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, 2015 and 2014

and Independent Auditors' Report Thereon

SCHNEIDER DOWNS

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Dave Yost · Auditor of State

Members of the Board
Ohio Bureau of Workers' Compensation
and Industrial Commission of Ohio
30 W. Spring Street
Columbus, Ohio 43215

We have reviewed the *Independent Auditors' Report* of the Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio, Franklin County, prepared by Schneider Downs & Co., Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

November 18, 2015

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C O N T E N T S

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, 2015, 2014, and 2013. BWC and IC are collectively referred to as BWC/IC. This information is based on BWC/IC's financial statements, which begin on Page 13.

Financial highlights

- BWC/IC's total assets at June 30, 2015 were $29.1 billion, a decrease of $1.3 billion or 4.2 percent compared to June 30, 2014.
- BWC/IC's total liabilities at June 30, 2015 were $19.8 billion, a decrease of $1.1 billion or 5.2 percent compared to June 30, 2014.
- BWC/IC's operating revenues for fiscal year 2015 were $2.0 billion, a decrease of $131 million or 6.3 percent compared to fiscal year 2014.
- BWC/IC's operating expenses for fiscal year 2015 were $1.5 billion, a decrease of $123 million or 7.5 percent from fiscal year 2014.
- BWC/IC had $1.0 billion in premium rebate expenses, $39 million in transition credit expenses and reduced the legal settlement expense by $23 million in fiscal year 2015.
- BWC's non-operating revenues for fiscal year 2015 were $510 million, compared to $3.0 billion for fiscal year 2014.
- BWC/IC's net position as of July 1, 2014 has been decreased by $122 million for the implementation of Governmental Accounting Standards Board (GASB) Statement Number 68, as amended by GASB Statement Number 71.
- BWC/IC's net position decreased by $70 million in fiscal year 2015, compared to a $2.7 billion increase in fiscal year 2014.

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.

Continued

- 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. The notes present information about accounting policies and disclose material risks, subsequent events, and contingent liabilities, if any, that may significantly impact BWC/IC's financial position.
- Supplemental Information – The financial statements include the following supplemental information schedules:
    - Required supplemental information that presents 10 years of BWC/IC's revenue and reserve development information;
    - Required supplemental information that presents BWC/IC's proportionate share of the Ohio Public Employees Retirement System (OPERS) net pension liability;
    - Required supplemental information that presents BWC/IC's contribution to OPERS based on statutory requirements; and
    - Optional 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.

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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, 2015, 2014, and 2013, and for the years then ended were as follows (000's omitted):

	2015	2014	2013
Current assets	$ 1,597,941	$ 1,980,409	$ 2,935,812
Noncurrent assets	27,456,171	28,361,299	25,306,277
Total assets	$ 29,054,112	$ 30,341,708	$ 28,242,089
Deferred outflows of resources	$ 16,679	$ -	$ -
	$ 16,679	$ -	$ -
Current liabilities	$ 3,532,668	$ 3,867,108	$ 3,713,761
Noncurrent liabilities	16,267,360	17,014,387	17,749,251
Total liabilities	$ 19,800,028	$ 20,881,495	$ 21,463,012
Deferred inflows of resources	$ 2,431	$ -	$ -
	$ 2,431	$ -	$ -
Net investment in capital assets	$ 142,347	$ 125,998	$ 88,663
Unrestricted net position	9,125,985	9,334,215	6,690,414
Total net position	$ 9,268,332	$ 9,460,213	$ 6,779,077
Net premium and assessment income, including provision for uncollectibles	$ 1,954,174	$ 2,085,821	$ 1,492,389
Other income	8,413	8,141	11,723
Total operating revenues	$ 1,962,587	$ 2,093,962	$ 1,504,112
Workers' compensation benefits and compensation adjustment expenses	$ 1,394,939	$ 1,519,175	$ 1,491,515
Other expenses	118,372	117,277	120,741
Total operating expenses	$ 1,513,311	$ 1,636,452	$ 1,612,256
Transition credit expense	$ (38,781)	$ (1,229,000)	$ -
Premium rebate	(1,013,171)	(45)	(965,636)
Legal settlement / loss contingency	22,938	439,440	(859,440)
Operating transfers out	(425)	(425)	(6,365)
Net investment income	509,882	3,013,608	900,854
Gain on disposal of capital assets	71	48	69
(Decrease) increase in net position	$ (70,210)	$ 2,681,136	$ (1,038,662)
Prior period adjustment - pension	$ (121,671)	$ -	$ -

Continued

BWC/IC's net position decreased by $70 million during fiscal year 2015, compared to a $2.7 billion increase during fiscal year 2014.

- Premium and assessment income exceeded workers' compensation benefits and compensation adjustment expenses by $559 million in fiscal year 2015 and $567 million in fiscal year 2014.
- Over the past three 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. An additional rebate to reduce the net position in SIF was approved by the Board on September 25, 2014. Private employers were granted a rebate equivalent to 60 percent of premiums for the July 1, 2012 through June 30, 2013 policy period, while public employer taxing districts were granted a rebate equivalent to 60 percent of premiums for the January 1, 2012 through December 31, 2012 period. This action resulted in premium rebate expense of just over $1 billion in fiscal year 2015.
- 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 covers one hundred percent of private employer premiums for the January 1 through June 30, 2015 policy period and one sixth of the annual premiums for the policy year beginning July 1, 2015. Public taxing district employers will receive transition credits of 50 percent of annual premiums for each of the policy years beginning January 1, 2015 and 2016. The transition credit was reflected in the fiscal year 2014 financial statements when the Board committed funds for paying these premiums. An additional transition credit expense of $39 million was recorded in fiscal year 2015 based on the actual reporting of payroll and premiums by private employers for the January 1, 2015 through June 30, 2015 policy period.
- Premium and assessment income for fiscal year 2015 reflects a 6.3 percent reduction in the overall premium rates for the majority of Ohio's private employers and a 9.1 percent reduction for public employer taxing districts (PECs) for the policy period that began on January 1, 2015. PECs include cities, counties, townships, villages, schools, libraries, and special taxing districts.
- 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 2015, almost 45 percent of the employer population chose to Go Green, earning discounts of $4.4 million compared to $3.7 million in fiscal year 2014. 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 $6.1 million in fiscal year 2015 and $6.3 million in fiscal year 2014. Employers earned discounts of $3.6 million in fiscal year 2015 and

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$3.8 million in fiscal year 2014 by completing requirements of the Industry-Specific Safety Program. Completing the requirements of the Transitional Work Bonus Program earned employers $5.7 million in fiscal year 2015 compared to $3.1 million in fiscal year 2014.

- Ohio has 82 safety councils that promote increased safety awareness in the workplace and educate businesses on occupational health, wellness, and safety issues. Employers meeting safety council participation eligibility requirements and performance goals for reducing either frequency or severity earned safety council bonuses of $9.2 million in fiscal year 2015 and $9.5 million in fiscal year 2014.

- 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 years 2015 and 2014 and $6.0 million in fiscal year 2013 for the accrual of the ceded reinsurance premiums.

- Workers' compensation benefits and compensation adjustment expenses were as follows in fiscal years 2015, 2014 and 2013:

($ in millions)	2015	2014	2013
Change in reserves for compensation and compensation adjustment expenses	$ (527)	$ (468)	$ (515)
Net benefit payments	1,551	1,626	1,649
Payments for compensation adjustment expenses	200	191	188
Managed Care Organization administrative payments	171	170	170
	$ 1,395	$ 1,519	$ 1,492

- The discounted liabilities for workers' compensation benefits and compensation adjustment expenses as of June 30, 2015 are $527 million lower than the June 30, 2014 discounted liabilities. These liabilities are discounted using an annual interest rate of 4.0 percent.

- SIF benefit payments for all accident years emerged $156 million or 9.5 percent lower than expected during fiscal year 2015. Approximately $100 million of the lower than expected paid development is associated with medical benefits, while indemnity benefits were $56 million lower than expected. During the past 15 years, annual payments have remained steady, ranging from a low of $1.5 billion in fiscal year 2015 to a high of $1.9 billion in fiscal year 2008. Fiscal year 2015 payments are lower than fiscal year 2014 payments and are the lowest annual payments during the last 15 fiscal years.

- 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. In February 2015, settlement payments of $137.5 million were made to plaintiff attorneys for fees and litigation costs and $75 thousand for incentive compensation payments to the 6 named plaintiffs in the case. Payments of $255.7 million were made to the class members in June 2015. Payments of $1.6 million were made to the court appointed class administrator and special master during fiscal year 2015. BWC/IC expects that an additional $1.8 million will be paid to class members during fiscal year 2016. As a result of actual settlement payments made in fiscal year 2015 and those anticipated to be made during fiscal year 2016, legal settlement expenses were reduced by $23 million in fiscal year 2015.

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- In fiscal year 2015, BWC/IC recorded net investment income of $510 million, compared to $3.0 billion in fiscal year 2014. The investment portfolio earned a net return of 2.2 percent, after management fees, during fiscal year 2015 compared to 13.4 percent in fiscal year 2014 and a return of 3.8 percent in fiscal year 2013.

- In September 2013, the Board approved the active management of all SIF intermediate duration fixed income assets. The Investment Policy Statement (IPS) was revised whereby the 15 percent allocation of SIF invested assets targeted to passive management of intermediate duration fixed income assets was 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. Approximately $2.9 billion was transitioned from the SIF passively managed intermediate duration fixed income portfolio to a transition account on March 9, 2015, resulting in realized capital gains of $90 million. The transfer of almost $3.0 billion in assets from the transition manager account to the four new Core Plus fixed income managers was accomplished on March 27, 2015 and produced additional net realized gains of $19.5 million.

- In August 2011, 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, 2015, a total of $1.1 billion has been invested in eight core real estate funds. The June 30, 2015 carrying value of these core real estate funds is $1.4 billion or approximately $320 million above cost representing a percentage increase in value of 28.6 percent after fees and the reinvestment of all dividend income and capital distributions. Four value-added real estate funds, with commitments of $50 million in each fund, have been subscribed to, and are expected to be funded over a 3 to 4 year period. The total market value of investments in value-added real estate assets is $46.4 million at June 30, 2015. The value-added KTR III fund was unexpectedly involved in a buyout of all of its assets by an investment group that included one of its primary competitors. SIF received $33.4 million from the KTR fund in June 2015 representing all of its $21.4 million capital investment made to date plus appreciation of value. A net realized capital gain of $12 million was recorded in fiscal year 2015 as result of this event.

- 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. In 2015, the BWC now owns the William Green building.

- BWC/IC implemented the provisions of Governmental Accounting Standards Board (GASB) Statement Number 68, as amended by GASB Statement Number 71 related to the measurement and reporting of the annual costs and long-term obligations associated with the pension benefits provided to our employees. These new standards require BWC/IC to record a proportionate share of the net pension liability of OPERS. Pension expense is now based on the full cost of pension benefits being provided to an employee during the year that the employee is providing services to BWC/IC. The 14 percent of covered payroll that is required by statute to be funded each year is not impacted by the new GASB pronouncements.

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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 10.8 percent for the July 1, 2015 policy year, producing estimated savings of $153 million for these employers. Private employer rate levels are 21.4 percent lower than rates in 2011 and are the lowest average rate levels in 38 years.
- A 9.0 percent rate reduction for public employer taxing district premiums for the January 1, 2016 policy year was approved by the Board on September 24, 2015, producing an estimated decrease in annual premiums of $17.7 million. Public employer taxing district rate levels are 26.5% lower than rates in 2011.
- Investments in safety create safer workplaces, prevent costly accidents and ultimately result 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. In fiscal year 2015, 709 grants totaling $15 million were awarded to employers for safety intervention, wellness, and drug-free programs. BWC has committed $15 million for each of the next two fiscal years (2016 and 2017) to continue these programs. BWC has invested approximately $2 million to fund nine advanced research projects from six Ohio universities to promote innovation in areas of workplace safety and health. 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. BWC/IC continues to invest in safety programs. Bureau of Labor Statistics study indicates Ohio's injury rate for private employers is 2.9 incidents per 100 workers compared to a national rate of 3.3 incidents per 100 workers.
- The annual actuarial unpaid loss and loss adjustment expense analysis includes a $5.1 billion discounted liability for unpaid medical costs, which represents 35.1 percent of the discounted liability for SIF unpaid claims. The cost of medical benefits 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 increase per lost time private employer claim was 4.2 percent from 2003 through 2014. These trends show the need for BWC to remain focused on cost control and programs enabling injured workers to return to work in a timely manner. The sooner an injured worker gets healthy and returns to work, the more likely it is that there will be positive outcomes for the worker, 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.
- A pilot program began on July 1, 2015 to identify injured workers who are at risk for not receiving optimal outcomes in their claims. This pilot program will look for ways to identify injured workers who might be at risk due to pre-existing conditions that may adversely impact the ability of the injured worker to return to work in a timely manner. Incentives have been designed that will encourage the coordination of care among

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workers' compensation medical providers, primary care physicians, and managed care organizations.

- BWC/IC's pharmacy program manages drug utilization to ensure coverage for necessary medications to allow proper care for injured workers in a fiscally responsible manner. Since 2011, many operational changes have occurred to the pharmacy program, including the establishment of a closed formulary, limiting coverage of compound prescriptions, placement of 366 out 405 drug classes on a relatedness list, and requiring prior authorization for prescriptions in medical-only claims after 60 days. Since 2010, total drug costs have been lowered by more than $20 million with prescriptions for opiates down by 37 percent.

- 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 $60.5 million in savings for the State Insurance Fund after closing 1,514 cases during fiscal year 2015.

- The Board has approved an increase in the real estate allocation for the SIF investment portfolio to a targeted 12 percent asset allocation from the current 6 percent allocation with a matching reduction in total fixed income assets to 58 percent from the current 64 percent allocation. The increase in the real estate allocation consists of increasing the core real estate funds target allocation to 7.0 percent from 4.5 percent, the value-added real estate fund target to 2.0 percent from 1.5 percent, and the establishment of a 3.0 percent target allocation for the new core plus real estate fund asset class. Bid submissions are being evaluated and progress is being made to identify finalist core plus real estate funds for investment consideration by the Board's Investment Committee.

- 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 and the need to make changes to existing systems for the implementation of prospective billing and ICD-10. BWC/IC anticipates that PowerSuite will be implemented during calendar year 2016.

- Legislative approval was obtained for modernizing how premiums are collected in Ohio by moving to a prospective payment system. This switch resulted in rate reductions of 2 percent for private employers and 4 percent for public taxing district employers since premiums will be collected sooner. The switch to prospective billing also allows employers more flexible payment options. Private employers transitioned to prospective billing on July 1, 2015, while public employer taxing districts will transition on January 1, 2016.

- 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 three years, primarily as a result of excess investment

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returns and lower than expected claims costs, the net position has increased to the point these ratios are no longer within the guidelines established by the policy. These net position excesses have enabled the Board to approve a $966 million cash rebate in fiscal year 2013 and a $1.2 billion transition credit, in conjunction with the move to a prospective billing system, in fiscal year 2014. In September 2014, the Board approved an additional cash rebate which returned over $1 billion to private and public taxing district employers in October and November 2014. While these rebates and transition credits did 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. BWC/IC anticipates that an economic capital modeling project will be completed during fiscal year 2016. These are the funding and net leverage ratios for the fiscal years ended June 30, 2015, 2014, 2013 and 2012:

	2015	2014	2013	2012	Guideline
Funding Ratio	1.58	1.57	1.39	1.47	1.15 to 1.35
Net Leverage Ratio	1.98	2.02	2.93	2.47	3.0 to 7.0

- House Bill 52 of the 131st General Assembly amended Ohio Revised Code (ORC) 4123.411 allowing the Administrator discretionary authority to levy assessments to fund DWRF I benefits. ORC 4123.419 was also amended to allow the Administrator with the advice and consent of the Board of Directors the authority to transfer investment income from the SIF to cover the cost of the DWRF I benefits for private and public taxing district employers rather than levying assessments against these employers. BWC management will be recommending that the Board of Directors approve the use of SIF investment earnings to provide funding to pay DWRF I cost of living benefits for private and public taxing district employer claims. Upon approval of this recommendation in fiscal year 2016, a liability of $582 million will be recorded in SIF to recognize the long-term commitment to use SIF investment earnings to fund DWRF I benefits for private and public taxing district employer claims. A receivable will be recorded in DWRF to recognize the long-term commitment from SIF to cover these benefits. This receivable will replace unbilled receivables of $582 million previously recorded in DWRF that recognized the ability to assess private and public taxing district employers in the future to provide funds needed to pay DWRF I benefits. The net impact of these changes will be a $582 million decrease to the net position during fiscal year 2016.

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.

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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, 2015 and 2014, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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 that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2015 and 2014, 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.

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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, the schedule of proportionate share of the net pension liability (asset), and the schedule of employer contributions and contributions subsequent to measurement date, on Pages 1-9, 45-46, 47 and 48, respectively, 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 express an opinion or provide any assurance on the information because the limited procedures do no provide us with sufficient evidence to express an opinion 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, 2015, 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 30, 2015, 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 30, 2015

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

STATEMENTS OF NET POSITION

June 30, 2015 and 2014

(000's omitted)

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$796,803	$563,253
Collateral on loaned securities (Note 2)	2,250	2,747
Premiums in course of collection	49,648	762,678
Assessments in course of collection	20,482	172,817
Accounts receivable, net of allowance for uncollectibles of $1,158,399 in 2015; $1,132,826 in 2014	105,985	110,880
Investment trade receivables	486,154	217,563
Accrued investment income	134,504	142,937
Other current assets	2,115	7,534
Total current assets	1,597,941	1,980,409
Noncurrent assets:		
Fixed maturities, at fair value (Note 2)	14,278,096	15,034,289
Domestic equity securities, at fair value - common stock (Note 2)	5,669,220	6,060,409
Domestic equity securities, at fair value - preferred stock (Note 2)	1,198	1,207
Non-U.S equity securities, at fair value - common stock (Note 2)	2,480,758	2,620,019
Investments in real estate funds (Note 2)	1,481,070	1,187,975
Unbilled premiums receivable	3,188,200	3,079,480
Retrospective premiums receivable	215,057	251,922
Capital assets (Note 3)	142,347	125,998
Net pension asset (Note 8)	225	-
Total noncurrent assets	27,456,171	28,361,299
Total assets	$ 29,054,112	$ 30,341,708
DEFERRED OUTFLOW OF RESOURCES (Note 8)	16,679	-
Total assets and deferred outflow of resources	$ 29,070,791	$ 30,341,708

	2015	2014
LIABILITIES		
Current liabilities:		
Reserve for compensation (Note 4)	$ 1,752,249	$ 1,826,129
Reserve for compensation adjustment expenses (Note 4)	379,156	388,893
Transition credit liability (Note 11)	351,902	831,000
Legal settlement (Note 10)	2,368	420,000
Premium payment security deposits (Note 5)	86,088	-
Warrants payable	278,363	24,396
Investment trade payables	637,652	337,625
Accounts payable	21,226	14,109
Obligations under securities lending (Note 2)	2,250	2,747
Other current liabilities (Note 5)	21,414	22,209
Total current liabilities	3,532,668	3,867,108
Noncurrent liabilities:		
Reserve for compensation (Note 4)	14,637,151	15,042,071
Reserve for compensation adjustment expenses (Note 4)	1,426,448	1,464,607
Transition credit liability (Note 11)	46,000	398,000
Net pension liability (Note 8)	134,479	-
Premium payment security deposits (Note 5)	-	86,481
Other noncurrent liabilities (Note 5)	23,282	23,228
Total noncurrent liabilities	16,267,360	17,014,387
Total liabilities	$ 19,800,028	$ 20,881,495
DEFERRED INFLOW OF RESOURCES (Note 8)	2,431	-
Total liabilities and deferred inflow of resources	$ 19,802,459	$ 20,881,495
NET POSITION		
Net investment in capital assets	142,347	125,998
Unrestricted net position	9,125,985	9,334,215
Total net position (Note 13)	$ 9,268,332	$ 9,460,213

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, 2015 and 2014

(000's omitted)

	2015	**2014**
Operating revenues:		
Premium and assessment income net of ceded premium (Note 6)	$1,993,706	$ 2,142,549
Provision for uncollectibles	(39,532)	(56,728)
Other income	8,413	8,141
Total operating revenues	1,962,587	2,093,962
Operating expenses:		
Workers' compensation benefits (Note 4)	1,071,689	1,190,341
Compensation adjustment expenses (Note 4)	323,250	328,834
Personal services	61,606	64,157
Other administrative expenses	56,766	53,120
Total operating expenses	1,513,311	1,636,452
Net operating income before transition credits, premium rebates and legal settlement	449,276	457,510
Transition credit expense (Note 11)	38,781	1,229,000
Premium rebate (Note 7)	1,013,171	45
Legal settlement (Note 10)	(22,938)	(439,440)
Total transition credits, premium rebates and legal settlement	1,029,014	789,605
Net operating loss	(579,738)	(332,095)
Non-operating revenues:		
Net investment income (Note 2)	509,882	3,013,608
Gain on disposal of capital assets	71	48
Total non-operating revenues	509,953	3,013,656
Net transfers out	(425)	(425)
(Decrease) increase in net position	(70,210)	2,681,136
Net position, beginning of year	9,460,213	6,779,077
Prior period adjustment (Note 8)	(121,671)	-
Net position, end of year	$ 9,268,332	$ 9,460,213

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, 2015 and 2014

(000's omitted)

	2015	2014
Cash flows from operating activities:		
Cash receipts from premiums and assessments net of reinsurance	$ 2,041,203	$ 2,117,977
Cash receipts - other	36,652	37,932
Cash disbursements for claims	(1,773,525)	(1,855,158)
Cash disbursements to employees for services	(189,767)	(196,793)
Cash disbursements for other operating expenses	(90,224)	(80,793)
Cash disbursements for employer refunds	(1,310,018)	(1,105,218)
Net cash used for operating activities	(1,285,679)	(1,082,053)
Cash flows from noncapital financing activities:		
Operating transfers out	(425)	(425)
Net cash used by noncapital financing activities	(425)	(425)
Cash flows from capital and related financing activities:		
Purchase of capital assets, net of retirements	(25,139)	(30,623)
Principal and interest payments on bonds	-	(15,941)
Net cash used in capital and related financing activities	(25,139)	(46,564)
Cash flows from investing activities:		
Investments sold	18,697,992	22,497,355
Investments purchased	(17,766,017)	(22,334,098)
Interest and dividends received	655,585	696,201
Investment expenses	(42,767)	(28,625)
Net cash provided by investing activities	1,544,793	830,833
Net increase (decrease) in cash and cash equivalents	233,550	(298,209)
Cash and cash equivalents, beginning of year	563,253	861,462
Cash and cash equivalents, end of year	$ 796,803	$ 563,253

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, 2015 and 2014

(000's omitted)

	2015	2014
Reconciliation of net operating loss to net cash used for operating activities:		
Net operating loss	$ (579,738)	$ (332,095)
Adjustments to reconcile net operating loss to net cash used for operating activities:		
Provision for uncollectible accounts	39,532	56,728
Depreciation	8,861	8,745
Amortization of discount and issuance costs on bonds payable	-	519
Transition credit liability	(831,098)	1,229,000
Pension	(1,665)	-
Legal settlement	-	(439,440)
(Increases) decreases in assets and increases (decreases) in liabilities:		
Premiums and assessments in course of collection	865,365	(21,719)
Unbilled premiums receivable	(108,720)	(187,659)
Accounts receivable	(34,637)	(32,776)
Retrospective premiums receivable	36,865	43,633
Other assets	5,418	(163)
Reserves for compensation and compensation adjustment expenses	(526,696)	(468,357)
Legal settlement	(417,632)	-
Premium payment security deposits	(393)	(5)
Warrants payable	253,966	(260,424)
Accounts payable	7,117	4,488
Premium rebate payable	-	(683,504)
Other liabilities	(2,224)	976
Net cash used for operating activities	$ (1,285,679)	$ (1,082,053)
Noncash investing, capital, and financing activities		
Change in fair values of investments	$ (93,020)	$ 2,348,938

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) with the advice and consent of the senate and nominating committee appoints the BWC Administrator, the three members of the IC, and the 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.

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)

Continued

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, transition credits, 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. 72, "Fair Value Measurement and Application" (effective fiscal year 2016)
- GASB No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB statements 67 and 68" (effective fiscal year 2017)
- GASB No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (effective fiscal year 2018)
- GASB No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" (effective fiscal year 2016)

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

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.

Continued

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, bond mutual funds and collateral on securities lending.

Investments are reported at fair value, which is the amount reasonably expected to be received for an investment in a current sale between a willing buyer and a willing seller. Fixed income securities, domestic securities, and bond mutual funds are valued based on published market prices and quotations from national security exchanges and securities pricing services. 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.

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. Legislative approval was obtained for modernizing how premiums are collected in Ohio by moving to a prospective payment system starting with fiscal year 2016. Private employers transitioned to prospective billing on July 1, 2015, while public employer taxing districts will transition on January 1, 2016. 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.

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 credit. The group experience rating plan allows employers that operate similar businesses to group together to potentially achieve lower premium rates than they could individually.

Continued

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. Legislative approval was obtained for modernizing how assessments are collected in Ohio by moving to a prospective payment system starting with fiscal year 2016. Private employers transitioned to prospective billing on July 1, 2015 while public employer taxing districts will transition on January 1, 2016. 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.

Continued

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 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, 2015 and 2014 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

Continued

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 6).

Income Taxes

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

Net Pension Liability, Net Pension Asset, Deferred Outflows and Inflows of Resources

In accordance with GASB Statement No. 68, a net pension liability, net pension asset, and deferred outflows and inflows of resources for pension were recorded in 2015. BWC/IC is required to record BWC/IC's proportionate share of Ohio Public Employee's Retirement System's (OPERS) net pension liability and disclose additional information in the footnotes and required supplementary information sections of our annual report.

Use of Estimates

In preparing the financial statements, management and BWC/IC's pension plan are 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.

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.

Continued

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, 2015 and 2014, the carrying amount of BWC/IC's cash deposits were $20.6 million and $10.5 million, respectively, and the bank balances were $12.4 million and $5.8 million, respectively. Of the June 30, 2015 and 2014 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. 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.

Continued

The composition of investments held at June 30, 2015 and 2014 is presented below (000's omitted):

	2015 Fair Value	2014 Fair Value
Fixed maturities		
U.S. corporate bonds	$ 5,193,347	$ 5,151,891
U.S. treasury inflation protected securities	2,695,040	2,801,188
U.S. government obligations	1,677,093	2,442,096
Non-U.S. corporate bonds	1,252,518	1,258,157
Commingled U.S. aggregate indexed fixed income	660,718	648,679
Commingled U.S. treasury inflation protected securities	654,957	666,599
U.S. state and local government agencies	544,152	641,684
U.S. government agency mortgages	492,498	621,482
Asset backed securities	275,136	10,696
Commercial mortgage backed securities	242,596	54,875
U.S. government agency bonds	206,777	190,408
Non-U.S. government and agency bonds	192,694	391,473
Bank loans	60,484	27,498
Commingled U.S. intermediate duration fixed income	53,389	51,100
Preferred securities	48,744	27,085
Bond mutual fund	25,263	-
Supranational issues	2,690	49,378
Total fixed maturities	14,278,096	15,034,289
Domestic equity securities - common stocks	5,669,220	6,060,409
Domestic equity securities - preferred stocks	1,198	1,207
Commingled Non-US equity securities - common stocks	2,480,758	2,620,019
Commingled investments in real estate	1,481,070	1,187,975
Securities lending short-term collateral	2,250	2,747
Cash and cash equivalents		
Cash	20,585	10,548
Repurchase agreements	3,000	-
Short-term money market fund	773,218	552,705
Total cash and cash equivalents	796,803	563,253
	$ 24,709,395	$ 25,469,899

Net investment income for the years ended June 30, 2015 and 2014 is summarized as follows (000's omitted):

	2015	2014
Fixed maturities	$ 482,060	$ 547,706
Equity securities	107,633	103,356
Real estate	57,391	46,827
Cash equivalents	67	56
	647,151	697,945
Increase in fair value of investments	(93,020)	2,348,938
Investment expenses	(44,249)	(33,275)
	$ 509,882	$ 3,013,608

As of September 25, 2015, the market value of the investment portfolio has decreased approximately 2%.

Continued

Real Estate Investments

BWC/IC invests 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, 2015 and 2014, the real estate funds have unfunded investment commitments of $306 million and $276 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, 2015 and 2014, the Ohio BWC held $3 million and zero, 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.

Continued

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, 2015 and 2014, the effective duration of BWC's fixed-income portfolio is as follows (000's omitted):

	June 30, 2015		June 30, 2014	
Investment Type	Fair Value	Effective Duration	Fair Value	Effective Duration
Supranational issues	$ 2,690	15.86	$ 49,378	4.07
U.S. government obligations	1,677,093	14.08	2,442,096	11.06
U.S. state and local government agencies	544,152	13.03	641,684	13.25
Non-U.S. government and agency bonds	192,694	12.31	391,473	11.51
U.S. corporate bonds	5,193,347	12.03	5,151,891	12.64
Non-U.S. corporate bonds	1,252,518	10.34	1,258,157	11.85
U.S. treasury inflationary protected securities	2,695,040	7.81	2,801,188	7.71
Commingled U.S. treasury inflationary protected securities	654,957	7.81	666,599	7.71
Commingled U.S. aggregate indexed fixed income	660,718	5.64	648,679	5.60
U.S. government agency bonds	206,777	5.34	190,408	7.21
Preferred securities	48,744	4.82	27,085	6.73
U.S. government agency mortgages	492,498	4.16	621,482	3.82
Commercial mortgage backed securities	242,596	4.12	54,875	3.29
Commingled U.S. intermediate duration fixed income	53,389	3.95	51,100	3.90
Asset backed securities	275,136	0.97	10,696	3.70
Bank loans	60,484	0.79	27,498	1.17
Bond mutual fund	25,263	0.60	-	0.00
Total fixed maturities	$ 14,278,096		$ 15,034,289	

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. In fiscal year 2012, 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. treasury inflation protected securities, and Commingled U.S. treasury inflation protected securities are all rated AA+ by Standard and Poor's in fiscal years 2015 and 2014. 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). Fixed maturities held in commingled bond funds in the custody of State Street were $1.4 billion at June 30, 2015 and 2014. At June 30, 2015 and 2014, investments in open-ended bond mutual funds were $25.3 million and zero, respectively, and

Continued

investments in bank loans were $60.5 million and $27.5 million, respectively, and were not held by the custodian. The remaining balance presented as of June 30, 2015 was held by the custodian on behalf of BWC/IC.

Quality Rating	2015 Fair Value	2014 Fair Value
Credit risk debt quality		
AAA	$ 383,409	$ 245,046
AA	1,690,939	1,710,863
A	2,299,931	2,741,317
BBB	3,530,343	3,432,820
BB	499,353	171,209
B	133,070	11,261
CCC	14,686	-
Total credit risk debt securities	8,551,731	8,312,516
U.S. government agency bonds		
AAA	23,559	5,492
AA	183,218	184,916
Total U.S. government agency bonds	206,777	190,408
U.S. government agency mortgages		
AAA	28,463	-
AA	464,035	621,482
Total U.S. government agency mortgages	492,498	621,482
U.S. government obligations (AA)	1,677,093	2,442,096
U.S. treasury inflation protected securities (AA)	2,695,040	2,801,188
Commingled U.S. treasury inflation protected securities (AA)	654,957	666,599
Total fixed maturities	$ 14,278,096	$ 15,034,289

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 2015 and 2014, 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, 2015 and 2014 is as follows (000's omitted):

Currency	2015 Fair Value	2014 Fair Value
Australian Dollar	$ 121,250	$ 142,792
Brazilian Real	40,663	60,074
British Pound	367,200	400,594
Canadian Dollar	163,995	196,155
Chilean Peso	6,586	8,384
Chinese Renminbi	503	424
Colombian Peso	3,164	5,725
Czech Koruna	959	1,330
Danish Krone	29,414	27,583
Egyptian Pound	1,098	1,086
Euro	531,152	580,280
Hong Kong Dollar	191,038	153,243
Hungarian Forint	1,135	1,236
Indian Rupee	41,331	37,773
Indonesian Rupiah	12,557	13,600
Israeli Shekel	10,609	9,665
Japanese Yen	402,618	373,451
Malaysian Ringgit	17,073	21,442
Mexican Peso	24,328	28,284
New Zealand Dollar	2,266	2,540
Norwegian Krone	11,231	16,180
Philippines Peso	7,312	5,435
Polish Zloty	7,879	9,167
Qatari Rial	5,139	2,209
Russian Ruble	10,003	23,765
Singapore Dollar	25,079	26,247
South African Rand	42,594	41,413
South Korean Won	77,341	85,877
Swedish Krona	51,598	56,124
Swiss Franc	162,383	167,054
Taiwan Dollar	68,239	67,083
Thailand Baht	12,232	12,128
Turkish Lira	7,827	9,358
United Arab Emirates Dirham	3,992	2,623
Exposure to foreign currency risk	2,461,788	2,590,324
United States Dollar	18,970	29,695
Total international securities	$ 2,480,758	$ 2,620,019

Continued

Securities Lending

At June 30, 2015 and 2014, BWC/IC had no securities out on loan. BWC/IC has been allocated with cash collateral of $2.3 million in 2015 and $2.7 million in 2014 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, 2015 and 2014 are summarized as follows (000's omitted):

	Balance at 6/30/2013	Increases	Decreases	Balance at 6/30/2014	Increases	Decreases	Balance at 6/30/2015
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	59	-	205,830
Building improvements	3,542	-	-	3,542	-	-	3,542
Furniture and equipment	30,042	284	(404)	29,922	2,617	(4,757)	27,782
Land improvements	66	-	-	66	-	-	66
Subtotal	239,421	284	(404)	239,301	2,676	(4,757)	237,220
Accumulated depreciation							
Buildings	(152,173)	(6,787)	-	(158,960)	(6,786)	-	(165,746)
Building improvements	(398)	(177)	-	(575)	(178)	-	(753)
Furniture and equipment	(25,427)	(1,780)	390	(26,817)	(1,896)	4,733	(23,980)
Land improvements	(58)	(1)	-	(59)	(1)	-	(60)
Subtotal	(178,056)	(8,745)	390	(186,411)	(8,861)	4,733	(190,539)
Capital assets							
Intangible assets - definite useful lives	30,713	30,401	-	61,114	22,558	-	83,672
Subtotal	30,713	30,401	-	61,114	22,558	-	83,672
Net capital assets	$ 104,072	$ 21,940	$ (14)	$ 125,998	$ 16,373	$ (24)	$ 142,347

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, 2015. BWC/IC anticipates this asset will be placed in service during calendar year 2016.

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, 2015 and 2014. A decrease in the discount rate to 3.0% would result in the reserves for compensation and compensation adjustment expenses increasing to $20.3 billion at June 30, 2015, while an increase in the rate to 5.0% would result in the reserves for compensation and compensation adjustment expenses decreasing to $16.5 billion. The undiscounted reserves for compensation and

Continued

compensation adjustment expenses were $30.7 billion at June 30, 2015 and $31.7 billion at June 30, 2014.

The changes in the reserves for compensation and compensation adjustment expenses for the years ended June 30, 2015 and 2014 are summarized as follows (000's omitted):

	2015	2014
Reserves for compensation and compensation adjustment expenses, beginning of period	$ 18,722	$ 19,190
Incurred:		
Provision for insured events of current period	1,853	1,854
Net decrease in provision for insured events of prior periods net of discount accretion of $749 in 2015 and $768 in 2014.	(458)	(338)
Total incurred	1,395	1,516
Payments:		
Compensation and compensation adjustment expenses attributable to insured events of current period	331	337
Compensation and compensation adjustment expenses attributable to insured events of prior period	1,591	1,647
Total payments	1,922	1,984
Reserves for compensation and compensation adjustment expenses, end of period	$ 18,195	$ 18,722

Continued

5. 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, 2015 and 2014 is summarized as follows (000's omitted):

	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	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

	Balance at 6/30/2014	Increases	Decreases	Balance at 6/30/2015	Due Within One Year
Transition credit payable	$ 1,229,000	$ -	$ (831,098)	$ 397,902	$ 351,902
Net pension liability	-	134,479	-	134,479	-
Contingent liabilities	420,000	149	(417,781)	2,368	2,368
Premium payment security deposits	86,481	1,525	(1,918)	86,088	86,088
Other liabilities	45,437	86,815	(87,556)	44,696	21,414
	$ 1,780,918	$ 222,968	$ (1,338,353)	$ 665,533	$ 461,772

6. 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 $97.5 million) 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 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 $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, 2015 and 2014 (000's omitted):

	2015	2014
Premium and assessment income	$ 1,997,601	$ 2,146,499
Ceded premiums	(3,895)	(3,950)
Total premium and assessment income net of ceded premiums	$ 1,993,706	$ 2,142,549

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.

Continued

BWC/IC's reinsurers had the following AM Best ratings at June 30, 2015 and 2014:

Reinsurer	2015	2014
Allied World Assurance Company	A	A
Alterra Zurich Branch of Alterra UK Underwriting Services Limited	A	Ag
Axis Specialty LTD	A+	A+
Hannover Re (Bermuda) LTD	A+	A+g
Tokio Millennium Re Limited	A++	A++
Underwriters at Lloyd's	A	A

7. 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 response, a 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 were 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 were granted a rebate equivalent to 60 percent of premiums for the January 1, 2012 through December 31, 2012 policy period.

This action resulted in premium rebate expense of $1 billion in fiscal year 2015 and $45 thousand in fiscal year 2014.

8. Benefit Plans

General Information about the 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.
- 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, 2015, the most recent report issued by OPERS is as of December 31, 2014.

Chapter 145 of the Ohio Revised Code provides OPERS statutory authority for employee and employer contributions. For 2015, member and employer contribution rates were consistent across all three plans. For the years ended December 31, 2014 and 2013, the employee contribution rate was 10% and the employer contribution rate was 14% of covered payroll.

Pension Assets, Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, BWC/IC reported a liability of $134 million for its proportionate share of the Traditional Plan's net pension liability and $225 thousand for its proportionate share of the Combined Plan's net pension asset. The net pension liability and asset were measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability and asset was determined by an actuarial valuation as of that date. Ohio BWC/IC's proportion of the net pension liability was based on a projection of the state agencies' long-term share of contributions to the pension plan relative to the projected contributions of all participating state agencies, actuarially determined. At December 31, 2014, Ohio BWC/IC's proportions were as follows:

	BWC	IC
Traditional Plan	0.920909%	0.194073%
Combined Plan	0.501246%	0.084752%

For the year ended June 30, 2015, Ohio BWC/IC recognized pension expense of $18.2 million.

At June 30, 2015, Ohio BWC/IC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (000's omitted):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 2,431
Net difference between projected and actual earnings on pension plan investments	7,189	-
BWC/IC contributions subsequent to the measurement date	9,490	-
Total	$ 16,679	$ 2,431

Deferred outflows of resources related to pensions resulting from Ohio BWC/IC's contributions subsequent to the measurement date of $9.5 million will be recognized as a reduction of net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (000's omitted):

Year ended June 30:	
2016	$ 699
2017	699
2018	1,607
2019	1,789
2020	(8)
Thereafter	$ (28)

Continued

Actuarial assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Traditional Pension Plan	Combined Plan
Investment Rate of Return	8.00%	8.00%
Wage Inflation	3.75%	3.75%
Projected Salary Increases	4.25% - 10.05% (includes wage inflation at 3.75%)	4.25% - 8.05% (includes wage inflation at 3.75%)
Cost of living Adjustments	3.00% Simple	3.00% Simple

Mortality rates were based on the RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based upon the RP-2000 mortality table with no projections. For males, 120% of the disabled female mortality rates were used, set forward two years. For females, 100% of the disabled female mortality rates were used.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the five-year period ended December 31, 2010. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. The table below displays the OPERS Board approved asset allocation policy for 2014 and the long-term expected real rates of return.

Continued

Asset Class	Target Allocation	Weighted Average Longterm Expected Real Rate of Return
Fixed income	23.00%	2.31%
Domestic equity	19.90%	5.84%
International equity	19.10%	7.40%
Real estate	10.00%	4.25%
Private equity	10.00%	9.25%
Other Investments	18.00%	4.59%
Total	100.00%	5.28%

Discount Rate

The discount rate used to measure the total pension liability was 8.00% for both the Traditional Pension Plan and the Combined Plan. The projection of cashflows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for both the Traditional Pension Plan and the Combined Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Continued

Sensitivity of BWC/IC's proportionate share of the net pension liability to changes in the discount rate

The following presents BWC/IC's proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, as well as what BWC/IC's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate (000's omitted):

	1% Decrease - 7.0 %	Current Discount Rate - 8.0%	1% Increase - 9.0%
Traditional Plan:			
BWC	204,340	111,072	32,517
IC	43,063	23,407	6,853
Total Net Pension Liability	247,403	134,479	39,370
Combined Plan:			
BWC	25	(192)	(366)
IC	4	(33)	(62)
Total Net Pension (Asset)	29	(225)	(428)

Defined Contribution Plans

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined Plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-Directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five year period, at a rate of 20% each year. BWC/IC recognized $496 thousand in pension expense for defined contribution plans in fiscal year 2015. At retirement, members may select one of the several distribution options for payment of the vested balance of their individual OPERS accounts. Options include the purchase of a monthly annuity from OPERS (which includes joint and survivor options), partial lump sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

Continued

Change in Accounting Principle

Net position as of June 30, 2014 has been restated as follows for the implementation of GASB Statement No. 68, as amended by GASB Statement No. 71.

Net Position as previously reported at June 30, 2014:	$	9,460,213
Prior period adjustment:		
Net pension liability (measurement date as of December 31, 2013)		(131,442)
Deferred outflows of resources:		
BWC/IC contributions subsequent to measurement date		9,709
Net pension asset (measurement date as of December 31, 2013)		62
Total prior period adjustment		(121,671)
Net Position as restated June 30, 2014	$	9,338,542

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.

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,

Continued

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, 2015 allocated to OPEB was approximately $2.8 million and $1.4 million for the 12 months ended June 30, 2014.

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.

9. 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 2015 or 2014. 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.

10. 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 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. 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 judgement. 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 impact to the financial statements was a decrease of $439 million in related operating expense and corresponding liability in 2014. The class action settlement was paid in fiscal year 2015.

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

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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. On August 8, 2014, the City of Parma filed a motion for class certification. On August 15, 2014, the court granted the BWC indefinite leave to oppose the motion for class certification. On October 24, 2014, BWC filed a motion for partial summary judgement and that motion remains pending as of June 30, 2015. Pretrial conference is set for October 1, 2015. While it is reasonably possible that an adverse decision will be rendered in this case, the financial exposure cannot be estimated at this time. These cases are in the preliminary stages and it is possible that the statute of limitations could bar recovery of any damages for policy years before 2007. Management 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 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. BWC provided more information in 2015 to support the agency relationship between the BWC and JP Morgan Chase. An adverse outcome is possible and any damages are estimated to be immaterial to the financial statements. Management intends to vigorously defend this case. Accordingly, no provision for any liability has been reported in the financial statements for this matter.

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. In fiscal year 2015 this case was settled and the impact to the financial statements was an increase of $149 thousand to operating expenses and a liability established at June 30, 2015 for this amount.

A class-action case was filed challenging BWC's calculation of the statewide average weekly wage. Statute says that the rate must be adjusted to the next higher even multiple of one dollar in order to establish the maximum disability payment for the subsequent calendar year. Management does not anticipate an adverse conclusion and intends to vigorously defend this

Continued

case. Accordingly, no provision for any liability has been reported in the financial statements for this matter.

Although the outcome of certain cases is not quantifiable or determinable at this time, an unfavorable outcome in any one of them 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.

11. 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 was reflected as a current liability in the Statement of Net Position for the year ended June 30, 2014 and has been decreased to zero in 2015. 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 current liability in the Statement of Net Position for the year ended June 30, 2015.

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 was reflected as a current liability in the Statement of Net Position for the year ended June 30, 2014 and has been relieved in fiscal year 2015. The estimated transition credit related to the July 1, 2015 through December 31, 2016 period is $136 million and $90 million is now reflected as a current liability, while the remaining $46 million is now reflected as a noncurrent liability in the Statement of Net Position for the year ended June 30, 2015.

Continued

12. Subsequent Event

House Bill 52 of the 131st General Assembly amended Ohio Revised Code (ORC) 4123.411 allowing the Administrator discretionary authority to levy assessments to fund DWRF I benefits. The language regarding the DWRF I assessments has been changed from shall levy an assessment to may levy an assessment. ORC 4123.419 was also amended to allow the Administrator with the advice and consent of the Board of Directors the authority to transfer investment income from the SIF to cover the cost of the DWRF I benefits for private and public taxing district employers rather than levying assessments against these employers. House Bill 52 was signed by Governor on June 30, 2015, and these amendments will become effective September 29, 2015. BWC management will be recommending that the Board of Directors approve the use of SIF investment earnings to provide funding to pay DWRF I cost-of-living benefits for private and public taxing district employer claims. Upon approval of this recommendation, a liability of $582 million will be recorded in SIF to recognize the long-term commitment to use SIF investment earnings to fund DWRF I benefits for private and public taxing district employer claims. A receivable will be recorded in DWRF to recognize the long-term commitment from SIF to cover these benefits. This receivable will replace unbilled receivables previously recorded in DWRF that recognized the ability to assess private and public taxing district employers in the future to provide funds needed to pay DWRF I benefits. The net impact of these changes will be a $582 million decrease to the net position during fiscal year 2016.

13. Net Position

Individual fund net position (deficit) balances at June 30, 2015 and 2014 were as follows (000's omitted):

	2015	2014
SIF	$ 7,872,340	$ 8,044,783
SIF Surplus Fund Account	26,383	19,345
SIF Premium Payment Security Fund	151,720	147,245
Total SIF Net Position	8,050,443	8,211,373
DWRF	1,569,115	1,535,732
CWPF	259,762	270,446
PWREF	25,653	25,599
MIF	20,851	19,608
SIEGF	29,488	25,063
ACF	(686,980)	(627,608)
Total Net Position	$ 9,268,332	$ 9,460,213

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.

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, 2015 and 2014

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, 2005 through 2015.

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										
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
1. Gross premiums, assessments, and investment income	$ 2,552	$ 5,194	$ 2,453	$ 4,044	$ 4,356	$ 4,206	$ 2,296	$ 2,968	$ 5,251	$ 3,015	$ 3,272
2. Unallocated expenses	163	150	140	129	131	139	97	108	109	170	179
3. Estimated incurred compensation and compensation adjustment expense, end of period	1,853	1,854	1,720	1,800	1,863	1,870	2,139	2,219	2,327	2,270	2,392
Discount	874	872	830	968	974	985	1,472	1,892	2,099	2,147	2,227
Gross liability as originally estimated	2,727	2,726	2,549	2,767	2,837	2,854	3,611	4,111	4,426	4,417	4,619
4. Paid (cumulative) as of :											
End of period	331	337	380	386	400	384	458	415	423	417	449
One year later		563	600	620	641	639	711	755	747	743	795
Two years later			731	756	773	775	868	920	926	927	979
Three years later				857	879	883	979	1,056	1,048	1,066	1,121
Four years later					964	973	1,083	1,163	1,155	1,172	1,238
Five years later						1,055	1,179	1,256	1,251	1,268	1,336
Six years later							1,263	1,350	1,336	1,355	1,425
Seven years later								1,426	1,411	1,428	1,500
Eight years later									1,478	1,496	1,565
Nine years later										1,560	1,634
Ten years later											1,698
5. Re-estimated incurred compensation and compensation adjustment expenses (gross):											
One year later		2,476	2,494	2,501	2,680	2,701	2,865	3,607	3,946	4,087	4,456
Two years later			2,397	2,450	2,471	2,596	2,794	2,948	3,460	3,879	4,085
Three years later				2,361	2,438	2,425	2,730	2,909	2,909	3,410	3,929
Four years later					2,340	2,426	2,585	2,862	2,877	2,899	3,502
Five years later						2,342	2,668	2,748	2,812	2,877	2,977
Six years later							2,586	2,846	2,738	2,839	2,984
Seven years later								2,760	2,784	2,776	2,960
Eight years later									2,715	2,813	2,908
Nine years later										2,761	2,966
Ten years later											2,923
6. Decrease in gross estimated incurred compensation and compensation adjustment expenses from end of period		(250)	(152)	(406)	(497)	(512)	(1,025)	(1,351)	(1,711)	(1,656)	(1,696)

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, 2015 active miners nominal and discounted liability is approximately $195.6 million and $68.7 million, respectively.

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

REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Proportionate Share of the Net Pension Liability (Asset)
(See Accompanying Independent Auditors' Report)
Last 2 fiscal years*
(000's omitted)

	2015	2014
BWC/IC's Percentage Proportion of the net pension liability (asset)	1.701%	1.701%
BWC/IC's Proportionate share of the net pension liability (asset)	134,254	131,380
BWC/IC's covered employee payroll	197,260	193,970
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	68.059%	67.732%
Plan fiduciary net position as a percentage of the total pension liability		
Traditional Pension Plan	86.45%	Not available
Combined Plan	114.83%	Not available

* - The amounts presented for each fiscal year were determined as of the calendar year end that occurred within the fiscal year.
This schedule is required to show information for 10 years. However, until a full 10 year trend is compiled, governments are required to only present information for those years for which information is available.

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

REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Employer Contributions and Contributions Subsequent to Measurement Date
(See Accompanying Independent Auditors' Report)
Last 2 fiscal years*
(000's omitted)

	2015	2014
BWC/IC's Employer Contributions	$ 19,688	$ 19,971
Amount of contributions recognized by the pension plan in relation to the statutory contributions	10,198	10,262
Contributions paid subsequent to measurement date	9,490	9,709
Employer's covered employee payroll	194,884	196,851
Amount of contributions recognized by the pension plan as a percentage of employers' covered employee payroll	5.23%	5.21%

* - This schedule is required to show information for 10 years. However, until a full 10 year trend is compiled, governments are required to only present information for those years for which information is available.

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, 2015
(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	$ 725,233	$ 1,584	$ 107	$ 229	$ 2	$ 60,432	$ 9,216	$ -	$ 796,803
Collateral on loaned securities	-	-	-	-	-	-	2,250	-	2,250
Premiums in course of collection	49,544	-	-	104	-	-	-	-	49,648
Assessments in course of collection	-	3,246	-	-	-	-	17,236	-	20,482
Accounts receivable, net of allowance for uncollectibles	85,464	15,677	1	2	1	297	4,543	-	105,985
Interfund receivables	9,847	140,402	3	356	5	4,378	243,315	(398,306)	-
Investment trade receivables	486,154	-	-	-	-	-	-	-	486,154
Accrued investment income	134,503	-	-	-	-	1	-	-	134,504
Other current assets	2,115	-	-	-	-	-	-	-	2,115
Total current assets	1,492,860	160,909	111	691	8	65,108	276,560	(398,306)	1,597,941
Non-current assets:									
Fixed maturities	12,909,031	1,062,283	253,393	30,378	23,011	-	-	-	14,278,096
Domestic equity securities:									
Common stock	5,264,151	354,569	50,500	-	-	-	-	-	5,669,220
Preferred stocks	1,198	-	-	-	-	-	-	-	1,198
Non-U.S equity securities - common stock	2,288,048	167,376	25,334	-	-	-	-	-	2,480,758
Investments in real estate funds	1,481,070	-	-	-	-	-	-	-	1,481,070
Unbilled premiums receivable	633,710	2,055,633	-	-	-	431,888	66,969	-	3,188,200
Retrospective premiums receivable	215,057	-	-	-	-	-	-	-	215,057
Capital assets	19,715	22	-	-	-	-	122,610	-	142,347
Net pension asset	-	-	-	-	-	-	225	-	225
Total noncurrent assets	22,811,980	3,639,883	329,227	30,378	23,011	431,888	189,804	-	27,456,171
Total assets	24,304,840	3,800,792	329,338	31,069	23,019	496,996	466,364	(398,306)	29,054,112
DEFERRED OUTFLOW OF RESOURCES	-	-	-	-	-	-	16,679	-	16,679
Total assets and deferred outflow of resources	$ 24,304,840	$ 3,800,792	$ 329,338	$ 31,069	$ 23,019	$ 496,996	$ 483,043	$ (398,306)	$ 29,070,791

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, 2015
(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	$ 1,605,076	$119,670	$ 1,380	$ 432	$ 284	$25,407	$ -	$ -	$ 1,752,249
Reserve for compensation adjustment expenses	169,010	98	95	-	30	1,019	208,904	-	379,156
Transition credit liability	351,902	-	-	-	-	-	-	-	351,902
Legal settlement	2,368	-	-	-	-	-	-	-	2,368
Premium payment security deposits	85,403	-	685	-	-	-	-	-	86,088
Warrants payable	278,363	-	-	-	-	-	-	-	278,363
Investment trade payables	637,652	-	-	-	-	-	-	-	637,652
Accounts payable	3,501	-	-	-	-	-	17,725	-	21,226
Interfund payables	386,515	8,284	167	13	19	3,308	-	(398,306)	-
Obligations under securities lending	-	-	-	-	-	-	2,250	-	2,250
Other current liabilities	10,393	93	24	3	141	-	10,760	-	21,414
Total current liabilities	3,530,183	128,145	2,351	448	474	29,734	239,639	(398,306)	3,532,668
Noncurrent liabilities:									
Reserve for compensation	12,033,824	2,101,826	62,820	4,968	1,620	432,093	-	-	14,637,151
Reserve for compensation adjustment expenses	644,390	1,706	4,405	-	74	5,681	770,192	-	1,426,448
Transition credit liability	46,000	-	-	-	-	-	-	-	46,000
Net pension liability	-	-	-	-	-	-	134,479	-	134,479
Other noncurrent liabilities	-	-	-	-	-	-	23,282	-	23,282
Total noncurrent liabilities	12,724,214	2,103,532	67,225	4,968	1,694	437,774	927,953	-	16,267,360
Total liabilities	16,254,397	2,231,677	69,576	5,416	2,168	467,508	1,167,592	(398,306)	19,800,028
DEFERRED INFLOW OF RESOURCES	-	-	-	-	-	-	2,431	-	2,431
Total liabilities and deferred inflow of resources	16,254,397	2,231,677	69,576	5,416	2,168	467,508	1,170,023	(398,306)	19,802,459
NET POSITION (DEFICIT)									
Net investment in capital assets	19,715	22	-	-	-	-	122,610	-	142,347
Surplus fund	26,383	-	-	-	-	-	-	-	26,383
Premium payment security fund	151,720	-	-	-	-	-	-	-	151,720
Unrestricted net position (deficit)	7,852,625	1,569,093	259,762	25,653	20,851	29,488	(809,590)	-	8,947,882
Total net position (deficit)	$ 8,050,443	$ 1,569,115	$ 259,762	$ 25,653	$ 20,851	$ 29,488	$ (686,980)	$ -	$ 9,268,332

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, 2015

(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	$1,474,944	$202,649	$25	$351	$761	$24,447	$290,529	$ -	$1,993,706
Provision for uncollectibles	(36,672)	(2,299)	204	-	-	(67)	(698)	-	(39,532)
Other income	4,128	-	-	-	-	-	4,285	-	8,413
Total operating revenues	1,442,400	200,350	229	351	761	24,380	294,116	-	1,962,587
Operating expenses:									
Workers' compensation benefits	856,306	183,351	12,179	786	(114)	19,181	-	-	1,071,689
Compensation adjustment expenses	167,609	(104)	767	-	(50)	779	154,249	-	323,250
Personal services	-	41	72	-	14	-	61,479	-	61,606
Other administrative expenses	20,724	-	1	1	7	1	36,032	-	56,766
Total operating expenses	1,044,639	183,288	13,019	787	(143)	19,961	251,760	-	1,513,311
Net operating income (loss) before transition credits, premium rebates and legal settlements	397,761	17,062	(12,790)	(436)	904	4,419	42,356	-	449,276
Transition credit expense	38,781	-	-	-	-	-	-	-	38,781
Premium rebate	1,013,171	-	-	-	-	-	-	-	1,013,171
Legal settlement	(22,938)	-	-	-	-	-	-	-	(22,938)
Total transition credits, premium rebates and legal settlement	1,029,014	-	-	-	-	-	-	-	1,029,014
Net operating (loss) income	(631,253)	17,062	(12,790)	(436)	904	4,419	42,356	-	(579,738)
Non-operating revenues:									
Net investment income	485,243	16,321	2,106	490	339	6	5,377	-	509,882
Gain on disposal of capital assets	-	-	-	-	-	-	71	-	71
Total non-operating revenues	485,243	16,321	2,106	490	339	6	5,448	-	509,953
Net transfers out	(14,920)	-	-	-	-	-	14,495	-	(425)
Increase (decrease) in net position (deficit)	(160,930)	33,383	(10,684)	54	1,243	4,425	62,299	-	(70,210)
Net position (deficit), beginning of year	8,211,373	1,535,732	270,446	25,599	19,608	25,063	(627,608)	-	9,460,213
Prior Period Adjustment	-	-	-	-	-	-	(121,671)	-	(121,671)
Net position (deficit), end of year	$8,050,443	$1,569,115	$259,762	$25,653	$20,851	$29,488	$(686,980)	$ -	$9,268,332

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

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards
For the years ended June 30, 2015 and 2014

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INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio (BWC/IC) as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the BWC/IC's basic financial statements, and have issued our report thereon dated September 25, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the BWC/IC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BWC/IC's internal control. Accordingly, we do not express an opinion on the effectiveness of the BWC/IC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the BWC/IC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Schneider Downs & Co., Inc.

Columbus, Ohio
September 25, 2015

Dave Yost • Auditor of State

OHIO BUREAU OF WORKERS COMPENSATION

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 1, 2015