investments in real estate funds	1,187,975	-	-	-	-	-	-	-	1,187,975
Unbilled premiums receivable	653,210	1,932,865	-	-	-	424,497	68,908	-	3,079,480
Retrospective premiums receivable	251,922	-	-	-	-	-	-	-	251,922
Capital assets	20,157	22	-	-	-	-	105,819	-	125,998
Total noncurrent assets	23,855,075	3,527,178	328,722	29,887	21,213	424,497	174,727	-	28,361,299
Total assets	$ 25,568,408	$ 3,675,359	$ 328,858	$ 30,615	$ 22,231	$ 492,694	$ 445,786	$ (222,243)	$ 30,341,708

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)
SUPPLEMENTAL SCHEDULE OF NET POSITION, Continued
(See Accompanying Independent Auditors' Report)
June 30, 2014
(000's omitted)

	State Insurance Fund Account	Disabled Workers' Relief Fund Account	Coal-Workers Pneumoconiosis Fund Account	Public Work-Relief Employees' Fund Account	Marine Industry Fund Account	Self-Insuring Employers' Guaranty Fund Account	Administrative Cost Fund Account	Eliminations	Totals
LIABILITIES									
Current liabilities:									
Reserve for compensation	$ 1,679,247	$123,882	$ 1,264	$ 180	$ 184	$21,372	$ -	$ -	$ 1,826,129
Reserve for compensation adjustment expenses	168,220	92	95	-	30	1,047	219,409	-	388,893
Transition credit liability	831,000	-	-	-	-	-	-	-	831,000
Legal settlement	420,000	-	-	-	-	-	-	-	420,000
Warrants payable	24,396	-	-	-	-	-	-	-	24,396
Investment trade payables	337,625	-	-	-	-	-	-	-	337,625
Accounts payable	4,857	-	-	-	-	-	9,252	-	14,109
Interfund payables	209,752	8,534	103	12	12	3,830	-	(222,243)	-
Obligations under securities lending	-	-	-	-	-	-	2,747	-	2,747
Other current liabilities	8,912	93	23	3	110	-	13,068	-	22,209
Total current liabilities	3,684,009	132,601	1,485	195	336	26,249	244,476	(222,243)	3,867,108
Noncurrent liabilities:									
Reserve for compensation	12,541,853	2,005,118	52,536	4,820	2,116	435,628	-	-	15,042,071
Reserve for compensation adjustment expenses	647,380	1,908	3,705	-	170	5,753	805,691	-	1,464,607
Transition credit liability	398,000	-	-	-	-	-	-	-	398,000
Premium payment security deposits	85,795	-	686	-	-	-	-	-	86,481
Other noncurrent liabilities	-	-	-	-	-	-	23,228	-	23,228
Total noncurrent liabilities	13,673,028	2,007,026	56,927	4,820	2,286	441,381	828,919	-	17,014,387
Total liabilities	17,357,037	2,139,627	58,412	5,015	2,622	467,630	1,073,395	(222,243)	20,881,495
NET POSITION (DEFICIT)									
Net investment in capital assets	20,157	22	-	-	-	-	105,819	-	125,998
Surplus fund	19,345	-	-	-	-	-	-	-	19,345
Premium payment security fund	147,245	-	-	-	-	-	-	-	147,245
Unrestricted net position (deficit)	8,024,626	1,535,710	270,446	25,599	19,608	25,063	(733,427)	-	9,167,625
Total net position (deficit)	$ 8,211,373	$ 1,535,732	$ 270,446	$ 25,599	$ 19,608	$ 25,063	$ (627,608)	$ -	$ 9,460,213

OHIO BUREAU OF WORKERS' COMPENSATION

AND

INDUSTRIAL COMMISSION OF OHIO

(A DEPARTMENT OF THE STATE OF OHIO)

SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

(See Accompanying Independent Auditors' Report)

For the year ended June 30, 2014

(000's omitted)

	State Insurance Fund Account	Disabled Workers' Relief Fund Account	Coal-Workers Pneumoconiosis Fund Account	Public Work-Relief Employees' Fund Account	Marine Industry Fund Account	Self-Insuring Employers' Guaranty Fund Account	Administrative Cost Fund Account	Eliminations	Totals
Operating revenues:									
Premium and assessment income net of ceded premium	$1,537,849	$298,546	$(19)	$437	$644	$(1,839)	$306,931	$ -	$2,142,549
Provision for uncollectibles	(54,274)	163	(17)	-	-	(19)	(2,581)	-	(56,728)
Other income	3,331	-	-	-	-	-	4,810	-	8,141
Total operating revenues	1,486,906	298,709	(36)	437	644	(1,858)	309,160	-	2,093,962
Operating expenses:									
Workers' compensation benefits	968,285	283,263	(61,626)	2,235	638	(2,454)	-	-	1,190,341
Compensation adjustment expenses	162,966	(1,788)	(3,507)	-	151	615	170,397	-	328,834
Personal services	-	43	42	-	13	-	64,059	-	64,157
Other administrative expenses	22,059	9	1	1	10	1	31,039	-	53,120
Total operating expenses	1,153,310	281,527	(65,090)	2,236	812	(1,838)	265,495	-	1,636,452
Net operating income (loss) before transition credits, premium rebates and loss contingencies	333,596	17,182	65,054	(1,799)	(168)	(20)	43,665	-	457,510
Transition credit expense	1,229,000	-	-	-	-	-	-	-	1,229,000
Premium rebate	45	-	-	-	-	-	-	-	45
Legal settlement / loss contingency	(439,440)	-	-	-	-	-	-	-	(439,440)
Total transition credits, premium rebates and legal settlement/loss contingency	789,605	-	-	-	-	-	-	-	789,605
Net operating (loss) income	(456,009)	17,182	65,054	(1,799)	(168)	(20)	43,665	-	(332,095)
Non-operating revenues:									
Net investment income	2,827,175	153,115	26,253	817	578	7	5,663	-	3,013,608
Gain on disposal of capital assets	-	-	-	-	-	-	48	-	48
Total non-operating revenues	2,827,175	153,115	26,253	817	578	7	5,711	-	3,013,656
Net transfers out	-	-	-	-	-	-	(425)	-	(425)
Increase (decrease) in net position (deficit)	2,371,166	170,297	91,307	(982)	410	(13)	48,951	-	2,681,136
Net position (deficit), beginning of year	5,840,207	1,365,435	179,139	26,581	19,198	25,076	(676,559)	-	6,779,077
Net position (deficit), end of year	$8,211,373	$1,535,732	$270,446	$25,599	$19,608	$25,063	$(627,608)	$ -	$9,460,213

[This Page Intentionally Left Blank]