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

FINANCIAL STATEMENTS
June 30, 2023 and 2022

OHIO AUDITOR OF STATE
KEITH FABER

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Board of Directors
Ohio Bureau of Workers' Compensation and
Industrial Commission of Ohio (A Department of the State of Ohio)
P.O. Box 182880
Columbus, Ohio 43218

We have reviewed the *Independent Auditor's Report* of the Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio (A Department of the State of Ohio), Franklin County, prepared by Crowe LLP, for the audit period July 1, 2022 through June 30, 2023. 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 (A Department of the State of Ohio) is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

November 22, 2023

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AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)
Columbus, Ohio

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June 30, 2023 and 2022

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio
A Department of the State of Ohio

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2023 and 2022 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the BWC/IC, as of June 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the BWC/IC, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in Note 1, the financial statements of the BWC/IC are intended to present the financial position, changes in financial position, and 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, 2023 and 2022, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 12 to the financial statements, the entity adopted new accounting guidance as set forth by the Government Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements, during the year ended June 30, 2023. This Statement requires recognition of certain assets and liabilities for long-term arrangements that previously were classified as operating agreements and payments were expensed when made. Our opinion is not modified with respect to this matter.

(Continued)

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the BWC/IC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 BWC/IC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the BWC/IC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

(Continued)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, supplemental revenue and reserve development information, the schedule of proportionate share of the net pension liability (asset), the schedule of employer pension contributions, the schedule of proportionate share of the net OPEB liability, and the schedule of employer OPEB contributions on pages 4-8, 48, 50, 51, 52 and 53, respectively be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, 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 not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the BWC/IC's basic financial statements. The supplemental schedule of net position and schedule of revenues, expenses and changes in net position are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedule 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 as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 28, 2023 on our consideration of BWC/IC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of BWC/IC's 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 BWC/IC's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Columbus, Ohio
September 28, 2023

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, 2023, 2022, and 2021. BWC and IC are collectively referred to as BWC/IC. This information is based on BWC/IC's financial statements, which begin on Page 9.

Financial highlights

- BWC/IC's total assets at June 30, 2023 were $22.4 billion, an increase of $115 million or 0.5% compared to June 30, 2022.
- BWC/IC's total liabilities at June 30, 2023 were $14.7 billion, an increase of $50 million or 0.3% compared to June 30, 2022.
- BWC/IC's total operating revenues for fiscal year 2023 were $1.4 billion, an increase of $147 million or 11.8% compared to fiscal year 2022.
- BWC/IC's total operating expenses for fiscal year 2023 were $1.7 billion, an increase of $177 million or 11.6% from fiscal year 2022.
- BWC's non-operating revenues for fiscal year 2023 were $589 million, compared to negative $1.6 billion for fiscal year 2022.
- BWC/IC's net position at June 30, 2023 was $7.8 billion, an increase of $289 million or 3.9% compared to June 30, 2022.

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, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at fiscal year-end. Net position represents the amount of total assets and deferred outflows of resources less total liabilities and deferred inflows of resources. 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 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 policy holder dividend expense and 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. Policy holder dividend and loss contingency expenses are included as part of the operating gain or loss calculation. Revenues and expenses related to capital and investing activities are reflected in the non-operating component of this statement.
- Statement of Cash Flows – The statement of cash flows is presented using the direct method of reporting, which reflects cash flows from operating, noncapital financing, capital and related financing, and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents for the fiscal year.

- Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of BWC/IC's financial position and results of operations presented in the financial statements. 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 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 pension based on statutory requirements;
  - Required supplemental information that presents BWC/IC's proportionate share of the OPERS net other post-employment benefits (OPEB) liability / asset;
  - Required supplemental information that presents BWC/IC's contribution to OPEB 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2023, 2022, and 2021, and for the fiscal years then ended were as follows (000's omitted):

	2023	2022	2021
Current assets	$ 1,062,517	$ 1,259,411	$ 1,419,170
Noncurrent assets	21,310,224	20,998,135	23,038,218
Total assets	$ 22,372,741	$ 22,257,546	$ 24,457,388
Deferred outflows of resources	118,700	32,401	20,083
	$ 118,700	$ 32,401	$ 20,083
Current liabilities	$ 2,680,040	$ 2,845,956	$ 2,881,334
Noncurrent liabilities	12,020,099	11,804,297	12,116,551
Total liabilities	$ 14,700,139	$ 14,650,253	$ 14,997,885
Deferred inflows of resources	6,218	143,090	120,668
	$ 6,218	$ 143,090	$ 120,668
Net investment in capital assets	$ 70,275	$ 80,267	$ 83,181
Unrestricted net position	7,714,809	7,416,046	9,274,551
Total net position	$ 7,785,084	$ 7,496,313	$ 9,357,732
Net premium and assessment income, including provision for uncollectibles	$ 1,391,763	$ 1,245,461	$ 1,169,595
Other income	8,858	7,665	7,359
Total operating revenues	$ 1,400,621	$ 1,253,126	$ 1,176,954
Workers' compensation benefits and compensation adjustment expenses	$ 1,546,974	$ 1,405,889	$ 526,258
Other expenses	152,633	116,436	141,493
Total operating expenses	$ 1,699,607	$ 1,522,325	$ 667,751
Policy holder dividend expense	$ (150)	$ (28,263)	$ (6,185,348)
Operating transfers (out) in	(1,425)	6,150	6,828
Net investment income	589,154	(1,570,004)	3,464,053
Gain (loss) on disposal of capital assets	178	188	205
(Decrease) increase in net position	$ 288,771	$ (1,861,128)	$ (2,205,059)
Cumulative effect of GASB96 and 87 on beginning balances in Fiscal Years 2023 and 2022, respectively	$ -	$ (291)	$ (1,186)

BWC/IC's net position increased by $289 million during fiscal year 2023, compared to a $1.9 billion decrease during fiscal year 2022.

- Fiscal year 2023 premium and assessment income of $1.4 billion reflects an overall reduction of 10% in premium rates for Ohio's private employers for the policy period beginning July 1, 2022, and an overall 0% and 15% decrease in premium rates for public taxing district (PEC) employers for the policy periods beginning January 1, 2023 and January 1, 2022, respectively. (PEC employers include counties, cities, villages, townships, schools, libraries, and special taxing districts.) Fiscal year 2022 premium and assessment income of $1.3 billion reflects a 15% decrease in rates for private employers for the policy period beginning July 1, 2021, and an overall decrease of 15% and 10% in premium rates for PEC employers for each of the policy periods beginning January 1, 2022 and January 1, 2021, respectively. Refer to Note 1 – Organization Background and Summary of Significant Accounting Policies for more information about premium and assessment income.
- Workers' compensation benefits and compensation adjustment expenses were as follows in fiscal years 2023, 2022, and 2021.

($ in millions)	2023	2022	2021
Net benefit payments	$ 1,198	$ 1,268	$ 1,229
Payments for compensation adjustment expenses	209	142	112
Managed Care Organization administrative payments	165	161	165
Change in reserves for compensation and compensation adjustment expenses	(25)	(165)	(980)
	$ 1,547	$ 1,406	$ 526

- State Insurance (SIF) Benefit payments for all accident years were $71 million or 5.8% lower than expected during fiscal year 2023. Total Medical Benefits $2 million higher than expected while Indemnity benefits were $73 million lower than expected. The Total Medical benefits being higher than expected was driven by Medical Only claims, which were $4 million higher than expected. At the beginning of the fiscal year, we anticipated a slight increase in benefit payments. We had seen an increase in benefit payments from fiscal year 2021 to fiscal year 2022 due to the rebound of payments from the Covid-19 affected fiscal year 2021. We initially thought that the rebound would continue to a lesser degree for fiscal year 2023, however we saw a decrease in indemnity benefits. This decrease was seen in almost all of the Indemnity benefits, but especially Lump Sum Settlement. Total Lump Sum Settlements paid have been larger for the past two fiscal years than historically. The fiscal year 2023 Lump Sum Settlement benefits decreased from fiscal year 2022. We anticipate Lump Sum Settlement payments will return to levels more consistent with levels before fiscal year 2022.
- The changes from year to year in payments for compensation adjustment expenses is primarily due to the adjustments required for the OPEB and Pension assets and liabilities during the fiscal year end process.
- The discounted reserves for workers' compensation benefits and compensation adjustment expenses as of June 30, 2023 are $25 million lower than the June 30, 2022 discounted liabilities. The recorded liabilities for reserves are management's selection based on estimates calculated by BWC's Actuarial division staff for all funds except Coal Workers Pneumoconiosis, which is calculated by BWC's independent consulting actuary. Note 1 – Organization Background and Summary of Significant Accounting Policies and Note 4 – Reserves for Compensation and Compensation Adjustment Expenses provide a more detailed discussion of BWC's liabilities for reserves.

- The SIF net position has increased this past fiscal year as a result of higher investment returns, increase as a result of changes in reserve for compensation and compensation adjustment expense liabilities, and changes in deferred inflows and outflows as a result of yearend pension and OPEB audit adjustments. In fiscal year 2022, the eligibility requirements of the November 2020 dividend were revised which resulted in recognizing an additional $150 thousand in fiscal year 2023 and $28 million in policyholder dividend expense in fiscal year 2022. In fiscal year 2021 the net position had exceeded the guidelines in the Net Asset Policy established by the Board and dividends for private and PEC employers were approved by the Board in September 2020 and November 2020. Dividend expense of $6.2 billion reduced net position in fiscal year 2021. Refer to Note 11 – Net Position for additional detail regarding BWC/IC's net position and Note 6 – Policy Holder Dividend for additional information on the policy holder dividends.
- In fiscal year 2023, BWC/IC recorded net investment income of $589 million, compared to loss of $1.6 billion in fiscal year 2022. The portfolio earned a net return, after management fees, of 3% during fiscal year 2023 compared to a negative return of 7.2% in fiscal year 2022.

Conditions expected to affect financial position or results of operations

BWC/IC's vision, mission, and core values 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 keep costs down for Ohio businesses.

- Base rates will decrease an average of 8% for the July 1, 2023 policy year for private employers and 1% for the January 1, 2024 policy year for PEC employers.
- Businesses that invest in workplace safety and health are able to reduce fatalities, injuries, and illnesses, resulting in lower medical and legal expenses as well as lower costs to train replacement employees. BWC offers numerous financial assistance opportunities for employers to invest in workplace safety.
- BWC/IC's Board and management are closely monitoring investment trends and economic conditions that could negatively impact the value of BWC's investment portfolio. BWC's Investment division and the Board's Investment consultant have had an investment policy in place that has continued to protect BWC's stable financial position through difficult economic times.

  The SIF ratios for the end of each fiscal year are presented in the following table:

	2023	2022	2021	Guideline
Simple Funding Ratio	1.61	1.58	1.71	1.30 to 1.50
Net Leverage Ratio	1.56	1.63	1.30	3.0 to 7.0

- On June 30, 2023, House Bill 31 of the 135^{th} General Assembly (HB 31) was signed into law by Governor Mike Dewine. HB 31 modifies various statutes in Ohio Revised Code Chapter 4123 to allow for the inclusion of administrative costs in the premium calculation. It goes in to effect with the policy year beginning July 1, 2024 for private employers, and for the policy year beginning on January 1, 2025 for public taxing districts. In addition, it provides for administrative costs to be paid from the State Insurance Fund, effectively collapsing the Administrative Cost Fund in to the State Insurance Fund. Refer to Note 13 – Subsequent Events for additional information on this legislative change.

- 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.

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

STATEMENTS OF NET POSITION

June 30, 2023 and 2022

(000's omitted)

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$389,676	$635,363
Collateral on loaned securities (Note 2)	2,595	2,452
Premiums recorded not yet due	7,312	2,298
Assessments recorded not yet due	1,554	1,573
Premiums in course of collection	3,907	3,334
Assessments in course of collection	16,482	16,260
Accounts receivable, net of allowance for uncollectibles of $1,308,019 in 2023; $1,279,073 in 2022	375,317	305,726
Retrospective premiums receivable	19,385	18,977
Investment trade receivables	146,129	187,039
Accrued investment income	100,160	86,389
Total current assets	1,062,517	1,259,411
Noncurrent assets:		
Restricted cash (Note 2)	736	736
Fixed maturities, at fair value (Note 2)	10,568,780	10,548,764
Domestic equity securities, at fair value - common stock (Note 2)	4,069,664	3,528,694
Domestic equity securities, at fair value - preferred stock (Note 2)	128	714
Non-U.S equity securities, at fair value - common stock (Note 2)	2,072,001	1,852,011
Investments in real estate funds (Note 2)	3,587,807	4,016,085
Unbilled premiums receivable	899,296	894,218
Retrospective premiums receivable	40,140	44,614
Capital assets (Note 3)	70,275	80,267
Net OPEB asset (Note 8)	-	29,790
Net pension asset (Note 7)	1,397	2,242
Total noncurrent assets	21,310,224	20,998,135
Total assets	$ 22,372,741	$ 22,257,546
DEFERRED OUTFLOW OF RESOURCES (Note 7 and 8)	118,700	32,401
Total assets and deferred outflow of resources	$ 22,491,441	$ 22,289,947

	2023	2022
LIABILITIES		
Current liabilities:		
Reserve for compensation (Note 4)	$ 1,283,589	$ 1,340,799
Reserve for compensation adjustment expenses (Note 4)	458,559	456,016
Unearned premium and assessments	408,354	372,042
Legal settlement	4,500	4,500
Warrants payable	19,295	26,463
Group retrospective credit payable (Note 5)	58,922	113,201
Investment trade payables	337,559	414,528
Accounts payable	17,947	9,700
Obligations under securities lending (Note 2)	2,595	2,452
Other current liabilities (Note 5)	88,720	106,255
Total current liabilities	2,680,040	2,845,956
Noncurrent liabilities:		
Reserve for compensation (Note 4)	10,425,510	10,399,094
Reserve for compensation adjustment expenses (Note 4)	1,180,341	1,177,284
Net pension liability (Note 7)	273,939	83,541
Net OPEB liability (Note 8)	5,816	-
Group retrospective credit payable (Note 5)	96,737	104,611
Other noncurrent liabilities (Note 5)	37,756	39,767
Total noncurrent liabilities	12,020,099	11,804,297
Total liabilities	$ 14,700,139	$ 14,650,253
DEFERRED INFLOW OF RESOURCES (Note 7 and 8)	6,218	143,090
Total liabilities and deferred inflow of resources	$ 14,706,357	$ 14,793,343
NET POSITION		
Net investment in capital assets	70,275	80,267
Unrestricted net position	7,714,809	7,416,046
Total net position (Note 11)	$ 7,785,084	$ 7,496,313

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 fiscal years ended June 30, 2023 and 2022

(000's omitted)

	2023	2022
Operating revenues:		
Premium and assessment income	$1,427,518	$ 1,268,024
Provision for uncollectibles	(35,755)	(22,563)
Other income	8,858	7,665
Total operating revenues	1,400,621	1,253,126
Operating expenses:		
Workers' compensation benefits (Note 4)	1,167,416	1,115,044
Compensation adjustment expenses (Note 4)	379,558	290,845
Personal services	75,241	53,310
Other administrative expenses	77,392	63,126
Total operating expenses	1,699,607	1,522,325
Net operating loss before policy holder dividends	(298,986)	(269,199)
Policy holder dividend expense (Note 6)	150	28,263
Net operating loss	(299,136)	(297,462)
Non-operating revenues:		
Net investment income (Note 2)	589,154	(1,570,004)
Gain (loss) on disposal of capital assets	178	188
Total non-operating revenues	589,332	(1,569,816)
Transfers (out) In	(1,425)	6,150
Increase (Decrease) in net position	288,771	(1,861,128)
Net position, beginning of year	7,496,313	9,357,732
Cumulative effect of GASB 96 Implementation	-	(291)
Net Position, beginning of year as restated	7,496,313	9,357,441
Net position, end of year	$ 7,785,084	$ 7,496,313

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 fiscal years ended June 30, 2023 and 2022

(000's omitted)

	2023	2022
Cash flows from operating activities:		
Cash receipts from premiums and assessments	$ 1,497,306	$ 1,545,869
Cash receipts - other	27,186	27,155
Cash disbursements for claims	(1,396,571)	(1,492,329)
Cash disbursements to employees for services	(200,615)	(201,799)
Cash disbursements for other operating expenses	(130,867)	(115,827)
Cash disbursements for employer refunds	(213,748)	(196,872)
Net cash used for operating activities	(417,309)	(433,803)
Cash flows from noncapital financing activities:		
Transfers (out) in	(1,425)	6,150
Net cash used by noncapital financing activities	(1,425)	6,150
Cash flows from capital and related financing activities:		
Purchase of capital assets, net of retirements	(1,516)	(141)
Net cash used in capital and related financing activities	(1,516)	(141)
Cash flows from investing activities:		
Investments sold	12,765,216	11,286,586
Investments purchased	(13,101,104)	(11,350,135)
Interest and dividends received	564,134	568,468
Investment expenses	(53,683)	(59,175)
Net cash provided by investing activities	174,563	445,744
Net (decrease) increase in cash and cash equivalents	(245,687)	17,950
Cash and cash equivalents, beginning of year	636,099	618,149
Cash and cash equivalents, end of year	$ 390,412	$ 636,099

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 fiscal years ended June 30, 2023 and 2022

(000's omitted)

	2023	2022
Reconciliation of net operating loss to net cash used for operating activities:		
Net operating loss	$ (299,136)	$ (297,462)
Adjustments to reconcile net operating loss to net cash used for operating activities:		
Provision for uncollectible accounts	35,755	22,563
Depreciation	17,224	17,229
Pension and other postemployment benefits	3,678	(68,595)
(Increases) decreases in assets and increases (decreases) in liabilities:		
Premiums and assessments recorded not yet due	(4,995)	4,414
Premiums and assessments in course of collection	(795)	(1,831)
Unbilled premiums receivable	(5,078)	58,944
Accounts receivable	(105,346)	(11,260)
Retrospective premiums receivable	4,066	383
Other assets	-	600
Reserves for compensation and compensation adjustment expenses	(25,194)	(165,418)
Unearned premiums and assessments	36,312	(4,704)
Group retrospective credit payable	(62,153)	45,622
Warrants payable	(7,168)	(15,920)
Accounts payable	8,247	(14,722)
Other liabilities	(12,726)	(3,646)
Net cash used for operating activities	$ (417,309)	$ (433,803)
Noncash investing, capital, and financing activities		
Change in fair values of investments	$ 52,283	$ (2,049,566)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

1. Organization Background and Summary of Significant Accounting Policies

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)

Description of the Accounts

SIF, CWPF, PWREF, and MIF provide workers' compensation benefits for 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 relating to injuries sustained after 1987 by 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 dividends, and related administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 consist of money market funds.

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 funds and collateral on securities lending.

Investments are reported at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fixed income securities, domestic equity securities, and bond 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 assets 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.

Continued

Premium Income

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.

Premium income for SIF, CWPF, PWREF, and MIF is recognized over the coverage period. Premiums earned but not yet invoiced are reflected as premiums in course of collection in the statements of net position. Estimated annual premiums recorded but not yet invoiced are reflected as premiums recorded not yet due and unearned premium in the statements of net position.

In addition to the standard base and experience rated plans, BWC/IC offers the following alternative rating plans:

> Group experience rating plans allow employers who operate within similar industries to group together to potentially achieve lower premium rates than they could individually.
>
> Retrospective rating plans are offered to qualified employers on an individual basis. 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 statements of net position as retrospective premiums receivable.
>
> Employers participating in group retrospective rating plans pay experience or base rated premiums as if they were individually rated at the beginning of the policy year. If the group's claims experience is better than expected at evaluation periods 12, 24, and 36 months after the close of the policy year, a portion of the group's premium is returned to employers participating in the group. If the group's claims experience is worse than expected at those intervals, additional premiums are levied on the employers participating in the group. The estimated future group retrospective rating plan credits are reflected in the statements of net position as group retrospective credit payable.
>
> The deductible plan is offered to qualified employers. This 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 Code permits State employers to pay into SIF on a terminal funding (pay-as-you-go) basis. Since BWC/IC has the statutory authority to assess premiums against the State employers in future periods, an unbilled premiums receivable equal to the State's share of the discounted reserve for compensation and compensation adjustment expenses, less BWC/IC's portion of the discounted reserve, is reflected in the statements of net position.

Continued

Assessment Income

DWRF I (DWRF benefits awarded for injuries incurred prior to January 1, 1987) assessments are based on employers' payroll and rates approved by the Board within a statutory range. DWRF II (DWRF benefits awarded for injuries incurred on or after January 1, 1987) and ACF assessments are based on rates that are approved by the Board and on employers' premiums, except for ACF assessments of self-insured employers, which are based on paid workers' compensation benefits. SIEGF assessments are based on paid compensation benefits with the exception of new self-insured employers, which are based on a percentage of prior losses as SIF employers.

Assessment income is recognized over the coverage period and is billed in advance of the coverage period. DWRF I and ACF assessment income is recognized over the period for which the assessment applies. These assessments earned but not yet invoiced were reflected as assessments in course of collection in the statements of net position. Estimated annual assessments recorded but not yet invoiced and unearned assessments are reflected as assessments recorded not yet due in the statements of net position.

In September 2015, the Board approved the funding of DWRF I benefits from SIF investment income for private and public taxing district employers rather than levying assessments against these employers. The annual change in funding commitment has been recorded in SIF and DWRF I as adjustments to the respective premium and assessment income in the statements of revenue, expenses and changes in net position for fiscal years 2023 and 2022. The commitment is reviewed annually and is subject to adjustment based on changes in the estimated DWRF I discounted reserves for compensation and compensation adjustment expenses.

The Code permits employers to pay into DWRF and SIEGF on a terminal funding (pay-as-you-go) basis. As BWC/IC 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 I public state employers and SIEGF, less BWC/IC's portion of the discounted reserve, is reflected in the statements of net position. SIEGF assessments received or in the course of collection, but not yet recognized, are reflected as a reduction to unbilled premiums receivable.

The year-end balances of the DWRF II cash and investment balances and the DWRF II discounted reserve for compensation and compensation adjustments expenses are compared annually to determine when BWC/IC has an unbilled premiums receivable. At June 30, 2023 and 2022, the total DWRF II cash and investment balances exceeded the DWRF II discounted reserve for compensation and compensation adjustment expenses, thus no unbilled premiums receivable is recorded for DWRF II.

Allowance for Uncollectible Accounts

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

Capital Assets

Capital assets maintains two categories: tangible capital assets and intangible right-to-use assets. Tangible 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
Intangible assets	10
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.

Intangible right-to-use assets, subscription-based information technology agreements (SBITAs), and related liabilities are recorded at the commencement date of the related contract. The lease and SBITA liability, reflected on the Statement of Net Position and included in other liabilities is measured at the present value of expected payments over the contract term. The intangible right-to-use and SBITA assets are reflected in capital assets and are based on the initial measurement of the liability, plus any payments made to the vendor at or before the commencement of the contract term. Intangible right-to-use assets and SBITAs are amortized over the shorter of the term of the contract or the useful life of the underlying asset. Interest expense is recognized ratably over the contract term.

Expenditures for the design, software configuration, software interfaces, coding, hardware, hardware installation, data conversion to the extent necessary for the operation of the new software, testing, and licensure on internally generated software exceeding $1 million are capitalized as an intangible asset. Intangible assets are depreciated upon implementation of the software. The useful lives of intangible assets varies and are determined upon completion of each project.

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 reserve for compensation is based upon BWC's internal actuarial unpaid indemnity and medical loss estimates for both reported claims and claims incurred but not reported (IBNR). The reserve for compensation adjustment expenses is based upon the BWC's internal actuaries' estimates of 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 potential effects of inflation and other societal and economic factors and projections as to future events, including claims frequency, severity, duration, and inflationary cost 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, the estimated costs of the Pharmacy Benefit Manager, and the reserve for compensation. The reserves for compensation and compensation adjustment expense do not contemplate future changes due to judicial or legislative actions that cannot be reasonably estimated. The methods and assumptions used in developing such estimates and for establishing the resulting liabilities are reviewed quarterly and updated based on current circumstances. The reserves for compensation and compensation adjustment expenses are discounted at 4.0% at June 30, 2023 and 2022 to reflect the present value of future benefit payments at those dates. The selected discount rate approximates an average expected investment yield on BWC/IC's investment portfolio that supports the future payment of the 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 loss and related expense payments on events that have occurred on or prior to June 30, 2023. While management and the BWC internal actuarial staff use currently available information to estimate the unpaid amounts for compensation and compensation adjustment expenses, future changes to the estimates and reserves for compensation and compensation adjustment expenses for those events may be necessary based on actual future claims experience and changing claims frequency, severity, duration, and inflationary trends for medical claim reserves.

Other States Coverage

BWC provides access to optional insurance coverage for Ohio companies who meet BWC's underwriting criteria and have out of state workers' compensation exposures. This optional policy offers coverage for workers' compensation gaps and protects employers from penalties and stop-work orders in other states. Zurich American Insurance Company acts as the fronting carrier of the Other States Coverage policies. Acrisure LLC, dba United States Insurance Services Inc, acts as the exclusive fronting agency. The SIF provides 100% reinsurance for the policies in this program.

Pensions and Other Post-Employment Benefits (OPEB)

For purposes of measuring the net pension liability, net pension asset, net OPEB asset, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, pension expense, and OPEB expense, information about the fiduciary net position of the Ohio Public Employee's Retirement System's (OPERS) Plans and additions to / deductions from the OPERS Plans' fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, OPERS records deductions when the liability is incurred and recognizes revenues when earned in accordance with benefit terms. OPERS' investments are reported at fair value.

Use of Estimates

In preparing the financial statements BWC/IC's management and pension/OPEB plans 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 and very likely will differ from those estimates due to unforeseeable events or circumstances.

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.

The composition of cash and investments held at June 30, 2023 and 2022, is presented below (000's omitted):

	2023 Fair Value	2022 Fair Value
Fixed maturities		
U.S. corporate bonds	$ 3,185,869	$ 3,148,974
U.S. government obligations	1,848,754	1,776,637
U.S. treasury inflation protected securities	1,693,518	1,705,297
Commingled U.S. treasury inflation protected securities	832,432	844,340
U.S. government agency mortgages	689,801	640,239
Non-U.S. corporate bonds	651,715	715,028
Commingled U.S. Long Government / Credit Fixed Income	558,273	572,707
Asset backed securities	334,258	319,509
Commercial mortgage backed securities	239,216	254,557
U.S. state and local government agencies	165,056	180,435
Commingled U.S. aggregate indexed fixed income	150,603	152,032
Non-U.S. government and agency bonds	103,093	107,777
Commingled U.S. intermediate duration fixed income	43,957	44,016
Bond funds	34,032	59,927
U.S. government agency bonds	28,176	5,018
Preferred securities	7,500	14,139
Bank loans	2,527	8,132
Total fixed maturities	10,568,780	10,548,764
Domestic equity securities - common stocks	3,583,891	3,085,390
Domestic equity securities - preferred stocks	128	714
Commingled domestic equity securities - common stocks	485,773	443,304
Commingled Non-U.S. equity securities - common stocks	2,072,001	1,852,011
Commingled investments in real estate	3,587,807	4,016,085
Securities lending short-term collateral	2,595	2,452
Restricted Cash	736	736
Cash and cash equivalents		
Cash	31,166	37,559
Repurchase agreements	2,000	-
Short-term money market fund	356,510	597,804
Total cash and cash equivalents	389,676	635,363
	$ 20,691,387	$ 20,584,819

Net investment income for the fiscal years ended June 30, 2023 and 2022, is summarized as follows (000's omitted):

	2023	2022
Fixed maturities	$ 388,567	$ 389,024
Equity securities	56,907	58,730
Real estate	117,736	133,485
Cash equivalents	14,695	1,249
	577,905	582,488
Unrealized and realized gains (losses) on investments	52,283	(2,049,566)
Investment expenses	(41,034)	(102,926)
	$ 589,154	$(1,570,004)

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 102% of the total public monies on deposit at the institution. At June 30, 2023 and 2022, the carrying amount of BWC/IC's cash deposits were $31.2 million and $37.6 million, respectively, and the bank balances were $6.5 million and $24.4 million, respectively. Differences between the carrying amount and bank balances are primarily due to in transit credit card and online payments. Of the June 30, 2023 and 2022, 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 sufficient market value 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 counterparty 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. Commingled bond and U.S. equity funds are held in the custody of State Street. The commingled non-U.S. equity fund is held in the custody of JP Morgan. 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.

Fair Value Measurements

BWC/IC's investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 - Investments reflect prices quoted in active markets and are valued directly from a primary external pricing vendor.

Level 2 - Investments reflect prices that are observable either directly or indirectly. Inputs may include quoted prices in markets that are not considered active or inputs other than quoted prices that are observable such as interest rates, yield curves, implied volatilities, credit spreads or market-corroborated inputs. These investments are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor.

Level 3 - Investments reflect prices based upon unobservable sources. Asset backed securities, commercial mortgage backed securities, and bank loans are classified in Level 3 and are valued using an internal fair value as provided by the investment manager or other unobservable pricing source.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Continued

The fair value measurement of investments held at June 30, 2023 and 2022, is presented below (000's omitted):

Fiscal Year 2023	Prices Level 1	Inputs Level 2	Inputs Level 3	Fair Value Total
Fixed Maturities				
U.S. corporate bonds	$ -	$ 3,185,869	$ -	$ 3,185,869
U.S. government obligations	1,761,784	86,970	-	1,848,754
U.S. treasury inflation protected securities	1,693,518	-	-	1,693,518
U.S. government agency mortgages	-	689,801	-	689,801
Non-U.S. corporate bonds	-	651,715	-	651,715
Asset backed securities	-	272,376	61,882	334,258
Commercial mortgage backed securities	-	227,111	12,105	239,216
U.S. state and local government agencies	-	165,056	-	165,056
Non-U.S. government and agency bonds	-	103,093	-	103,093
U.S. government agency bonds	-	28,176	-	28,176
Bond funds	14,965	-	-	14,965
Preferred securities	-	7,500	-	7,500
Bank loans	-	-	2,527	2,527
Supranational issues	-	-	-	-
Domestic equity securities - common stocks	3,583,891	-	-	3,583,891
Domestic equity securities - preferred stocks	-	-	128	128
Securities lending short-term collateral	-	2,595	-	2,595
	$ 7,054,158	$ 5,420,262	$ 76,642	$ 12,551,062

Investments measured at net asset value:	
Commingled U.S. aggregate indexed fixed income	150,603
Commingled U.S. Long Government / Credit Fixed Income	558,273
Commingled U.S. treasury inflation protected securities	832,432
Commingled U.S. intermediate duration fixed income	43,957
Investment in Bond Fund	19,067
Commingled domestic equity securities - common stocks	485,773
Commingled Non-U.S. equity securities - common stocks	2,072,001
Commingled investments in real estate	3,587,807
	$ 7,749,913
Restricted Cash :	$ 736
Cash and Cash Equivalents:	$ 389,676
Total Investments:	$ 20,691,387

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2023 and 2022

Fiscal Year 2022	Prices Level 1	Inputs Level 2	Inputs Level 3	Fair Value Total
Fixed Maturities				
U.S. corporate bonds	$ -	$ 3,148,974	$ -	$ 3,148,974
U.S. government obligations	1,711,234	65,403	-	1,776,637
U.S. treasury inflation protected securities	1,705,297	-	-	1,705,297
Non-U.S. corporate bonds	-	715,028	-	715,028
U.S. government agency mortgages	-	640,239	-	640,239
Asset backed securities	-	242,520	76,989	319,509
Commercial mortgage backed securities	-	241,968	12,589	254,557
U.S. state and local government agencies	-	180,435	-	180,435
Non-U.S. government and agency bonds	-	107,777	-	107,777
Bond funds	22,641	-	-	22,641
Preferred securities	-	14,139	-	14,139
Bank loans	-	510	7,622	8,132
U.S. government agency bonds	-	5,018	-	5,018
Domestic equity securities - common stocks	3,085,390	-	-	3,085,390
Domestic equity securities - preferred stocks	542	-	172	714
Securities lending short-term collateral	-	2,452	-	2,452
	$ 6,525,104	$ 5,364,463	$ 97,372	$ 11,986,939

Investments measured at net asset value:	
Commingled U.S. aggregate indexed fixed income	152,032
Commingled U.S. Long Government / Credit Fixed Income	572,707
Commingled U.S. treasury inflation protected securities	844,340
Commingled U.S. intermediate duration fixed income	44,016
Investment in Bond Fund	37,286
Commingled domestic equity securities - common stocks	443,304
Commingled Non-U.S. equity securities - common stocks	1,852,011
Commingled investments in real estate	4,016,085
	$ 7,961,780
Restricted Cash :	$ 736
Cash and Cash Equivalents:	$ 635,363
Total Investments:	$ 20,584,819

For the investments below which do not have a readily determinable fair value, net asset value per unit is used as a practical expedient for establishing fair value. The valuation method for investments measured at the net asset value (NAV) per share, or equivalent, is presented in the tables below (000's omitted).

Investments Measured at the NAV
FY 2023

Investment Strategy	Fair Value	Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
Commingled U.S. aggregate indexed fixed income	150,603		Daily	5 days
Commingled U.S. Long Government / Credit Fixed Income	558,273		Daily	5 days
Commingled U.S. treasury inflation protected securities	832,432		Daily	5 days
Commingled U.S. intermediate duration fixed income	43,957		Daily	5 days
Investment in Bond Fund	19,067		Bi-Monthly	15 days
Commingled domestic equity securities - common stocks	485,773		Daily	5 days
Commingled Non-U.S. equity securities - common stocks	2,072,001		Daily	5 days
Commingled investments in real estate:				
Core Real Estate	2,020,727	-	Quarterly	1 quarter
Core Plus Real Estate	1,116,564	-	Quarterly	1 quarter
Value Added Real Estate	450,516	155,563	Illiquid	
Total Commingled investments in real estates:	3,587,807	155,563		

Investments Measured at the NAV
FY 2022

Investment Strategy	Fair Value	Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
Commingled U.S. aggregate indexed fixed income	152,032		Daily	5 days
Commingled U.S. Long Government / Credit Fixed Income	572,707		Daily	5 days
Commingled U.S. treasury inflation protected securities	844,340		Daily	5 days
Commingled U.S. intermediate duration fixed income	44,016		Daily	5 days
Investment in Bond Fund	37,286		Bi-Monthly	15 days
Commingled domestic equity securities - common stocks	443,304		Daily	5 days
Commingled Non-U.S. equity securities - common stocks	1,852,011		Daily	5 days
Commingled investments in real estate:				
Core Real Estate	2,328,340	-	Quarterly	1 quarter
Core Plus Real Estate	1,236,236	-	Quarterly	1 quarter
Value Added Real Estate	451,509	202,522	Illiquid	
Total Commingled investments in real estates:	4,016,085	202,522		

Commingled fixed maturities, domestic equity, and non-U.S. equity funds are valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments. Investment in the bond fund is valued monthly per the fund manager.

BWC/IC invests in real estate through limited partnerships, commingled funds, and commingled real estate investment trusts. Core and Core Plus 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

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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 external audits of the funds include a review of compliance with the fund's valuation policies.

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 Bloomberg Barclays Fixed Income Index ranges.

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

At June 30, 2023 and 2022, the effective duration of BWC's fixed-income portfolio is as follows (000's omitted):

Duration Footnote

	June 30, 2023		June 30, 2022	
Investment Type	Fair Value	Effective Duration	Fair Value	Effective Duration
U.S. corporate bonds	3,185,869	11.69	3,148,974	11.86
U.S. government obligations	1,848,754	8.53	1,776,637	8.53
U.S. treasury inflationary protected securities	1,693,518	6.73	1,705,297	6.98
Commingled U.S. treasury inflationary protected securities	832,432	6.64	844,340	6.96
U.S. government agency mortgages	689,801	6.11	640,239	5.93
Non-U.S. corporate bonds	651,715	8.58	715,028	8.84
Commingled U.S. long government / credit fixed income	558,273	14.28	572,707	15.03
Asset backed securities	334,258	2.02	319,509	1.65
Commercial mortgage backed securities	239,216	2.55	254,557	2.76
U.S. state and local government agencies	165,056	11.73	180,435	11.95
Commingled U.S. aggregate indexed fixed income	150,603	6.29	152,032	6.40
Non-U.S. government and agency bonds	103,093	11.58	107,777	11.80
Commingled U.S. intermediate duration fixed income	43,957	3.80	44,016	3.93
Bond funds	34,032	0.16	59,927	0.13
U.S. government agency bonds	28,176	2.14	5,018	14.61
Preferred securities	7,500	1.17	14,139	2.06
Bank loans	2,527	0.11	8,132	0.25
Total fixed maturities	$ 10,568,780		$ 10,548,764	

Although the short-term money market 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 its yield resulting in some interest rate risk

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. 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 (S&P) in fiscal years 2023 and 2022. Obligations of the U.S. government are explicitly guaranteed by the U.S. government. BWC/IC's fixed-income securities were rated by S&P and/or an equivalent national rating organization and the ratings are presented below using the S&P rating scale (000's omitted):

Quality Rating	2023 Fair Value	2022 Fair Value
Credit risk debt quality		
AAA	$ 351,124	$ 374,142
AA	596,815	575,088
A	1,993,199	1,830,160
BBB	2,137,892	2,351,870
BB	280,819	323,997
B	77,235	91,459
CCC	24,464	24,229
CC	10,385	5,154
C	166	710
D	2,041	424
NR	1,959	-
Total credit risk debt securities	5,476,099	5,577,233
U.S. government agency bonds		
AAA	1,390	1,430
AA	26,786	3,588
Total U.S. government agency bonds	28,176	5,018
U.S. government agency mortgages		
AAA	2,527	45,900
AA	671,524	578,703
A	623	1,521
BBB	3,024	1,982
BB	10,838	11,099
B	1,265	1,034
Total U.S. government agency mortgages	689,801	640,239
U.S. government obligations (AA)	1,848,754	1,776,637
U.S. treasury inflation protected securities (AA)	1,693,518	1,705,297
Commingled U.S. treasury inflation protected securities (AA)	832,432	844,340
Total fixed maturities	$ 10,568,780	$ 10,548,764

The short-term money market fund carries an AAA credit rating.

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 2023 and 2022, 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, 2023 and 2022, is as follows (000's omitted):

	2023	2022
Currency	Fair Value	Fair Value
Australian Dollar	132,811	88,219
Bermudian Dollar	523	502
Brazilian Real	-	26,624
British Pound	269,512	175,831
Canadian Dollar	216,143	148,368
Caymanian Dollar	-	449
Chilean Peso	-	2,798
Chinese Renminbi	311	182,400
Colombian Peso	-	811
Czech Koruna	-	882
Danish Krone	56,453	31,494
Egyptian Pound	-	325
Euro	625,341	356,816
Hong Kong Dollar	44,285	49,596
Hungarian Forint	-	919
Indian Rupee	-	69,819
Indonesian Rupiah	-	9,998
Israeli Shekel	11,403	8,658
Japanese Yen	413,694	254,368
Kuwaiti Dinar	-	4,515
Macau Pataca	990	496
Malaysian Ringgit	-	8,022
Manx Pound	1,219	964
Mexican Peso	-	11,556
New Zealand Dollar	5,129	2,632
Norwegian Krone	11,609	9,081
Peruvian Nuevo Sol	-	855
Philippines Peso	-	4,005
Polish Zloty	-	3,135
Qatari Rial	-	5,697
Russian Ruble	-	2
Saudi Riyal	-	23,460
Singapore Dollar	25,682	16,976
South African Rand	-	18,972
South Korean Won	-	61,942
Swedish Krona	55,695	36,721
Swiss Franc	199,855	126,409
Taiwan Dollar	-	78,491
Thailand Baht	-	10,433
Turkish Lira	-	1,520
United Arab Emirates Dirham	-	6,916
Exposure to foreign currency risk	2,070,655	1,841,677
United States Dollar	1,346	10,334
Total international securities	$ 2,072,001	$ 1,852,011

Continued

Securities Lending

At June 30, 2023 and 2022, BWC/IC had no securities out on loan. BWC/IC has been allocated with cash collateral of $2.6 million in 2023 and $2.5 million in 2022 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 fiscal years ended June 30, 2023 and 2022, are summarized as follows (000's omitted):

	Balance at 6/30/2021	Increases	Decreases	Balance at 6/30/2022	Increases	Decreases	Balance at 6/30/2023
Capital assets not being depreciated							
Land	$ 9,466	$ -	$ -	$ 9,466	$ -	$ -	$ 9,466
Subtotal	9,466	-	-	9,466	-	-	9,466
Capital assets being depreciated							
Buildings	205,831	-	-	205,831	-	-	205,831
Building improvements	3,608	-	-	3,608	-	-	3,608
Furniture and equipment	24,649	329	(2,987)	21,991	1,728	(2,221)	21,498
Subtotal	234,088	329	(2,987)	231,430	1,728	(2,221)	230,937
Accumulated depreciation							
Buildings	(200,443)	(602)	-	(201,045)	(602)		(201,647)
Building improvements	(1,815)	(177)	-	(1,992)	(177)		(2,169)
Furniture and equipment	(20,781)	(1,696)	2,984	(19,493)	(1,188)	2,186	(18,495)
Subtotal	(223,039)	(2,475)	2,984	(222,530)	(1,967)	2,186	(222,311)
Capital assets being amortized							
Intangible assets - definite useful lives	115,789	21,804	-	137,593	8,525	-	146,118
Accumulated amortization	(53,123)	(14,754)	(7,815)	(75,692)	(15,257)	(2,986)	(93,935)
Subtotal	62,666	7,050	(7,815)	61,901	(6,732)	(2,986)	52,183
Net capital assets	$ 83,181	$ 4,904	$ (7,818)	$ 80,267	$ (6,971)	$ (3,021)	$ 70,275

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 liabilities for compensation and compensation adjustment expenses are BWC management's selection based on estimates by BWC's Actuarial division staff. Management believes that the recorded liabilities make for a reasonable and appropriate provision for expected future losses and expense payments on events that have occurred on or prior to June 30, 2023; however, the ultimate liabilities for those events may vary from the amounts provided.

All reserves have been discounted at 4.0% at June 30, 2023 and 2022. A decrease in the discount rate to 3.0% would result in the reserves for compensation and compensation adjustment expenses increasing to $14.7 billion at June 30, 2023, while an increase in the rate to 5.0% would result in the reserves for compensation and compensation adjustment expenses decreasing to $12.3 billion. The undiscounted reserves for compensation and compensation adjustment expenses were $21.4 billion at June 30, 2023, and $21.3 billion at June 30, 2022.

Continued

The changes in the reserves for compensation and compensation adjustment expenses for the fiscal years ended June 30, 2023 and 2022, are summarized as follows (000,000's omitted):

	2023	2022	2021
Reserves for compensation and compensation adjustment expenses, beginning of period	$ 13,373	$ 13,539	$ 14,518
Incurred:			
Provision for insured events of current period	1,263	1,261	1,228
Net (decrease) increase in provision for insured events of prior periods net of discount accretion of $535 in 2023, $542 in 2022 and $581 in 2021	284	139	(702)
Total incurred	1,547	1,400	526
Payments:			
Compensation and compensation adjustment expenses attributable to insured events of current period	322	315	304
Compensation and compensation adjustment expenses attributable to insured events of prior period	1,250	1,251	1,201
Total payments	1,572	1,566	1,505
Reserves for compensation and compensation adjustment expenses, end of period	$ 13,348	$ 13,373	$ 13,539

5. Long-Term Obligations

Activity for long-term obligations (excluding the reserves for compensation and compensation adjustment expenses – see Note 4) for the fiscal years ended June 30, 2023 and 2022, is summarized as follows (000's omitted):

	Balance at 6/30/2021	Increases	Decreases	Balance at 6/30/2022	Due Within One Year
Net pension liability	$ 149,065	$ -	$ (65,524)	$ 83,541	$ -
Net OPEB liability	-	-	-	-	-
Group retrospective credit payable	172,190	115,610	(69,988)	217,812	113,201
Other liabilities	95,969	177,645	(127,592)	146,022	106,255
	$ 417,224	$ 293,255	$ (263,104)	$ 447,375	$ 219,456

	Balance at 6/30/2022	Increases	Decreases	Balance at 6/30/2023	Due Within One Year
Net pension liability	$ 83,541	$ 190,398	$ -	$ 273,939	$ -
Net OPEB liability	-	5,816	-	5,816	-
Group retrospective credit payable	217,812	45,049	(107,202)	155,659	58,922
Other liabilities	146,022	109,697	(129,243)	$ 126,476	88,720
	$ 447,375	$ 350,960	$ (236,445)	$ 561,890	$ 147,642

6. Policy Holder Dividend

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 Board approved one-time dividend payments to reduce the net position in SIF at the September 2021 board meeting for certain eligibility requirement revisions of the previously approved fiscal year 2021 dividends for some private and public employer taxing districts. These actions resulted in dividend expense of $150 thousand in fiscal year 2023 and $28.2 million in fiscal year 2022.

7. Pension Plans

General Information

BWC/IC employees participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer public employee retirement system. OPERS administers three pension plans:

- The Traditional Plan - a defined benefit plan.
- The Combined Plan – a combination of a defined benefit plan and a defined contribution plan. This plan invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Plan benefit. Member contributions are self-directed by the members and accumulate retirement assets in a manner similar to the Member-Directed Plan. This option is no longer available to new employees.

- The Member-Directed Plan – a defined contribution plan. Under this plan, members accumulate retirement assets equal to the value of member and vested employer contributions plus any investment earnings thereon.

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, required supplementary information, information about the pension plan's fiduciary net position, and the Plan Statement with pension plan details. The report is available by visiting https://www.opers.org/financial/reports.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, 2023, the most recent report issued by OPERS is for the calendar year ended December 31, 2022.

Funding Policy

Chapter 145 of the Ohio Revised Code provides statutory authority for employee and employer contributions. During fiscal years 2023 and 2022, the employee contribution rate was 10% and the employer contribution rate was 14% of covered payroll for all three plans. BWC/IC's contractually required employer contributions were $20.8 million for calendar year 2022 and $20.7 million for calendar year 2021.

Measurement Date

The measurement dates for the net pension assets and liabilities, deferred inflows and outflows of resources, and pension expense were December 31, 2022, for fiscal year 2023 and December 31, 2021, for fiscal year 2022. OPERS total pension assets and liabilities that were used to calculate the net pension asset and liability were also based on an actuarial valuation as of these dates.

Proportionate Share

BWC/IC's proportionate shares of the net pension assets and liabilities are determined as BWC/IC's share of contributions to the pension plan relative to the total employer contributions from all participating OPERS employers. Member and employer contributions included in OPERS' Statement of Changes in Fiduciary Net Position are used to calculate proportionate share. At December 31, 2022 and 2021, BWC/IC's proportions were as follows:

	December 2022	December 2021
Traditional Plan	0.927348%	0.960196%
Combined Plan	0.592736%	0.569109%

Pension Assets, Deferred Outflows of Resources, Pension Liabilities, Deferred Inflows of Resources, and Pension Expense

At June 30, 2023 and 2022, BWC/IC reported $1.4 million and $2.2 million, respectively, for its proportionate share of the Combined Plan's net pension asset and a liability of $274 million and $83.5 million, respectively, for its proportionate share of the Traditional Plan's net pension liability.

For the fiscal years ended June 30, 2023 and 2022, BWC/IC recognized $14.3 million in pension expense and $40.2 million in pension benefit, respectively.

At June 30, 2023 and 2022, BWC/IC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (000's omitted)

	June 2023		June 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 9,226	$ 197	$ 4,272	$ 2,178
Net difference between projected and actual earnings on pension plan investments	74,557	-	-	101,289
Changes in proportion and differences between BWC/IC contributions and proportionat share of contributions	2,769	3,325	2,039	4,179
Assumption changes	3,088	-	10,563	-
BWC/IC contributions subsequent to the measurement date	10,361	-	10,302	-
Total	$ 100,001	$ 3,522	$ 27,176	$ 107,646

In 2023 and 2022, deferred outflows of resources related to pensions resulting from BWC/IC's contributions subsequent to the measurement date of $10.4 million and $10.3 million, respectively, will be recognized as a reduction of net pension liability in the fiscal years ended June 30, 2023 and 2022, respectively.

Deferred outflows of resources includes the BWC/IC's proportionate share of the effects of changes in assumptions resulting from OPERS experience study for the period 2016 through 2020 and 2011 through 2015, for the years ended 2022 and 2021 respectively. Information from this study led to changes in both demographic and economic assumptions. The long-term pension investment return assumption for the defined benefit investments was reduced in 2021 over the last year from 7.2% to 6.9%. These assumption changes as well as other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future years as follows (000's omitted):

	As of June 30, 2023			As of June 30, 2022		
Year ended June 30:						
	2024	$	7,876	2023	$	(14,976)
	2025		17,210	2024		(36,046)
	2026		22,571	2025		(23,859)
	2027		38,466	2026		(15,897)
	2028		(3)	2027		(2)
	Thereafter	$	(2)	Thereafter	$	8

Actuarial Assumptions

The total pension liabilities in the December 31, 2022 and 2021, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

December 2022

	Traditional Pension Plan	Combined Plan
Actuarial Assumptions:		
Investment Rate of Return	6.90%	6.90%
Wage Inflation	2.75%	2.75%
Projected Salary Increases	2.75% - 10.75% (includes wage inflation at 2.75%)	2.75% - 8.25% (includes wage inflation at 2.75%)
Cost of living Adjustments	Pre-1/7/2013 Retirees: 3.00% Simple Post-1/7/2013 Retirees: 3.00% Simple through 2023, then 2.05% Simple	Pre-1/7/2013 Retirees: 3.00% Simple Post-1/7/2013 Retirees: 3.00% Simple through 2023, then 2.05% Simple

Continued

December 2021

	Traditional Pension Plan	Combined Plan
Actuarial Assumptions:		
Investment Rate of Return	6.90%	6.90%
Wage Inflation	2.75%	2.75%
Projected Salary Increases	2.75% - 10.75% (includes wage inflation at 2.75%)	2.75% - 8.25% (includes wage inflation at 2.75%)
Cost of living Adjustments	Pre-1/7/2013 Retirees: 3.00% Simple Post-1/7/2013 Retirees: 3.00% Simple through 2022, then 2.05% Simple	Pre-1/7/2013 Retirees: 3.00% Simple Post-1/7/2013 Retirees: 3.00% Simple through 2022, then 2.05% Simple

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The actuarial assumptions used in the December 31, 2022 and 2021, valuations were based on the results of an actuarial experience study for 5-year period ended December 31, 2020. and December 31, 2015, respectively. 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 best estimates of arithmetical rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

Continued

The table below displays the OPERS Board approved asset allocation policy for December 2022 and 2021 and the expected real rates of return.

	December 2022		December 2021	
Asset Class	Target Allocation	Weighted Average Longterm Expected Real Rate of Return	Target Allocation	Weighted Average Longterm Expected Real Rate of Return
Fixed income	22.00%	2.62%	24.00%	1.03%
Domestic equity	22.00%	4.60%	21.00%	3.78%
International equity	21.00%	5.51%	23.00%	4.88%
Real estate	13.00%	3.27%	11.00%	3.66%
Risk Parity	2.00%	4.37%	5.00%	2.92%
Private equity	15.00%	7.53%	12.00%	7.43%
Other Investments	5.00%	3.27%	4.00%	2.85%
Total	100.00%		100.00%	4.21%

Discount Rate

The discount rate used to measure the total pension liability for both the Traditional Pension Plan and the Combined Plan was 6.9% for 2022 and 2021. The projection of cash flows 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 the Traditional Pension Plan and Combined Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to Changes in the Discount Rate

For the years 2022 and 2021, the following tables present BWC/IC's proportionate share of the net pension liability calculated using the discount rate of 6.9%, as well as BWC/IC's proportionate share of the net pension liability using a discount rate that is 1% lower or 1% higher than the current rate (000's omitted):

December 2022

	1% Decrease - 5.9 %	Current Discount Rate - 6.9%	1% Increase - 7.9%
Traditional Plan:			
Total Net Pension Liability	410,351	273,939	160,468
Combined Plan:			
Total Net Pension (Asset)	(729)	(1,397)	(1,926)

December 2021

	1% Decrease - 5.9 %	Current Discount Rate - 6.9%	1% Increase - 7.9%
Traditional Plan:			
Total Net Pension Liability	220,259	83,541	30,227
Combined Plan:			
Total Net Pension (Asset)	(1,673)	(2,242)	(2,686)

Defined Contribution Plans

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS Board. 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 $726 thousand and $637 thousand in pension expense for defined contribution plans in fiscal years 2023 and 2022, respectively. 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 annuitization of their benefit (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.

8. Other Post-Employment Benefit (OPEB)

OPERS administers the 115 Health Care Trust, a cost-sharing, multiple-employer defined benefit post-employment health care trust. OPERS health care program includes medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement for qualifying benefit recipients of both the Traditional Pension and the Combined plans. Currently, Medicare eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Effective January 1, 2022 the Combined Plan is no longer available for member selection. Although participants in the Member-Directed Plan are not eligible for health care coverage offered to benefit recipients in the Traditional and Combined plans, a portion of employer contributions is allocated to a retiree medical account. Upon retirement or separation, participants may be reimbursed for qualified medical expenses from these accounts.

All benefits of the System, and any benefit increases, are established by the legislature pursuant to Ohio Revised Code Chapter 145. The OPERS Board has elected to maintain funds to provide health care coverage to eligible Traditional Pension Plan and Combined Plan retirees and survivors of members. Health care coverage does not vest and is not required. As a result, coverage may be reduced or eliminated at the discretion of OPERS. To qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must be at least age 60 with 20 or more years of qualifying Ohio service or 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

OPERS issues a publicly available financial report that includes financial statements, required supplementary information, information about the OPEB plan's fiduciary net position, and the Plan Statement with OPEB plan details. This report is available by visiting https://www.opers.org/financial/reports.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, 2023, the most recent report issued by OPERS is for the calendar year ended December 31, 2022.

Funding Policy

Beginning in 2018, Traditional Pension Plan and Combined Plan employer contributions are no longer allocated to health care. Employer contributions as a percent of covered payroll deposited for the Member-Directed Plan participants' health care accounts was 4.0% for both 2022 and 2021. Based upon the portion of each employer's contribution to OPERS set aside for funding OPEB as described above, BWC/IC's contribution allocated to OPEB for the 12 months ended December 31, 2022 and 2021, was approximately $283 thousand and $254 thousand respectively.

Measurement Date

The measurement dates for the net OPEB liabilities, deferred inflows and outflows of resources, and OPEB expense were December 31, 2022, for fiscal year 2023 and December 31, 2021,

Continued

for fiscal year 2022. For fiscal years 2023 and 2022, OPERS total OPEB liabilities that were used to calculate the net OPEB liability were based on an actuarial valuation of December 31, 2021, with a rollforward measurement date of December 31, 2022, and December 31, 2020, with a rollforward measurement date of December 31, 2021, respectively.

Proportionate Share

BWC/IC's proportionate shares of the net OPEB liabilities are determined as BWC/IC's share of contributions to the plan relative to the total employer contributions from all participating OPERS employers. Member and employer contributions included in OPERS' Statement of Changes in Fiduciary Net Position are used to calculate proportionate share. At December 31, 2022 and 2021, BWC/IC's proportions were as follows:

	December 2022	December 2021
OPEB	0.922331%	0.951098%

Net OPEB Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, and OPEB Expense

At June 30, 2023 BWC/IC reported $5.8 million for its proportionate share of the net OPEB net liability. At June 30, 2022 BWC/IC reported $29.8 million for its proportionate share of the net OPEB asset.

For the fiscal years ended June 30, 2023 and 2022, BWC/IC recognized negative OPEB expense of $10.7 million and negative OPEB expense of $28.1 million, respectively.

At June 30, 2023 and 2022, BWC/IC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (000's omitted):

	June 2023		June 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 1,455	$ -	$ 4,698
Net difference between projected and actual earnings on OPEB plan investments	11,004	-	-	14,416
Changes in proportion and differences between BWC/IC contributions and proportionate share of contributions	2,015	-	2,204	39
Assumption changes	5,680	482	-	12,530
Total	$ 18,699	$ 1,937	$ 2,204	$ 31,683

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (000's omitted):

	As of June 30, 2023		As of June 30, 2022	
Year ended June 30:				
	2024	$ 3,070	2023	$ (18,242)
	2025	4,573	2024	(6,048)
	2026	3,540	2025	(3,150)
	2027	5,579	2026	(2,039)

Actuarial Assumptions

The total OPEB liability in the December 31, 2022 and OPEB asset in 2021, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement.

December 2022

	OPEB
Actuarial Assumptions:	
Single Discount Rate	5.22%
Investment Rate of Return	6.00%
Wage Inflation	2.75%
Municipal Bond Rate	4.05%
Projected Salary Increases	2.75% - 10.75% (includes wage inflation at 2.75%)
Health Care Cost Trend Rate	5.5% initial, 3.5% ultimate in 2036

December 2021

	OPEB
Actuarial Assumptions:	
Single Discount Rate	6.00%
Investment Rate of Return	6.00%
Wage Inflation	2.75%
Municipal Bond Rate	1.84%
Projected Salary Increases	2.75% - 10.75% (includes wage inflation at 2.75%)
Health Care Cost Trend Rate	5.5% initial, 3.5% ultimate in 2034

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The actuarial assumptions used in the December 31, 2022 and 2021, valuations were based on the results of an actuarial experience study for a 5-year period ended December 31, 2020. 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 the health care 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 best estimates of arithmetical 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 December 2022 and 2021 and the expected real rates of return.

	December 2022		December 2021	
Asset Class	Target Allocation	Weighted Average Longterm Expected Real Rate of Return	Target Allocation	Weighted Average Longterm Expected Real Rate of Return
Fixed income	34.00%	2.56%	34.00%	0.91%
Domestic equity	26.00%	4.60%	25.00%	3.78%
International equity	25.00%	5.51%	25.00%	4.88%
Real estate	7.00%	4.70%	7.00%	3.71%
Risk Parity	2.00%	4.37%	2.00%	2.92%
Other Investments	6.00%	1.84%	7.00%	1.93%
Total	100.00%		100.00%	2.93%

Discount Rate

The single discount rate used to measure the OPEB liability at the measurement date of December 31, 2022 and OPEB asset in 2021 was 5.22% and 6%, respectively. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). These single discount rates for 2022 and 2021 were based on an expected rate of return on the health care investment portfolio of 6.00%, and a municipal bond rate of 4.05% and 1.84%, respectively. The projection of cash flows used to determine these single discount rates assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the 2022 and 2021 health care fiduciary net position and future contributions were sufficient to finance health care costs through 2054 and 2121, respectively. As a result, the 2022 and 2021 long-term expected rates of return on health care investments were applied to projected costs through the year 2054 and 2121, respectively, and the municipal bond rates were applied to all health care costs after these dates.

Sensitivity to Changes in the Discount Rate

For December 2022 and December 2021, the following tables present BWC/IC's proportionate share of the net OPEB liability and asset calculated using the discount rate of 5.22% and 6% respectively, as well as BWC/IC's proportionate share of the net OPEB liability and asset using a discount rate that is 1.0% lower or 1.0% higher than the current rate (000's omitted):

December 2022	1% Decrease - 4.22 %	Single Discount Rate - 5.22%	1% Increase - 6.22%
OPEB:			
Total Net OPEB Liability	19,793	5,816	(5,718)

December 2021	1% Decrease - 5 %	Single Discount Rate - 6%	1% Increase - 7%
OPEB:			
Total Net OPEB Asset	(17,519)	(29,790)	(39,975)

Sensitivity to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability and asset. The following tables present BWC/IC's proportionate share of the net OPEB liability and asset calculated using the assumed trend rates and the expected net OPEB liability and asset using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate for December 2022 and December 2021 (000's omitted):

December 2022

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
OPEB:			
Total Net OPEB Liability	5,451	5,816	6,226

December 2021

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
OPEB:			
Total Net OPEB Asset	(30,112)	(29,790)	(29,408)

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the starting trend in 2023 and 2022 is 5.5%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

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 2023 or 2022. 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 and is also involved in other claims and legal actions arising in the ordinary course of business. Although the outcome of certain legal proceedings 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.

11. Net Position

Individual fund net position (deficit) balances at June 30, 2023 and 2022, were as follows (000's omitted):

	2023	2022
SIF	$ 7,308,901	$ 7,049,983
SIF Surplus Fund Account	55,396	55,604
Total SIF Net Position	7,364,297	7,105,587
DWRF	626,704	688,526
CWPF	317,856	312,083
PWREF	16,420	16,526
MIF	25,701	25,914
SIEGF	36,568	34,680
ACF	(602,462)	(687,003)
Total Net Position	$ 7,785,084	$ 7,496,313

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

The Surplus Fund is established by the Code and is financed by a portion of all SIF premiums paid by private and public employers (excluding State employers) and assessments paid by self-insured 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 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. See also Note 13 regarding upcoming legislation impacting ACF net position.

Continued

DWRF is operated on a terminal funding basis in accordance with the Code, however, the actuarially estimated liabilities are recognized in accordance with accounting principles generally accepted in the United States of America. While BWC has the statutory authority to assess employers in future periods for amounts needed to fund DWRF II cost of living benefits, cash and investment balances are currently sufficient to fund the estimated DWRF II liabilities.

12. Adoption of New Accounting Principles

For the fiscal year ended June 30, 2023, the BWC/IC implemented the provisions of GASB Statement No. 96 "Subscription-Based Information Technology Arrangements (SBITA)" to result in greater consistency in practice and reduce diversity and improve comparability in financial reporting in governments. As a result, the SBITA asset is reflected in capital assets and the SBITA liability is reflected in other current and noncurrent liabilities.

Net position as of July 1, 2021 has been restated as follows for the implementation of GASB Statement No. 96.

Net Position as previously reported at June 30, 2021:	$ 9,357,732
Cumulative effect of GASB 96 implementation:	
Net SBITA liability	(291)
Net Position as restated at July 1, 2021	$ 9,357,441

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. 100 "Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62" (effective fiscal year 2024)
- GASB No. 101, "Compensated Absences" (effective fiscal year 2024)

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

13. Subsequent Events

On June 30, 2023, House Bill 31 of the 135th General Assembly (HB 31) was signed into law by Governor Mike DeWine. HB 31 modifies various statutes in Ohio Revised Code Chapter 4123 to allow for the inclusion of administrative costs in the premium calculation. For private employers and public employer taxing districts, the administrative costs contemplated in the premium calculation are the amounts needed to administer the claims incurred in that policy year for the duration of those claims, regardless of how long the claims are open. This differs from the current terminal funding (pay-as-you-go) basis, in which the administrative assessments collected in policy year are used to pay the costs to administer claims in that year, regardless of when the claims were incurred. These changes go into effect with the policy year beginning July 1, 2024 for private employers, and for the policy year beginning on January 1, 2025 for public taxing districts.

HB 31 further provides for administrative costs to be paid from the State Insurance Fund, effectively collapsing the Administrative Cost Fund into the State Insurance Fund. This change goes into effect on October 1, 2023. Accordingly, the consolidated financial statements will no longer include a separate column for the Administrative Cost Fund, as it will be part of the State Insurance Fund in future periods.

SUPPLEMENTARY INFORMATION

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO

(A DEPARTMENT OF THE STATE OF OHIO)

REQUIRED SUPPLEMENTAL REVENUE AND RESERVE DEVELOPMENT INFORMATION
(See Accompanying Independent Auditors' Report)
For the fiscal years ended June 30, 2023 and 2022

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 nominal and discounted 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 eleven 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 estimated 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, 2013 through 2023.

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										
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
1. Required premiums, assessments, and investment income earned	$ 2,057	$ (200)	$ 4,735	$ 3,124	$ 3,586	$ 2,628	$ 3,517	$ 1,378	$ 2,552	$ 5,194	$ 2,453
Ceded premiums	0	0	0	4	4	4	4	4	4	4	6
Net earned	2,057	(200)	4,735	3,120	3,582	2,624	3,513	1,374	2,548	5,190	2,447
2. Unallocated expenses	193	219	215	240	248	219	205	170	163	150	140
3. Estimated incurred compensation and compensation adjustment expense, end of period	1,263	1,261	1,228	1,264	1,465	1,507	1,635	1,731	1,853	1,854	1,720
Discount	490	484	553	578	590	656	781	806	874	872	829
Gross liability as originally estimated	1,753	1,745	1,781	1,842	2,054	2,163	2,416	2,537	2,727	2,726	2,549
4. Net paid (cumulative) as of :											
End of period	322	315	304	330	348	341	347	327	331	337	380
One year later		478	454	484	530	531	531	531	548	563	600
Two years later			546	579	630	637	641	644	669	689	731
Three years later				647	701	704	718	724	748	776	822
Four years later					762	762	773	789	815	839	893
Five years later						820	831	841	874	900	952
Six years later							881	895	921	951	1,005
Seven years later								933	968	990	1,049
Eight years later									1,000	1,029	1,081
Nine years later										1,058	1,112
Ten years later											1,139
5. Re-estimated incurred compensation and compensation adjustment expenses (gross):											
One year later		1,762	1,718	1,747	1,893	1,915	2,039	2,257	2,346	2,476	2,494
Two years later			1,732	1,737	1,800	1,868	1,913	2,052	2,219	2,265	2,397
Three years later				1,755	1,771	1,753	1,862	1,883	2,024	2,144	2,234
Four years later					1,773	1,727	1,721	1,821	1,869	1,974	2,119
Five years later						1,723	1,712	1,696	1,812	1,858	2,002
Six years later							1,705	1,689	1,694	1,810	1,891
Seven years later								1,683	1,690	1,687	1,844
Eight years later									1,685	1,666	1,727
Nine years later										1,674	1,691
Ten years later											1,711
6. Decrease in gross estimated incurred compensation and compensation adjustment expenses from end of period		17	(49)	(87)	(281)	(440)	(711)	(854)	(1,042)	(1,052)	(838)

Ultimate incurred compensation and compensation adjustment expense excludes liability associated with active working miners within the CWPF since they are not yet assignable to fiscal accident year. The June 30, 2023 active miners nominal and discounted liability is approximately $25.7 million and $7.4 million, respectively.

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)
Required Supplementary Information
Schedule of BWC/IC's Proportionate Share of the Net Pension Liability
Last 9 fiscal years*
(000's omitted)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
BWC/IC's Proportion of the net pension									
Net Pension Liability	0.927%	0.960%	1.007%	1.002%	1.017%	1.037%	1.060%	1.080%	1.115%
Net Pension Asset	0.593%	0.569%	0.570%	0.590%	0.597%	0.602%	0.578%	0.549%	0.586%
BWC/IC's Proportionate share of the net pension liability	$272,542	$81,299	$147,421	$196,918	$277,892	$161,899	$240,344	$186,771	$134,254
BWC/IC's covered payroll	$155,908	$155,328	$160,867	$160,253	$154,397	$152,774	$155,963	$149,562	$149,652
Proportionate share of the net pension liability as a percentage of its covered payroll	174.810%	52.340%	91.642%	122.879%	179.985%	105.973%	154.103%	124.879%	89.711%
Plan fiduciary net position as a percentage of the total pension liability									
Traditional Pension Plan	75.74%	92.62%	86.88%	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%
Combined Plan	137.14%	169.88%	157.67%	145.28%	126.64%	137.28%	116.55%	116.90%	114.83%

* - 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 Supplementary Information
Schedule of Employer Pension Contributions
(See Accompanying Independent Auditors' Report)
Last 9 fiscal years*
(000's omitted)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
BWC/IC's Statutorily Required Employer Contributions	$ 20,772	$ 20,712	$ 20,107	$ 20,504	$ 21,357	$ 20,713	$ 20,428	$ 19,752	$ 19,688
Amount of contributions recognized by the pension plan in relation to the statutory contributions	20,772	20,712	20,107	20,504	21,357	20,713	20,428	19,752	19,688
Contributions deficiency (excess)	-	-	-	-	-	-	-	-	-
Employer's covered payroll	157,362	156,801	155,358	162,037	161,974	153,211	152,963	151,275	148,683
Amount of contributions recognized by the pension plan as a percentage of employers' covered payroll	13.20%	13.21%	12.94%	12.65%	13.19%	13.52%	13.35%	13.06%	13.24%

* - 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 Supplementary Information

Schedule of BWC/IC's Proportionate Share of the Net OPEB Liability / Asset

Last 6 fiscal years*

(000's omitted)

	2023	2022	2021	2020	2019	2018
BWC/IC's Proportion of the OPEB Liability / (Asset)	0.922%	0.951%	0.993%	0.989%	1.003%	1.023%
BWC/IC's Proportionate share of the OPEB Liability / (Asset)	$5,816	($29,790)	($17,694)	$136,667	$130,796	$111,078
BWC/IC's covered payroll	$155,908	$155,328	$160,867	$160,253	$154,397	$152,774
Proportionate share of the OPEB Liability / (Asset) as a percentage of its covered payroll	3.730%	-19.179%	-10.999%	85.282%	84.714%	72.707%
Plan fiduciary net position as a percentage of the total OPEB Liability / (Asset)	94.79%	128.23%	115.57%	47.80%	46.33%	54.14%

***** - 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 Supplementary Information
Schedule of BWC/IC's Net OPEB Contributions
Last 6 fiscal years*
(000's omitted)

	2023	2022	2021	2020	2019	2018
BWC/IC's Statutorily Required Employer Contributions	$ 283	$ 254	$ 236	$ 232	$ 223	$ 2,384
Amount of contributions recognized by the OPEB plan in relation to the statutory contributions	283	254	236	232	223	2384
Contributions deficiency (excess)	-	-	-	-	-	-
Employer's covered payroll	157,362	156,801	155,358	162,037	161,974	153,211
Amount of contributions recognized by the OPEB plan as a percentage of employers' covered payroll	0.18%	0.16%	0.15%	0.14%	0.14%	1.56%

***** - 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)
SUPPLEMENTAL SCHEDULE OF NET POSITION
(See Accompanying Independent Auditors' Report)
June 30, 2023
(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	$ 306,021	$ 11,553	$ 344	$ 19	$ 426	$ 57,222	$ 14,091	$ -	$ 389,676
Collateral on loaned securities	-	-	-	-	-	-	2,595	-	2,595
Premiums recorded not yet due	6,665	-	427	220	-	-	-	-	7,312
Assessments recorded not yet due	-	-	-	-	-	-	1,554	-	1,554
Premiums in course of collection	3,907	-	-	-	-	-	-	-	3,907
Assessments in course of collection	-	152	-	-	-	-	16,330	-	16,482
Accounts receivable, net of allowance for uncollectibles	291,797	9,430	1,257	27	2	407	72,397	-	375,317
Retrospective premiums receivable	19,385	-	-	-	-	-	-	-	19,385
Interfund receivables	13,650	289,182	-	73	-	97	414,073	(717,075)	-
Investment trade receivables	146,129	-	-	-	-	-	-	-	146,129
Accrued investment income	99,915	5	-	-	2	238	-	-	100,160
Total current assets	887,469	310,322	2,028	339	430	57,964	521,040	(717,075)	1,062,517
Non-current assets:									
Restricted Cash	736	-	-	-	-	-	-	-	736
Fixed maturities	8,983,515	1,229,194	312,114	17,420	26,537	-	-	-	10,568,780
Domestic equity securities:									
Common stock	3,583,891	424,269	61,504	-	-	-	-	-	4,069,664
Preferred stocks	128	-	-	-	-	-	-	-	128
Non-U.S equity securities - common stock	1,823,643	215,076	33,282	-	-	-	-	-	2,072,001
Investments in real estate funds	3,587,807	-	-	-	-	-	-	-	3,587,807
Unbilled premiums receivable	511,861	7,144	-	-	-	312,510	67,781	-	899,296
Retrospective premiums receivable	40,140	-	-	-	-	-	-	-	40,140
Capital assets	15,640	22	-	-	-	-	54,613	-	70,275
Net pension asset	-	-	-	-	-	-	1,397	-	1,397
Total noncurrent assets	18,547,361	1,875,705	406,900	17,420	26,537	312,510	123,791	-	21,310,224
Total assets	19,434,830	2,186,027	408,928	17,759	26,967	370,474	644,831	(717,075)	22,372,741
DEFERRED OUTFLOW OF RESOURCES	-	-	-	-	-	-	118,700	-	118,700
Total assets and deferred outflow of resources	$ 19,434,830	$ 2,186,027	$ 408,928	$ 17,759	$ 26,967	$ 370,474	$ 763,531	$ (717,075)	$ 22,491,441

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, 2023
(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	$ 1,160,174	$102,960	$ 2,281	$ 162	$ 337	$17,675	$ -	$ -	$ 1,283,589
Reserve for compensation adjustment expenses	167,010	122	81	-	30	900	290,416	-	458,559
Unearned premium and assessments	314,866	1	85	30	51	-	93,321	-	408,354
Legal settlement	4,500	-	-	-	-	-	-	-	4,500
Warrants payable	19,295	-	-	-	-	-	-	-	19,295
Group retrospective credit payable	58,922	-	-	-	-	-	-	-	58,922
Investment trade payables	337,559	-	-	-	-	-	-	-	337,559
Accounts payable	4,253	-	231	-	-	-	13,463	-	17,947
Interfund payables	701,812	12,129	209	206	13	2,705	1	(717,075)	-
Obligations under securities lending	-	-	-	-	-	-	2,595	-	2,595
Other current liabilities	72,391	92	47	2	3	-	16,185	-	88,720
Total current liabilities	2,840,782	115,304	2,934	400	434	21,280	415,981	(717,075)	2,680,040
Noncurrent liabilities:									
Reserve for compensation	8,601,025	1,442,640	72,619	938	663	307,625	-	-	10,425,510
Reserve for compensation adjustment expenses	531,990	1,378	15,519	-	170	5,000	626,284	-	1,180,341
Net pension liability	-	-	-	-	-	-	273,939	-	273,939
Net OPEB liability	-	-	-	-	-	-	5,816	-	5,816
Group retrospective credit payable	96,737	-	-	-	-	-	-	-	96,737
Other noncurrent liabilities	-	-	-	-	-	-	37,756	-	37,756
Total noncurrent liabilities	9,229,752	1,444,018	88,138	938	833	312,625	943,795	-	12,020,099
Total liabilities	12,070,534	1,559,322	91,072	1,338	1,267	333,905	1,359,776	(717,075)	14,700,139
DEFERRED INFLOW OF RESOURCES	-	-	-	-	-	-	6,218	-	6,218
Total liabilities and deferred inflow of resources	12,070,534	1,559,322	91,072	1,338	1,267	333,905	1,365,994	(717,075)	14,706,357
NET POSITION (DEFICIT)									
Net investment in capital assets	15,640	22	-	-	-	-	54,613	-	70,275
Surplus fund	55,396	-	-	-	-	-	-	-	55,396
Unrestricted net position (deficit)	7,293,261	626,682	317,856	16,420	25,701	36,568	(657,075)	-	7,659,413
Total net position (deficit)	$ 7,364,297	$ 626,704	$ 317,856	$ 16,420	$ 25,701	$ 36,568	$ (602,462)	$ -	$ 7,785,084

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 fiscal year ended June 30, 2023

(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	$996,493	$31,137	$35	$23	$386	$17,699	$381,745	$ -	$1,427,518
Provision for uncollectibles	(33,292)	(419)	-	-	-	(94)	(1,950)	-	(35,755)
Other income	4,779	-	-	-	-	-	4,079	-	8,858
Total operating revenues	967,980	30,718	35	23	386	17,605	383,874	-	1,400,621
Operating expenses:									
Workers' compensation benefits	989,702	165,153	(4,758)	112	400	16,807	-	-	1,167,416
Compensation adjustment expenses	165,980	124	8,188	-	163	988	204,115	-	379,558
Personal services	-	152	37	-	13	-	75,039	-	75,241
Other administrative expenses	17,150	-	-	-	15	-	60,227	-	77,392
Total operating expenses	1,172,832	165,429	3,467	112	591	17,795	339,381	-	1,699,607
Net operating (loss) income before policy holder dividend	(204,852)	(134,711)	(3,432)	(89)	(205)	(190)	44,493	-	(298,986)
Policy holder dividend expense	150	-	-	-	-	-	-	-	150
Net operating (loss) income	(205,002)	(134,711)	(3,432)	(89)	(205)	(190)	44,493	-	(299,136)
Non-operating revenues:									
Net investment income	489,057	72,889	10,205	(17)	(8)	2,078	14,950	-	589,154
Gain on disposal of capital assets	-	-	-	-	-	-	178	-	178
Total non-operating revenues	489,057	72,889	10,205	(17)	(8)	2,078	15,128	-	589,332
Net transfers out	(25,345)	-	(1,000)	-	-	-	24,920	-	(1,425)
Increase (decrease) in net position (deficit)	258,710	(61,822)	5,773	(106)	(213)	1,888	84,541	-	288,771
Net position (deficit), beginning of year	7,105,587	688,526	312,083	16,526	25,914	34,680	(686,712)	-	7,496,604
Cumulative effect of GASB 96 implementations	-	-	-	-	-	-	(291)	-	(291)
Net Position (deficit), beginning of year as restated	7,105,587	688,526	312,083	16,526	25,914	34,680	(687,003)	-	7,496,313
Net position (deficit), end of year	$7,364,297	$626,704	$317,856	$16,420	$25,701	$36,568	$(602,462)	$ -	$7,785,084

INDEPENDENT AUDITOR'S 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

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), a department of the State of Ohio as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise BWC/IC's basic financial statements, and have issued our report thereon dated September 28, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered BWC/IC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BWC/IC's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether BWC/IC's financial statements are free from 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 financial statements. 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*.

(Continued)

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.

Crowe LLP

Crowe LLP

Columbus, Ohio
September 28, 2023

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OHIO AUDITOR OF STATE
KEITH FABER

OHIO BUREAU OF WORKERS COMPENSATION

FRANKLIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 12/5/2023

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