

**REQUEST FOR PROPOSALS**  
**by the**  
**STATE OF OHIO**  
**BUREAU OF WORKERS' COMPENSATION**  
**for the**  
**Services of a Full Service Investment Consultant**

**November 16, 2010**

**Bid # BWCB11002**

RFP ISSUED:	November 16, 2010
QUESTION PERIOD BEGINS:	December 1, 2010
QUESTION PERIOD ENDS:	December 8, 2010 at 8:00 A.M. EST
PROPOSAL DUE DATE:	January 20, 2011 by 2:00 P.M. EST

**PROPOSALS RECEIVED AFTER THE DUE DATE AND TIME WILL NOT BE EVALUATED**

OPENING LOCATION:	Ohio Bureau of Workers' Compensation (BWC) Purchasing Department 30 W. Spring Street, Level 24 Columbus, OH 43215-2256
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**STATE OF OHIO  
BUREAU OF WORKERS' COMPENSATION**

**for the**

**SERVICES OF A FULL SERVICE INVESTMENT CONSULTANT**

**November 16, 2010**

**Bid # BWCB11002**

PLEASE READ ALL CONDITIONS AS SET FORTH IN THIS REQUEST FOR PROPOSALS (RFP) FOR A FULL UNDERSTANDING OF THE REQUIREMENTS.

## **1.0 BACKGROUND AND NATURE OF PROJECT**

### **1.1 Purpose of the Request for Proposals**

The purpose of this RFP is to locate and contract with a consulting firm that has demonstrated experience with, and success in general investment consulting. Several specific duties are more fully described in Section 4.0 of this RFP to assist the Ohio Bureau of Workers' Compensation (BWC) in its investment efforts.

References in this document to a firm, vendor, contractor, consultant and similar nomenclature in the singular are to be interpreted in the plural, to potentially represent more than one provider.

In the past, the BWC has retained full service consultants to provide specific services, such as development of investment policy, asset allocation, performance measurement, asset/liability studies and other investment analytic functions. The BWC Board of Directors (BOD) seeks a comprehensive range of consulting advice and services provided in an integrated manner. The selected investment consulting firm will play a key role in guiding the BWC Trust Funds and related processes in the future, embracing the establishment of best practices which are critical to the success of the largest exclusive state insurance fund system in the United States. The selected vendor will serve an independent oversight function with respect to the BWC funds, including those that may be internally managed, in fulfilling fiduciary duties relating to these funds.

The selected investment consulting firm will support the BWC and its BOD and operationally work closely with the BWC Administrator, BWC Investment Staff, BWC Finance Staff, and BOD. The BWC prefers to contract with a single investment consulting firm with broad investment expertise and services capable of performing all services listed in Section 4.0 of the RFP.

Given the breadth of services under consideration, the BWC may consider more than one investment consulting firm relationship to ensure best-of-class service for all of its needs. Each responder should indicate their areas of professional emphasis, competitive strength and excellence, as a split mandate or grouping of services may be considered to achieve the best result for the BWC.

## 1.2 Definitions and Abbreviations

- BOD BWC Board of Directors
- BWC Ohio Bureau of Workers' Compensation
- BWC Trust Funds SIF and Specialty Funds
- Consultant To work or serve in an advisory capacity. A person or company that possesses unique qualifications which allow them to perform specialized advisory services usually for a fee
- Contractor Any individual or business having a contract with a governmental body to furnish goods, services, or construction for an agreed-upon price
- Contract for Services A document that will be executed between the BWC and the investment consultant. The Contract for Services shall describe the investment consulting services and specify the objectives and compensation arrangements that will apply to such services
- EC Evaluation Committee
- IC Investment Committee
- IPS Investment Policy Statement
- ORC Ohio Revised Code
- Proposal A proposal is a document submitted by a vendor in response to some type of bid solicitation to be used as the basis for negotiations or for entering into a contract
- RFP Request for Proposal
- Responder One who submits a response to a solicitation document
- SIF State Insurance Fund
- Services Work to be performed as specified in this RFP
- Specialty Funds Disabled Workers' Relief Fund (DWRF)  
Coal Workers' Pneumoconiosis Fund (CWPF)  
Public Work-Relief Employees' Fund (PWRF)  
Marine Industry Fund (MIF)  
Self Insured Employees Guarantee Fund (SIEGF)
- Vendor A supplier/seller of goods and services. A reference to a provider of product or service

### 1.3 BWC General Background

Under the mandates of the Ohio Revised Code (ORC), the Ohio workers' compensation system is the largest exclusive state insurance fund system in the United States, with investment assets of \$20.3 billion as of September 30, 2010 and annual insurance premiums and assessments of approximately \$2.1 billion. The Ohio workers' compensation system consists of the BWC, responsible for administrative and insurance functions, and the Industrial Commission of Ohio, responsible for claims adjudicative functions. BWC exercises fiduciary authority with respect to the State Insurance Fund (SIF) and related Specialty Funds. These BWC Trust Funds are held for the benefit of the injured workers and employers of Ohio. It is from these trust funds that all claims for both medical and compensation for disability benefits are paid with the exception of self-insured claims. Self-insuring employers have been granted the status of self-insurance by having proven ability to meet certain obligations set forth in ORC 4123.35. BWC monitors self-insuring employers, which administer their own workers' compensation claims. Presently, BWC processes claims, pays compensation and medical benefits to injured workers and underwrites workers' compensation coverage for employers doing business in Ohio. BWC also offers safety training and accident prevention programs to employers and helps injured employees return to work through rehabilitation programs. The BOD, as a fiduciary, oversees BWC's activities and functions.

#### SUMMARY OF BWC INVESTMENTS & CASH

(Unaudited as of September 30, 2010)

(\$ Millions)

Fund Name	Fixed Income	Equity	Cash	Total
State Insurance Fund (SIF)	12,707	5,485	448	18,640
<b>Specialty Funds</b>				
Disabled Workers' Relief Fund (DWRF)	903	397	2	1,302
Coal Workers' Pneumoconiosis Fund (CWPF)	221	56	1	278
Public Work-Relief Employees' Fund (PWRF)	26			26
Marine Industry Fund (MIF)	19		1	20
Self Insured Employees Guarantee Fund (SIEGF)			48	48
<b>Total</b>	<b>13,876</b>	<b>5,938</b>	<b>500</b>	<b>20,314</b>

## 1.4 Minimum Qualifications

To be considered as an Investment Consultant for the purpose stated above, vendors submitting proposals must:

1. Contract to act as a fiduciary to the BWC and acknowledge in writing to comply with BWC's Investment Policy Statement (IPS).
2. Be duly registered with the Securities & Exchange Commission pursuant to the Investment Advisors Act of 1940, as amended, and the registration is current.
3. Provide quarterly performance evaluation reports prepared consistent with Global Investment Presentation Standards (GIPS) issued by the CFA Institute.
4. Have at least five years experience performing substantially similar services for institutional investors.

Proposals that have been determined not to have met one or more of the minimum qualifications shall be excluded from any further consideration or scoring.

## 2.0 CALENDAR OF EVENTS

The time schedule for this project is outlined below, and is subject to change. BWC may change this schedule at any time. If BWC changes the schedule before the Proposal due date, it will do so through an announcement on the State Procurement Web site area for this RFP. Any schedule change published on the Web site will be followed by an addendum to this RFP, also available through the State Procurement Web site. It is each prospective responder's responsibility to check the Web site question and answer area for this RFP for current information regarding this RFP and its calendar of events through award of the Contract.

### 2.1 Dates

RFP Issued	November 16, 2010
Question Submission Period Begins	December 1, 2010
Question Submission Period Ends	December 8, 2010 (8:00 AM EST)
Questions and Answers Posted	December 10, 2010
<b>Proposals Due</b>	<b>January 20, 2011 (2:00 PM EST)</b>
Potential Interviews	February 21 – March 4, 2011
Contract Commences	April, 2011

PLEASE NOTE: These dates are subject to change.

**Proposals received after 2:00 PM EST on the due date will not be evaluated.**

There are references in this RFP to the Proposal due date. Prospective responders must assume, unless it is clearly stated to the contrary, that any such reference means the date and time (Columbus, OH local time) that the Proposals are due.

\* See the Ohio BWC website at <http://www.ohiobwc.com/basics/BoardofDirectors/default.asp> to view an updated schedule of meetings of the BWC Board of Directors.

### **3.0 PROPOSAL INQUIRIES AND SUBMISSIONS**

#### **3.1 Questions**

Responders may make inquiries regarding this RFP any time during the inquiry period listed in the Calendar of Events. To make an inquiry, provide reference(s) to the RFP e.g. (Section number and/or item number, etc.) Unreferenced or incorrectly referenced questions will not be answered; Responders must use the following process:

1. Access the State Procurement Web site at <http://www.ohio.gov/procure>
2. From the Navigation Bar on the left, select "Find It Fast".
3. Select "Doc/Bid/Schedule #" as the Type.
4. Enter the RFP Number found on Page 1 of the document. (RFP numbers begin with the letters "BWC")
5. Click "Find It Fast" button.
6. On the document information page, click "Submit Inquiry".
7. On the document inquiry page, complete the required "Personal Information" section by providing:
  - a. First and last name of the prospective Responder's representative who is responsible for the inquiry.
  - b. Name of the prospective Responder.
  - c. Representative's business phone number.
  - d. Representative's e-mail address.
8. Type the inquiry in the space provided including:
  - a. A reference to the relevant part of this RFP.
  - b. The heading for the provision under question.
  - c. The page number of the RFP where the provision can be found.
9. Click the "Submit" button.

Responders submitting inquiries will receive an immediate acknowledgement that their inquiry has been received as well as an e-mail acknowledging receipt of the inquiry. Responders will not receive a personalized e-mail response to their question, nor will they receive notification when the question has been answered.

Questions must be received by December 8, 2010 at 8:00 AM EST. BWC will respond to any or all questions exclusively through the above method; however, responses by BWC will not officially modify the RFP in any way unless a written addendum is issued.

Responders may view inquiries and responses using the following process:

1. Access the State Procurement Web site at <http://www.ohio.gov/procure>.
2. From the Navigation Bar on the left, select "Find It Fast".
3. Select "Doc/Bid/Schedule #" as the Type.
4. Enter the RFP Number found on Page 1 of the document. (RFP numbers begin with the letters "BWC")
5. Click "Find It Fast" button.
6. On the document information page, click the "View Q & A" button to display all inquiries with responses submitted to date.

BWC shall not respond to any inquiries received after 8:00 AM EST on the inquiry end date.

Responders are to base their RFP responses, and the details and costs of their proposed projects, on the requirements and performance expectations established in this RFP for the future contract, not on details of any other potentially related contract or project. If Responders ask questions about existing or past contracts using the Internet Q&A process, BWC will use its discretion in deciding whether to provide answers as part of this RFP process.

BWC is under no obligation to acknowledge questions submitted through the Q&A process if those questions are not in accordance with these instructions or deadlines.

### **3.2 Communications Restrictions**

Assistance will be available to vendors who seek clarification on specific sections of this RFP. Any and all inquiries relating to this RFP shall be directed to the State Procurement Web site shown below. Section 2.1 of this RFP defines the time periods in which prospective vendors can submit inquiries relevant to this RFP and when the BWC will respond to all such inquiries. Communications directed elsewhere and/or not written may result in disqualification of the vendor. All BWC responses to inquiries will be in writing and will be made available to all responders to this RFP via the State Procurement Web site shown below.

The BOD, BWC Administrator, and BWC employees or representatives shall be prohibited from responding to any inquiries where there is a potential for bias or favoritism or appearance of impropriety due to personal or potential conflicts of interest. In order to ensure fairness and parity among prospective vendors, from the time of the release of this RFP until a vendor is selected and a contract is awarded, the vendors shall not communicate with any BWC staff concerning this RFP, except as provided in this RFP. If the vendor attempts or undertakes an unauthorized communication, BWC reserves the right to reject that vendor's proposal without evaluation. BWC reserves the right to contact any vendor for clarification or correction of any items in the Proposal submitted. BWC shall not be responsible for any vendor's reliance on any information regarding this Request for Proposal or any work hereunder if the information was provided by any source other than through the inquiry process in this Section 3.1.

State Procurement Web site: <http://www.ohio.gov/procure>

### **3.3 Proposal Submission**

Consulting firms must carefully review all elements of their final proposals. Once received by the BWC, a proposal cannot be altered except during the negotiation phase of this RFP as provided in Section 6.3 of this RFP. One (1) complete, sealed and signed original and ten (10) copies of each proposal shall be submitted for evaluation. Proposals shall be clearly marked "BWC Investment Consultant, Bid # BWCB11002" on the outside of the envelope. FAX transmittals will not be accepted. All copies must be received by BWC together and in a timely manner consistent with the schedule presented in Section 2.1.

All material submitted to and accepted by BWC in response to the RFP shall become the property of BWC and will be retained by BWC in accordance with the Ohio Public Records Act and Ohio records retention laws. THE CONTENTS OF ALL PROPOSALS ARE SUBJECT TO THE OHIO PUBLIC RECORDS ACT, SECTION 149.43 OF THE OHIO REVISED CODE, UNLESS OTHERWISE EXCEPTED BY LAW.

Any material for which claim of trade secret or other confidentiality is made must be sealed in a separate envelope and marked as Confidential, with an explanation of the basis for claim of confidentiality, including any statute exempting the information from disclosure as a public record. Any claim of confidentiality is waived unless this requirement is met. Any material not separately sealed and annotated will be released upon a proper public records request. Any proposal that claims that the entire contents of the proposal are confidential will result in the disqualification of that proposal.

BWC will make the final determination whether the information so marked is exempt from disclosure as an exception to the Ohio Public Records Act. After a contract is awarded, if BWC determines that the information separately sealed by any responder appears not to be exempt and may be released upon a proper request, the vendor will be advised of BWC's intent to release the information.

Proposals must be sealed, and received in the BWC Purchasing Department by **2:00 PM EST on January 20, 2011**. Proposals delivered after the deadline will not be accepted nor evaluated, and shall be deemed non-responsive. Proposals will be opened publicly after the 2:00 P.M. deadline at BWC.

If mailing proposals, vendors should allow for sufficient mailing time to ensure timely receipt by the BWC Purchasing Department. All mail and deliveries can be expected to undergo package security screening (amounting to approximately one hour) before receipt in the Purchasing Department. Vendors must anticipate this additional time when arranging for mail or delivery of proposals. If attending the opening, vendors must bring photo identification and should allow for additional time for personal security screening (amounting to approximately twenty minutes) and for package security screening (amounting to approximately one hour) if they are also delivering their proposals in person at that time. Submit complete copies of the proposal to:

**BY MAIL OR HAND-DELIVERED:  
Ohio Bureau of Workers' Compensation  
Purchasing Department  
William Green Building  
30 West Spring Street, Level 24  
Columbus, Ohio 43215-2256**

**PLEASE MAKE SURE THE PROPOSALS ARE DELIVERED TO THE PURCHASING DEPARTMENT ON THE 24<sup>TH</sup> FLOOR BY 2:00 PM EST ON THE DUE DATE. PROPOSALS DELIVERED TO OTHER LOCATIONS MAY NOT BE RECEIVED BY THE PURCHASING DEPARTMENT IN A TIMELY MANNER. ONLY PROPOSALS RECEIVED IN THE PURCHASING DEPARTMENT BY 2:00 PM EST ON THE DUE DATE WILL BE OPENED AND CONSIDERED.**

### **3.4 Changes to the RFP by BWC**

The BWC reserves the right to amend specific sections of this RFP at any time during the bidding process. In the event that the BWC does amend the RFP during the bidding process, the BWC will provide notice to prospective responders, to the fullest extent possible. Should the BWC issue an addendum to this RFP, additional time may be given to all prospective responders, if appropriate, to extend the deadline to accommodate needed changes in proposal.

### **3.5 Vendor Costs for Responses Not Reimbursable by BWC**

The BWC shall not be liable for any costs incurred in responding to this RFP, including the costs of proposal preparation and any travel relating to the proposal process.

## **4.0 SCOPE OF SERVICES**

### **4.1 General**

Proposals are hereby solicited for general investment consulting services to be provided to the BWC. The BWC is interested in understanding responders' expertise in delivering these services in both the insurance industry as well as other institutional settings. As such, we are interested in this information for each of the insurance vs. pension/like plans.

In general, the successful vendor will assist the BWC in establishing goals and risk targets, investment policy review and compliance, strategic investment planning, and asset allocation decisions that integrate an assessment of the BWC's insurance liability characteristics and surplus levels. This vendor will support efforts to select investment managers and assist in their ongoing evaluation. The successful vendor will be responsible for providing timely, accurate, and meaningful performance reporting (absolute and risk-adjusted results and brokerage activity) to the BWC and support the development of appropriate market and competitive benchmarks. The BWC will rely on both the consultant(s) and the BWC Investment Staff for investment support and recommendations, depending on levels of expertise. The selected vendor will provide to the BWC an independent assessment of major BWC Investment Staff recommendations and proposed actions as requested by the BOD. The selected vendor should bring its marketplace expertise to share with the BWC best practices on governance issues. The investment consultant may also be asked to provide other services as required by the BOD, BWC Administrator and/or the BWC Investment Staff.

The selected Investment Consultant will be a fiduciary to the BWC, work closely with BWC staff to provide the services described herein and will report independently of BWC staff directly to the BWC Investment Committee and the BOD. The selected Investment Consultant will attend all scheduled monthly Investment Committee meetings of the BWC and be available for other BOD meetings as reasonably requested. It must be noted that the full BOD meetings are typically scheduled in the morning of the next day after all scheduled BWC Investment Committee meetings. The dates of the BWC Investment Committee and BOD meetings scheduled for calendar year 2011 are provided on the BWC website referenced in the footnote to Section 2.1.

## **4.2 Asset Allocation and Liability Studies**

The BWC periodically completes a comprehensive asset allocation and liability review for the BWC Trust Funds. The BWC anticipates the next asset allocation and liability studies may be performed in 2012. Specific responsibilities for the study include:

- Providing the BWC with access to analytical software and models
- Performing comprehensive liability analysis
- Coordinating liability analysis findings with the BWC and its actuarial consulting firm
- Calculating and projecting Trust Fund(s) solvency
- Establishing asset classes and benchmarks
- Establishing long-term capital market return expectations and correlations for asset classes
- Recommending appropriate risk tolerances
- Recommending appropriate long-term asset allocation targets and ranges

## **4.3 Investment Policies, Strategies and Guidelines**

The selected Investment Consultant will provide expert investment advice and recommendations for the BWC Trust Funds. The BWC investment policies for each of the Trust Funds listed below and their respective strategies are described in the Investment Policy Statement (IPS). Current versions of these documents can be found on the BWC website [www.ohiobwc.com](http://www.ohiobwc.com).

BWC Trust Funds:

- State Insurance Fund (SIF)
- Specialty Funds
  - Disabled Workers' Relief Fund (DWRP)
  - Coal Workers' Pneumoconiosis Fund (CWPF)
  - Public Work-Relief Employees' Fund (PWRF)
  - Marine Industry Fund (MIF)
  - Self Insured Employees Guarantee Fund (SIEGF)

Asset Class Policies (Passive/Active):

- U.S. Fixed Income Policy
- U.S. Equity Policy
- Non-U.S. Equity Policy
- Alternative Investments

Other Investment Related Policies:

- Brokerage Policy
- Securities Lending Policy
- Commingled Funds Policy
- Commission Recapture / Directed Brokerage Policy
- Derivatives Policy
- External Public Manager Evaluation Policy
- External Public Manager Search Policy
- Fair Consideration / Public Interest Policy
- Corporate Governance Policy
- Proxy Voting Policy
- Corporate Action Policy

Specific policy, strategy and guideline duties performed by the selected Investment Consultant will include considerations and recommendations regarding:

- Performance benchmarks and objectives
- Targeted portfolio structures
- Risk parameters
- Allowable investments
- Program roles and responsibilities
- Sources of alpha
- Program cost effectiveness
- Participating in planning sessions with BWC Investment staff
- Strategic approaches
- Special projects as required

#### **4.4 Performance Monitoring and Reporting**

The selected Investment Consultant will provide expert performance monitoring and reporting for the BWC Trust Funds, asset class composites, and specific portfolios for all investment managers. Specific performance monitoring and reporting duties performed by the selected Investment Consultant will include the following:

- Reconciling performance with the BWC custodian
- Providing quarterly performance evaluation reports consistent with CFA Institute Global Investment Performance Standards with respective benchmarks, performance objectives, guidelines, and risk levels
- Providing expert market commentary and trends
- Compliance and exceptions to policies
- Compliance and exceptions to strategies
- Compliance and exceptions to guidelines
- Performance vs. benchmarks and objectives including attribution analysis
  - Fund composites
  - Asset Class composites
  - Public Market Managers
  - Portfolios
- Performance issues
- Providing independent reports on external public market managers as required
- Asset transition cost reports

#### **4.5 Due Diligence for Investment Managers**

The selected Investment Consultant will provide expert due diligence for prospective external investment managers for the BWC Trust Funds. The specific duties performed by the selected Investment Consultant will include the following:

- Maintaining a comprehensive database of global public market asset managers including their assets under management, products, benchmarks, performance and fees
- Assisting with the preparation of Requests for Proposals, development of evaluation factors and methods, evaluating proposals, interviewing managers and making recommendations concerning the selection and termination of managers
- Reviewing the benchmarks, performance objectives, risk tolerances and investment guidelines for the selected external public market managers

#### **4.6 Market Research and Education**

The selected Investment Consultant will provide expert market research and education including:

- Proactively advise the BOD, BWC Administrator and the BWC Investment staff of new investment vehicles and techniques or major changes in existing practices within the industry and, upon request, prepare a comprehensive analysis and make recommendations concerning these developments
- Participate in workshops on specific issues designated by the BOD, BWC Administrator and BWC Investment staff
- Respond in an agreed-upon and timely manner to the BOD members, BWC Administrator and/or BWC Investment staff inquiries between meetings
- Share all consulting firm research, including research papers, and provide access to research staff
- Report any significant changes in the consulting firm's organizational structure and staffing to the BWC in a timely manner
- Make no changes in the assigned consultant team without the express written approval of the BWC
- Provide assistance on special projects as needed

### **5.0 PROPOSAL FORMAT**

#### **5.1 General**

The proposal should be concisely written with attention given to its readability, clarity, technical exposition, and completeness. When completing the vendor's response to this proposal, please be as clear, accurate, and complete as possible. Providing incomplete or misleading data may lead to disqualification of the proposal and elimination of the vendor from the search process.

These instructions describe the required format for proposals and have been designed to ensure submission of information essential to timely evaluation and complete understanding of the content of proposals. Proposals which do not comply with all the requirements of this RFP shall be considered non-responsive. Proposals submitted shall follow the format described below.

## 5.2 Cover Letter

Please complete all questions in the order they are presented in this RFP and number your responses identically. A cover letter, which will be considered an integral part of the proposal, must be signed by the individual(s) who is/are authorized to bind the Responder contractually. This cover letter must indicate the signer is so authorized and must indicate the title or position that the signer holds in the organization. The cover letter must also **state in the affirmative that the vendor meets each and all of the minimum requirements listed in Section 1.4 of this RFP**, and that the vendor is able and willing to provide the type and level of investment consulting services requested as described in this RFP. The cover letter must also provide a statement that the proposal remains valid for the term of the proposed contract.

All proposals are subject to public records reviews and discussions or deliberations in meetings open to the public.

## 5.3 Contact Information

Please provide the following contact information:

- Vendor Name
- Contact's Name
- Contact's Title
- Contact's Address
- Contact's Email Address
- Contact's Phone Number
- Contact's Facsimile Number
- Vendor's Internet (www) address

## 6.0 EVALUATION AND SELECTION PROCESS

### 6.1 Evaluation Approach and Methodology

Evaluation of proposals submitted will be conducted by an Evaluation Committee (EC). The EC shall consist of selected members of the BOD and the BWC Investment staff. The EC will have the operational support of BWC staff to administer the search process.

The BWC intends to select the consulting firm that provides the best value and best accomplishes the requirements and objectives set forth in the RFP in a manner most advantageous to the BWC.

Final award of the contract will be determined following the evaluation and scoring of the proposals and subsequent interviews with the finalists. BWC reserves the right to reduce the scope of services required.

All consulting firms will be notified by letter of the selection decision. No information will be released by BWC after the proposal due date until an official announcement is made.

## **6.2 Scoring the Proposals**

The proposals will initially be evaluated and scored based upon the following criteria and weightings for selection:

- |   |                          |
|---|--------------------------|
| <b>A.</b> The Vendor's Background, Profile and Organizational Practices                 | <b>Section 7.1 - 30%</b> |
| <b>B.</b> The Vendor's Quality and Depth of Services, Experience and Professional Staff | <b>Section 7.2 - 50%</b> |
| <b>C.</b> The Vendor's Proposed Fees  | <b>Section 7.3 - 20%</b> |

Follow-up interviews may be conducted with the finalist candidates, at BWC's invitation, based on initial scoring of the above criteria. After the interview(s) are completed, the scoring on the criteria described in this section will be re-calculated.

## **6.3 Clarifications and Corrections**

During the evaluation process, the EC may request clarifications from any responder under active consideration and may give any responder the opportunity to correct defects, to answer questions, or to supplement information in its proposal if the EC believes in its sole judgment that doing so does not result in an unfair advantage for the responder and it is in BWC's best interest.

## **6.4 Basis for Award**

Those proposals that earn the highest number of points after all points are added together will be selected as the finalist candidates. Notwithstanding the foregoing, BWC reserves the right to award the contract to the proposal other than the one with the highest number of points if, in BWC's sole determination, another proposal is determined to be the most advantageous to BWC and the State of Ohio, taking into consideration the price and evaluation criteria of the RFP, pursuant to Ohio Revised Code Section 125.071(E).

## **6.5 Validity of Offers**

All offers tendered in response to this RFP shall remain open for a period of 180 days from the date upon which proposals submitted in response hereto are due.

## **6.6 Administrative Requirements**

The following are some of the most common submission errors that may be grounds for rejection of proposal. This is not a complete list.

- Failure to sign all copies of the Proposal
- Failure to identify RFP Bid Number on the outside of envelope
- Failure to submit one (1) complete, sealed and signed original and ten (10) copies for evaluation purposes
- Failure to meet deadline for submission
- Claiming that the entire contents of a proposal qualifies for an exception to Ohio public records law
- Mailing proposal with insufficient postage
- Taking exception to mandatory technical terms, conditions, and requirements of the contract
- Failure to provide signed cover letters in the original and all copies addressing the requirements stated in section 5.2

## 7.0 GENERAL QUESTIONNAIRE

- A. List and describe any financial and business relationships and/or contacts the responder has had with any BOD member, the BWC Administrator and/or any BWC Staff within the last twelve months.
  
- B. Compliance with Governor, State of Ohio, Executive Order 2010-09S, Banning the Expenditure of Public Funds for Offshore Services.

By the signature affixed to the Responder's Proposal, the Responder affirms, understands and will abide by the requirements of Executive Order 2010-09S issued by Ohio Governor Ted Strickland. If awarded a contract, the Responder becomes the Contractor and affirms that both the Contractor and any of its subcontractors shall perform no services requested under this Contract outside of the United States. The Executive Order is available for review at the following website: (<http://www.governor.ohio.gov/Default.aspx?tabid=1495>).

The Responder shall provide all name(s) and location(s) where services under this Contract will be performed, per the questions below, as part of their Proposal. Failure to provide this information as part of the Proposal will deem the Responder non-responsive and no further consideration will be given to their proposal. If the Responder will not be using subcontractors, indicate "Not Applicable" in the Proposal.

1. Principal location of business of Contractor:  
Name/Principal location of business of subcontractor(s):
  
2. Location where services will be performed by Contractor:  
Name/Location where services will be performed by subcontractor(s):
  
3. Location where state data will be stored, accessed, tested, maintained or backed-up, by Contractor:  
Name/Location(s) where state data will be stored, accessed, tested, maintained or backed-up by subcontractor(s):
  
4. Location where services to be performed will be changed or shifted by Contractor:  
Name/Location(s) where services to be performed will be changed or shifted by subcontractor(s):

**7.1 BACKGROUND, PROFILE AND ORGANIZATIONAL PRACTICES**

1. Provide a historical overview of your firm, including ownership and office locations. Is the firm owned, in whole or in part, by a money management firm or firms? Has the firm received loans from any money management firms, their subsidiaries, or principals? Does the firm manage money for the parent or affiliate? If so, explain.
2. List all services the firm, its principals, or any affiliates provide that generate revenues for the firm and, in addition, complete the following table:

Type	\$ Revenues	% Revenues	Assets
Consulting			
Asset Management			
Brokerage Services			
Other			
Total			

3. Using the following format, complete this table of your firm’s ownership:

Position	Ownership %	Male	Female	Caucasian	African American	Native American	Hispanic American	Asian American	Other

4. Provide a detailed position Organizational Chart for your firm with associated individual names.
5. Complete this table of your firm’s employee profile using the following format

	Male	Female	Caucasian	African American	Native American	Hispanic American	Asian American	Other
Number								
Percentage								

6. Please list the total number of personnel in the firm in each of the following categories at the end of each of the years 2005-2009 and for September 30, 2010. Each person should be assigned to only one category. For 9/30/10, please list the names of all individuals currently employed by the firm, by category. Please attach a resume or detailed biography for each consultant.

Please provide calendar year-end (December 31) data for each full year shown:

	2005	2006	2007	2008	2009	9/30/2010
Senior Consultants						
Lead Consultants						
Junior Consultants						
Analysts						
Management						
Economists						
Marketing/Sales						
Existing Client Services						
IT & Systems						
Total Professional Staff (above)						

7. List and describe departures of all professionals over the past five (5) years.

Name	Title	Reason for Leaving	Year Left

8. Has the firm, its principals or any affiliate ever:
- been the focus of a non-routine Securities and Exchange Commission (SEC) inquiry or investigation or a similar inquiry or investigation from any similar federal, state or self regulatory body or organization,
  - been a party to any litigation concerning fiduciary responsibility or other investment related matters, or
  - submitted a claim to your errors & omission, fiduciary liability and/or fidelity bond insurance carrier(s), or
  - been sanctioned or fined by any regulatory agency? If yes to any, please provide details
9. Within the last five years:
- has the firm or an officer or principal been involved in litigation or other legal proceedings relating to the firm's investment consulting assignments? If so, please provide an explanation and indicate the current status or disposition
  - has the firm been involved in any financial settlements to avoid litigation relating to the firm's investment consulting assignments? If so, please identify and provide an explanation for each such financial settlement
10. Is the firm registered with the SEC or a state securities regulator as an investment advisor? If so, please provide all the disclosures required under those laws (including Part II of Form ADV). If not, please state why the firm is exempt from such registration. If appropriate, please provide the most recent Form 10-K and Form 10-Q statement filed by your firm, affiliates or your firm's parent company.

11. How does the firm identify and manage conflicts of interest? Does the firm have written policies or procedures to address conflicts of interest or to prevent these payments or relationships from being a factor when you provide advice to your clients?
12. Does the firm, its principals or any affiliate have any strategic alliance with any broker or investment management firm? If yes, please disclose with whom and describe the nature of the alliance. Does your firm recommend any affiliated investment managers to clients? If yes, please explain. Are there any potential conflicts of interest the firm would have in providing services to the BWC? If yes, explain. How do you prevent future conflicts of interest?
13. Does the firm or any firm personnel receive finder's fees or payments from any affiliated entity, investment manager, or third party? If so, explain. Does the firm pay any finder's fees or payments to any affiliated entity, investment manager, or third party? Does the firm or related company receive any payments from money managers you recommend, consider for recommendation, or otherwise mention to a client for its consideration? If so, what is the extent of these payments in relation to your other income (revenue)?
14. If the firm allows clients to pay your consulting fees using the client's brokerage commissions, does the firm monitor the amount of commissions paid and alert a client when consulting fees have been paid in full? If not, how can a client make sure it does not over-pay its consulting fees?
15. If the firm allows clients to pay your consulting fees using the client's brokerage commissions, what steps does the firm take to ensure that the client receives best execution for its securities trades?
16. Does the firm have any arrangements with broker-dealers under which the firm or a related company will benefit if money managers place trades for their clients with such broker-dealers? Does the firm receive soft dollar revenue from Investment Managers? What percentage of the revenue dollars do clients pay their consulting fees to the firm through soft dollar arrangements?
17. What percentage of the firm's consulting clients utilize money managers, investment funds, brokerage services or other service providers from whom the firm receives fees?
18. If hired, will the firm acknowledge in writing that it has a fiduciary obligation as an investment adviser to the BWC Trust Funds while providing the consulting services the BWC is seeking?
19. Does the firm consider itself a fiduciary with respect to the recommendations it provides the BWC Trust funds?
20. Does the firm consider itself a fiduciary under ERISA with respect to the recommendations it provides to other plans?
21. Has the firm adopted the CFA Institute Code of Ethics and Standards of Professional Conduct? Does the firm have a written code of conduct or set of standards for professional behavior? If, so, please attach a copy and state how employee compliance is monitored and enforced.

**7.2 QUALITY AND DEPTH OF SERVICES, EXPERIENCE AND PROFESSIONAL STAFF**

- 22. List all of the firm’s standard services provided in a typical consulting and performance evaluation relationship, and manager search and evaluation program. List special services, such as knowledge of securities lending, that the firm provides to meet other needs of clients and/or services unique to the firm.
- 23. Briefly summarize the firm’s philosophy relating to the consultant's relationship with the BOD, BWC Administrator, BWC staff and investment managers.
- 24. Complete the following table of your consulting clients as of the most recent date available. Provide such date.

Client Type	# of Clients	\$ Assets Under Management	Years of Client Type Servicing Experience	Avg. Yrs of Services Per Each Client
Public Pension				
Corp Pension				
Taft-Hartley				
Endowment/Foundation				
Insurance				
Other				

- 25. Complete the following table by listing the number of your consulting clients in each box as of the most recent date available. Provide such date.

Client Type	Less than \$1 Billion	\$1 Billion to \$10 Billion	\$10 Billion to \$25 Billion	\$25 Billion to \$50 Billion	Over \$50 Billion
Public Pension					
Corp Pension					
Taft-Hartley					
Endowment/Foundation					
Insurance					
Other					

- 26. List your firm’s key professionals in the format provided below. Identify with an asterisk (\*) those individuals, including senior or lead consultants, who will be assigned to the BWC account. Please provide a detailed biography and description of current responsibilities for each person identified who would be expected to service the BWC account. Identity all individuals of the firm who currently serve as senior or lead consultants.

Name	Title	Location	# of Clients	Years With Firm	Total Years Inv Exp

27. Describe the firm's process for analyzing a client's existing Investment Policy. Include the firm's method for recommending modifications, developing and analyzing asset allocation and monitoring the Investment Policy and strategy.
28. Describe the firm's asset/liability modeling capability and portfolio structure analysis. Describe the manner in which the firm would assist the BWC in recommending changes and monitoring asset mix.
29. Describe your process for performing a comprehensive asset/liability study for the BWC.
30. Explain any innovative recommendations your firm has made relating to asset allocation and liability studies.
31. Describe the firm's process for evaluating a client's investment performance including determination and/or recommendation of benchmarks.
32. Explain your methods for evaluating external public market managers including systems for collecting and analyzing data, process for filtering, due diligence procedure, process for scoring or recommendation, and criteria and procedure for watch listing or termination.
33. Describe the firm's investment manager research and analysis services:
  - a) Number of managers by asset class and style;
  - b) Other information maintained on each;
  - c) Manner by which information is obtained;
  - d) How often is information updated;
  - e) Type of database used including number of years of usable data on managers and tracking of clients, and whether the database is proprietary or purchased from an affiliated entity, or a non-affiliated vendor;
  - f) Number of firm personnel devoted to such services by asset class and style;
  - g) Approach to and due diligence for hiring, evaluating managers and terminating managers;
  - h) Methodology for computation of manager performance, including establishing benchmarks, and the source and size of the universe (number and size of plans and number of which are public plans)
34. Please provide biographical information on your investment manager research staff including, but not limited to, years of investment related experience, years with firm, specific areas of expertise, education and certifications, and any other unique attributes or qualifications.
35. Provide a copy of two comprehensive external public market manager due diligence reports (one fixed income; one equity) resulting in a recommendation and client investment.
36. Provide a list of fees and services investment managers must pay and subscribe to before the manager can be included in the firm's manager database.
37. Describe the firm's knowledge and experience (i.e. number of years) in specific asset classes and asset class strategy including fixed income, equity, real estate and alternative investments.
38. Describe the firm's experience specific to the Insurance industry.

39. Describe the firm’s capability to manage, select and provide information on minority-owned and/or women-owned investment managers (MWBE) and manager-of-managers of MWBE investment managers. Include any specific universe information maintained.
40. Describe the composition of the data and information maintained on investment manager universes.
41. Complete the following active and passive investment manager universe tables.

<b>Asset Class</b>	<b># Active Managers</b>	<b>\$ Size of Active Universe</b>	<b>Years of Data</b>
<b>Total Fixed Income</b>			
<b>Long Duration Fixed Income</b>			
<b>Medium Duration Fixed Income</b>			
<b>TIPS</b>			
<b>High Yield Bonds</b>			
<b>Intl/Global Fixed Income</b>			
<b>Total Equity</b>			
<b>S&amp;P 500/Large Cap U.S.</b>			
<b>Small/Mid Cap U.S.</b>			
<b>Intl Equities</b>			
<b>Real Estate Funds</b>			
<b>MWBE/Direct Manager</b>			
<b>MWBE/Manager of Managers</b>			

<b>Asset Class</b>	<b># Passive Managers</b>	<b>\$ Size of Passive Universe</b>	<b>Years of Data</b>
<b>Total Fixed Income</b>			
<b>Long Duration Fixed Income</b>			
<b>Medium Duration Fixed Income</b>			
<b>TIPS</b>			
<b>High Yield Bonds</b>			
<b>Intl/Global Fixed Income</b>			
<b>Total Equity</b>			
<b>S&amp;P 500/Large Cap U.S.</b>			
<b>Small/Mid Cap U.S.</b>			
<b>Intl Equities</b>			
<b>Real Estate Funds</b>			
<b>MWBE/Direct Manager</b>			
<b>MWBE/Manager of Managers</b>			

42. Describe how the firm records, reviews and monitors all active investment manager recommendations made to its clients. What has been your investment manager recommendation performance history for your clients over the past five years? What percentage of investment manager turnover occurs during a normal year for your clients?

43. Please describe the results of each investment manager search conducted by the firm for clients during the period July 1, 2009 through June 30, 2010. Please provide the details in a chart as the following examples demonstrate:

Client Description	Search Mandate	Mandate Size	Manager Selected	Date Hired
Private pension plan – Midwest	Small cap value	\$50 million	Sanford C. Bernstein & Co., Inc.	01/31/06
Public pension fund – West	Medium Duration Fixed Income	\$100 million	PIMCO	02/28/06

44. Describe the firm’s methodology in computing performance. Include formulas and industry standards used.
45. Describe the firm’s ability to back load historical BWC data.
46. Describe and explain the firm’s ability and methods to reconcile accounting and performance data with the custodian, record keeper and investment manager. Include electronic capabilities.
47. Does the firm hold or sponsor investment manager or client conferences? If yes, describe such events occurring in the last two years, their usual frequency, and whether the costs of such events are borne by the firm or event attendees.
48. Excluding investment manager or client conferences held, list and describe any additional educational programs the firm has developed or made available to clients.
49. Describe research available for clients and a list of published research originating with your firm.
50. Please provide a reference list of at least three public sector or insurance company clients with similar-sized and structured investment portfolios to the BWC. Include the client name, address, and contact person and telephone number of contact person. If possible, please provide references serviced by the senior or lead consultant who will be assigned to the BWC account. In addition, please provide a list of your public sector clients and your insurance clients. The consulting firm recognizes that BWC reserves the right to contact any or all references listed. The BWC will respect any request that the consulting firm be contacted first before such reference is contacted by the BWC.
51. After a careful review of Section 4.0 describing the Scope of Services desired by the BWC, please mention any services listed therein that your firm would have difficulty in providing to the BWC. Please be specific in your response of such services that could not be provided.
52. List the firm’s key strengths, competitive advantages, shortcomings and focuses for improvement. Please be specific with supporting detail.

### 7.3 FEES

53. Please submit the firm's proposed fees in the format prescribed below. The proposed fees shall include all costs payable by the BWC for providing Investment Consulting services to the BWC as described in Section 4.0 Scope of Services. The length of the Initial Contract will be through June 30, 2013 with three (3) one-year renewal options that are solely at the discretion of the BWC.

The retainer services are:

1. Asset Allocation and Liability Studies
2. Investment Policies, Strategies and Guidelines
3. Performance Monitoring and Reporting
4. Due Diligence for Public Market Managers
5. Market Research and Education

	<b>Fee</b>
<b>Through June 30, 2013</b>	\$
<b>First One-Year Extension</b>	\$
<b>Second One-Year Extension</b>	\$
<b>Third One-Year Extension</b>	\$

## **8.0 TERMS AND CONDITIONS**

### **8.1 General**

BY SUBMITTING A PROPOSAL, THE VENDOR ACKNOWLEDGES THAT IT HAS READ THE RFP, UNDERSTANDS IT, AND AGREES TO BE BOUND BY ITS REQUIREMENTS, TERMS AND CONDITIONS. BWC RESERVES THE RIGHT TO REJECT ANY AND ALL PROPOSALS THAT TAKE EXCEPTION TO THE TERMS AND CONDITIONS OF THE RFP OR THAT FAIL TO MEET THE TERMS AND CONDITIONS, INCLUDING BUT NOT LIMITED TO, STANDARDS, SPECIFICATIONS AND REQUIREMENTS AS SPECIFIED IN THE RFP. FURTHERMORE, BWC RESERVES THE RIGHT TO REFUSE ANY PROPOSAL NOT PROPERLY SUBMITTED IN ACCORDANCE WITH THE REQUIREMENTS OF THIS RFP. BWC RESERVES THE RIGHT TO REJECT THE SELECTED PROPOSAL AT ANY TIME PRIOR TO EXECUTION OF A CONTRACT.

The Evaluation Committee may waive minor defects that are not material when no prejudice will result to the rights of any other vendor, the public, or BWC. BWC shall not pay for information solicited prior to entering into a contract with the selected vendor.

Headings in this RFP are for convenience only and shall not affect the interpretation of any of the terms and conditions contained in the RFP.

### **8.2 Travel Expenses**

Any travel or per diem required by the selected vendor to carry out its obligations under the contract shall be at the vendor's expense.

### **8.3 Resulting Contract**

Any contract resulting from the RFP shall consist of this RFP and any written addenda issued by BWC, the selected proposal and the executed contract.

BWC and the successful vendor shall execute a contract based on the draft attached to this RFP or a draft proposed by the vendor, as mutually agreed to by the parties, provided that any contract executed shall incorporate and shall be consistent with the terms of this RFP, any written addenda issued by BWC, and the selected proposal, and shall be in compliance with Ohio law. If the vendor fails to execute such contract within a reasonable time, BWC reserves the right to reject the proposal and award the contract to the next highest scoring vendor until a contract is negotiated, or BWC decides not to contract.

The term of the contract shall commence on or about the date the contract is executed. The contract will have an initial term of approximately two (2) years and three (3) months and can be renewed for three additional one (1) year terms at the sole and exclusive option of the BWC.

BWC shall incur no liability should it choose not to exercise its exclusive option to renew the contract.

The contract with the selected vendor may be terminated if any changes are made to the BWC or to the authority of the BOD over BWC's investment activities.

#### **8.4 Contract Compliance**

During the term of this contract, the BWC shall be responsible for monitoring the vendor's performance and compliance with the terms and conditions of the contract. It is specifically understood that the nature of the services to be rendered pursuant to any contract resulting from this RFP are of such a nature that BWC is the sole judge of the adequacy of such services.

#### **8.5 Contract Termination**

If for any reason the vendor fails to fulfill its obligations under the contract in a timely and professional manner, or if the vendor violates any of the covenants, agreements, or stipulations of the contract or applicable Ohio statutes, BWC shall have the right to terminate the contract by giving one (1) day written notice to the vendor for defaults not subject to cure. For defaults subject to cure, BWC shall give the vendor written notice of the default and fifteen (15) days to cure the default. In its sole discretion, BWC may extend the time to cure the default. If the default is not cured within fifteen (15) days or such longer period as BWC determines, BWC shall have the right to terminate the contract upon one (1) day written notice. However, failure of the vendor to maintain required liability coverage or workers' compensation coverage shall constitute grounds for BWC, at its sole discretion, to immediately terminate any agreement made pursuant to this RFP. Notification of such termination will be by Certified U.S. Mail. If BWC's representative observes any infraction(s), such shall be documented and conveyed to the vendor for immediate correction. Continued failure on the vendor's part to comply with the terms and conditions of the ensuing contract may result in termination of the vendor from the contract by BWC as set forth above. In the event that BWC executes its right to terminate the contract, the vendor shall not be relieved of any liability for damages sustained by BWC by virtue of any breach by the vendor, and BWC may withhold any payment due to the vendor, whether the payment is due to the vendor under the contract or otherwise, for the purpose of set off until such time as damages to BWC are determined.

#### **8.6 Termination for Convenience**

Notwithstanding section 8.5, above, BWC may terminate the contract for convenience by giving not less than thirty (30) days notice, and the vendor may terminate the contract for convenience by giving not less than one hundred eighty (180) days notice, in writing to the other party of its intent to so terminate for convenience and the effective date of such termination. In the event that termination under this provision is elected, the vendor shall receive payment for work satisfactorily performed as determined by BWC to the date of termination.

#### **8.7 Governing Law – Severability**

The validity, construction and performance of any contract resulting from this RFP and the legal relations among the parties to any contract shall be governed by and construed in accordance with the laws of the State of Ohio. If any provision of any contract resulting from this RFP or the application of any such provision shall be held by an Ohio court of competent jurisdiction to be contrary to law, the remaining provisions of the contract shall remain in full force and effect. The parties agree to submit irrevocably to the jurisdiction of the Ohio Court of Claims.

#### **8.8 Compliance with Applicable Laws and Acknowledgment of Fiduciary Status**

The vendor agrees to comply with all applicable federal, state, and local laws in the conduct of the work hereunder. The vendor accepts full responsibility for payment of all taxes and insurance including workers'

compensation insurance premiums, unemployment compensation insurance premiums, all income tax deductions, social security deductions, and any and all other taxes or payroll deductions required for all employees engaged by the vendor in the performance of the work authorized by this contract. BWC does not agree to pay any taxes. Failure to have workers' compensation or other required insurance in accordance with the RFP may cause BWC to terminate any resulting contract at BWC's sole discretion.

The vendor acknowledges that the funds subject to a contract under this RFP are a public trust fund governed by the provisions of Chapters 4121 and 4123 of the Ohio Revised Code. The vendor agrees to adhere to the standard of care and conduct required of a fiduciary under the BWC Statement of Investment Policy and Guidelines, as may be amended, Chapters 4121 and 4123 of the Ohio Revised Code, and any applicable federal and state law.

### **8.9 Publicity**

Any use or reference to this RFP by the vendor to promote, solicit, or disseminate information regarding the scope of the contract is prohibited, unless otherwise agreed to in writing by BWC. BWC agrees to be used as a reference by the selected vendor in other State of Ohio competitive bid situations.

### **8.10 Non-Discrimination**

The vendor will comply with all state and federal laws regarding equal employment opportunity and fair labor and employment practices, including Ohio Revised Code Section 125.111 and all related Executive Orders.

Before a contract can be awarded or renewed, vendor must submit an Affirmative Action Program Verification Form to the DAS Equal Opportunity Division to comply with the Ohio affirmative action requirements. Affirmative Action Verification Forms and approved Affirmative Action Plans can be found by contacting the Equal Opportunity Department or viewing the Equal Opportunity Department's web site:

<http://das.ohio.gov/Divisions/EqualOpportunity/AffirmativeActionProgramVerification/tabid/133/Default.aspx>

The State encourages the vendor to purchase goods and services from Minority Business Enterprise (MBE) and Encouraging Diversity, Growth and Equity (EDGE) vendors.

### **8.11 Vendor's Liability**

The vendor shall be liable for and shall indemnify the BWC against any and all losses, damages, costs, expenses (including reasonable attorney fees), liabilities, claims and demands for any action, omission, information or recommendation in connection with this Agreement constituting a breach or violation of its fiduciary duties under applicable law, or a material breach of any agreement, representation, warranty or covenant made herein by the vendor or its agents, except that the vendors shall have no liability hereunder in the absence of negligence or reckless or willful misconduct on the part of itself or its agents.

### **8.12 Conditions Precedent**

It is expressly understood by the parties that the contract is not binding on BWC until such time as all necessary funds are made available and forthcoming from the appropriate State agencies, and such expenditure of funds is approved by the Administrator after execution of the contract by the vendor but

before execution by BWC. No contract shall be binding upon either party until receipt by the contracting vendor of a copy of a fully executed contract, and compliance with any and all conditions precedent.

### **8.13 Method of Remuneration and Billing Procedures**

Upon delivery of performance of services, the vendor shall submit invoices electronically to the BWC Investment and Finance Divisions e-mailboxes:

InvestBU@bwc.state.oh.us  
Financial.Reporting@bwc.state.oh.us

If it becomes necessary to mail a hard copy of the invoice, please send to the following address:

Ohio Bureau of Workers' Compensation  
Investment Administration Manager  
30 W. Spring St., L-27  
Columbus, Ohio 43215

A proper invoice is defined as being free from defects, discrepancies, errors, or other improprieties and shall include, but may not be limited to:

- vendor's name and address as designated in the RFP
- vendor's federal employer identification (E.I.) number
- description, including time period (date received and date reported) of services delivered or rendered
- provide contact name for billing purposes

Defective invoices shall be returned to the vendor noting areas for correction. When such notification of defect is sent, the required payment date shall be thirty (30) days after receipt of the corrected invoice.

Section 126.30 of the Ohio Revised Code, and any applicable rules thereto, are applicable to any resulting contract and requires payment of interest if, upon receipt of a proper invoice, payment is not made within thirty (30) calendar days, unless otherwise agreed in writing. The interest charge shall be at the rate per calendar month which equals one twelfth of the rate per annum prescribed by Section 5703.47 of the Ohio Revised Code. In the event that BWC does fail to make prompt payment, the vendor is entitled to the interest allowed by law. In no event shall such failure to make prompt payment be deemed a default or breach of contract on the part of BWC.

By signing the contract, the selected vendor agrees to receive payment by means of electronic fund transfers, "EFT". BWC agrees to send to the selected vendor an Authorization Agreement for Automatic Deposit of State Warrants for the selected vendor to complete and to file with the Auditor of State, providing the information needed to enable EFT payment. It is the vendor's responsibility to complete and to submit the Authorization Agreement for Automatic Deposit of State Warrants at least two weeks before submitting the first invoice under this section.

Payment shall be made to the vendor, in the vendor's Federal E.I. number, as provided for in the response to the RFP. The date the EFT payment is issued shall be considered the date payment is made. Payment shall not be initiated before a proper invoice is received by BWC.

#### **8.14 Workers' Compensation**

The vendor shall submit with its proposal a copy of the certificate proving that the vendor and its agents are covered by Workers' Compensation, Employees' Liability and/or vendor's insurance in amounts sufficient to satisfy all claims that might arise from its acts or those of the employees and agents. The vendor is responsible for ensuring contractually that any subcontractors maintain workers' compensation insurance at all times during the term of the resulting contract. Failure to maintain coverage at any time during the term of any contract shall be deemed a material breach of the contract. Such failure may cause BWC to terminate the contract at the BWC's sole discretion.

#### **8.15 Liability Insurance**

The vendor shall provide proof of insurance coverage as set out in this section. The intent of the required insurance is to protect the Fund and the state of Ohio from any claims, suits, actions, costs, damages, or expenses arising from any negligent or intentional act or omission of the vendor or subcontractor, or their agents, while performing under the terms of this Contract.

The vendor shall provide proof of insurance coverage, and such insurance coverage shall be maintained in full force and effect during the term of this Contract, as follows:

- A. Professional Liability/Errors and Omission Liability insurance covering all professional staff with limits of not less than \$2,000,000 per claim. The vendor shall provide the BWC with proof of continuous coverage at the time the policy is renewed. If for any reason the policy expires, or coverage is terminated, the vendor must purchase and maintain "tail" coverage through the applicable statute of limitations.
- B. Financial Institution Bond (Employee Dishonesty, Fidelity Bond, and Money and Securities), for loss by reason of acts of fraud or dishonesty, Manager shall keep in effect during the term of this Agreement, a Financial Institution Bond (employee dishonesty, fidelity bond) with limits of not less than \$1,000,000 per occurrence for loss by reason of acts of fraud or dishonesty.

Insurance policies shall be endorsed to contain a clause providing that 30 days prior written notice of cancellation, non-renewal or decrease in coverage shall be given to the BWC.

The vendor shall furnish a Certificate(s) of Insurance to the BWC for the required coverages evidencing insurance from an insurance carrier, or carriers, authorized to do business in the State of Ohio. The certificate(s) must be in a form that is reasonably satisfactory to the BWC as to the contents of the policies and the quality of the insurance carriers. All carriers must have at least an "A-" rating by A.M. Best.

Failure to maintain required liability coverage at any time during the term of any contract shall be deemed a material breach of the contract. Such failure may cause BWC to immediately terminate the contract at the BWC's sole discretion.

#### **8.16 Default by Vendor**

BWC declares and the vendor acknowledges that BWC may suffer damages due to the failure of the vendor to act in accordance with the requirements, terms, and conditions of the contract. BWC declares and the vendor agrees that such failure shall constitute an event of default on the part of the vendor. The vendor

agrees that if BWC does not give prompt notice of such a failure, that BWC has not waived any of its rights or remedies concerning the failure by the vendor.

#### **8.17 Inspection of Time Records and Work Papers**

BWC reserves the right to inspect the records and work papers of the vendor or any of its subcontractors to determine the validity of billings for work performed. Adequate records to support these charges must be maintained. Documentation must be retained for review for at least three (3) years subsequent to final payment.

#### **8.18 Ohio Elections Law**

The vendor hereby certifies that no applicable party listed in Divisions (I), (J), (Y) and (Z) of O.R.C. Section 3517.13 has made contributions in excess of the limitations specified under Divisions (I), (J), (Y) and (Z) of O.R.C. Section 3517.13.

#### **8.19 Drug-Free Workplace**

The vendor agrees to comply with all applicable state and federal laws regarding drug-free workplace. The vendor shall make a good faith effort to ensure that all of its employees, if working on state property, will not purchase, use or possess illegal drugs or alcohol or abuse prescription drugs in any way.

#### **8.20 Intellectual Property & Confidentiality**

All customized materials, surveys, analysis and reports developed by the vendor during the course of its work under this contract shall become the property of BWC as a work-made-for hire. BWC shall have an unrestricted right to reproduce, distribute, modify, maintain and use the materials, surveys, analysis and reports, and the vendor shall not obtain copyright, patent or other proprietary protection for these items. The vendor relinquishes any and all copyrights, privileges and proprietary rights to these items. The vendor shall not include in the materials, surveys, analysis and reports any copyrighted matter, unless the copyright owner gives prior written approval to such copyrighted matter provided herein.

The vendor agrees to keep all data, information and documents furnished by BWC under this Agreement in strict confidence. The vendor agrees to use any confidential information to which it has access during the work under this Agreement only for the purpose of completing work under this Agreement. Further, the vendor agrees to use the same degree of care that it uses to protect its own confidential, trade secret or proprietary information from unauthorized disclosure, but in no event less than a reasonable degree of care.

#### **8.21 Assignment and Subcontracting**

The vendor will not assign any of its rights nor delegate any of its duties and responsibilities under this Agreement without prior written consent of the Bureau. Any assignment or delegation not consented to may be deemed void by the Bureau. However, the Bureau's approval will not serve to modify or abrogate the responsibility of the vendor for the acts, omissions, nonfeasance, malfeasance, or misfeasance of any and all subcontractors.

If the vendor changes its business organization or identity from that described in its proposal before the contract is signed by both parties or before work pursuant to the contract commences, that change may be

deemed a material change by the BWC, if the vendor was selected based in part on its experience, corporate structure, responsibility or conflicts of interest, which factors have changed. The BWC may withdraw the contract award or it may declare the contract "void ab initio" and may select another finalist for a contract under this RFP.

If the vendor changes its business organization or identity from that described in its quote at any time after work pursuant to the contract commences, the vendor must immediately notify the BWC of the change and that change may be deemed a material change by the BWC, and may be deemed grounds for terminating the contract under this RFP.

#### **8.22 Unresolved Finding for Recovery**

The vendor warrants that it is not subject to any unresolved finding for recovery issued by the Auditor of State within the meaning of Ohio Revised Code Section 9.24; provided, however that if the vendor is subject to a finding for recovery pursuant to Section 9.24 (A) and the vendor qualifies for and has taken the necessary steps to resolve the finding for recovery pursuant to Section 9.24 (B), the vendor must provide BWC with specific documentation regarding the resolution prior to the award of the contract under this RFP. If it is discovered after the contract has been awarded that the vendor was subject to an unresolved finding for recovery on the date the contract was awarded, the contract will be declared "void ab initio", and BWC will not pay for any services rendered or goods delivered under the contract.

#### **8.23 No Secondary Interests**

The vendor represents and warrants that in the event of any vendor's referral to BWC to any third party to sell, license, or furnish hardware, software, services, or other items to BWC, such referral shall not result in any such third party's payment to the vendor (or to any partner, director, principal or affiliate thereof) of any monetary consideration, referral fee, finder's fee or anything else of value. For breach of the above warranty, the vendor shall promptly pay to BWC the full amount (or cash equivalent) of the consideration received from the third party for the referral.

The vendor represents and warrants that the work to be performed under this RFP will be a complete work product, not requiring any subsequent, additional purchase from the vendor.

#### **8.24 Key Employee Credentials**

It is expressly understood that the vendor's selection is based in part on the credentials of the personnel proposed in the vendor's proposal. Any substitution for key personnel during the course of the contract shall be deemed a material breach unless the substituted employee's credentials are submitted to the BWC and approved by the BWC prior to substitution.

#### **8.25 Declaration Regarding Material Assistance/Non-assistance to a Terrorist Organization**

The vendor(s) must complete the Declaration Regarding Material Assistance/Non- Assistance to a Terrorist Organization (DMA) certification as required by the Ohio Department of Public Safety/Ohio Homeland Security. Vendors are required to register at the Ohio Business Gateway, <http://obg.ohio.gov/> to certify that the vendor does not provide material assistance to any organization on the United States, Department of State's terrorist exclusion list. The completion of this certification is considered a Condition Precedent for Execution of a Contract. Failure to complete the certification may result in the bidder being deemed not responsive and/or may invalidate any Contract award.

The current Terrorist Exclusion List can be found on this website:

[http://www.publicsafety.ohio.gov/links/terrorist\\_exclusion\\_list.pdf](http://www.publicsafety.ohio.gov/links/terrorist_exclusion_list.pdf)

#### **8.26 Conflicts of Interest and Ethics Compliance Certification**

Vendor affirms that it presently has no interest and shall not acquire any interest, direct or indirect, which would conflict, in any manner or degree, with the performance of services which are required to be performed under any resulting Contract. In addition, vendor affirms that a person who is or may become an agent of vendor, not having such interest upon execution of this Contract shall likewise advise the BWC in the event it acquires such interest during the course of this Contract.

Vendor agrees to adhere to all ethics laws contained in Chapters 102 and 2921 of the Ohio Revised Code governing ethical behavior, understands that such provisions apply to persons doing or seeking to do business with the BWC, and agrees to act in accordance with the requirements of such provisions; and warrants that it has not paid and will not pay, has not given and will not give, any remuneration or thing of value directly or indirectly to the BWC or any of its board members, officers, employees, or agents, or any third party in any of the engagements of this Agreement or otherwise, including, but not limited to a finder's fee, cash solicitation fee, or a fee for consulting, lobbying or otherwise.

Vendor warrants that it is not owned or controlled by a person who within the preceding three years was employed by BWC, a Board member of, or an officer of BWC's Board of Directors, or a person who within the preceding three years was employed by or was an officer holding a fiduciary, administrative, supervisory, or trust position, or any other position in which such person would be involved, on behalf of the person's employer, in decisions or recommendations affecting the investment policy of BWC, and in which such person would benefit by any monetary gain.

In accordance with Executive Order 2007-01S, vendor or Grantee, by signature on this document, certifies: (1) it has reviewed and understands Executive Order 2007-01S, (2) has reviewed and understands the Ohio ethics and conflict of interest laws, and (3) will take no action inconsistent with those laws and this order. The vendor or Grantee understands that failure to comply with Executive Order 2007-01S is, in itself, grounds for termination of this contract or grant and may result in the loss of other contracts or grants with the State of Ohio.

#### **8.27 Fiduciary Transactions and Responsibilities**

Vendor warrants that it will not cause BWC to engage in a transaction if vendor knows or should know that the transaction constitutes the following, whether directly or indirectly, unless all the terms and conditions of the transaction are comparable to the terms and conditions that might reasonably be expected in a similar transaction between similar parties who are not parties in interest and the transaction is consistent with fiduciary duties under Ohio Revised Code Chapters 4121, 4123., 4127., and 4131: the sale, exchange, or leasing of any property between BWC and a party in interest; lending of money or other extension of credit between BWC and a party in interest; furnishing of goods, services, or facilities between BWC and a party in interest; transfer to, or use by or for the benefit of a party in interest, of any assets of BWC; or the acquisition, on behalf of BWC, of any employer security or employer real property.

Vendor warrants that it will not deal with the assets of BWC in the fiduciary's own interest or for the fiduciary's own account; in the fiduciary's individual capacity or in any other capacity, act in any transaction involving BWC on behalf of a party, or represent a party, whose interests are adverse to the interests of BWC or to the injured employees served by BWC; or receive any consideration for the fiduciary's own personal account from any party dealing with BWC in connection with a transaction involving the assets of BWC

Vendor understands it shall be liable for a breach of fiduciary responsibility if it knowingly participates in or knowingly undertakes to conceal an act or omission of another fiduciary, knowing such act or omission is a breach; if, by vendor's failure to comply with Chapters 4121, 4123, 4127, or 4131 of the Revised Code, the fiduciary has enabled another fiduciary to commit a breach; and if vendor has knowledge of a breach by another fiduciary of that fiduciary's duties under Chapters 4121, 4123, 4127, and 4131 of the Revised Code, unless vendor makes reasonable efforts under the circumstances to remedy the breach.

#### **8.28 Debarment**

Vendor represents and warrants that it is not debarred from consideration for contract awards by the Director of the Department of Administrative Services, pursuant to either Ohio Revised Code Section 153.02 or Ohio Revised Code Section 125.25. If this representation and warranty is found to be false, this Agreement will be declared "void ab initio" and vendor shall immediately repay to BWC any funds paid under this Agreement.

#### **8.29 Offshore Provision of Services Prohibited**

The Contractor affirms to have read and understands Executive Order 2010-09S issued by Ohio Governor Ted Strickland and shall abide by those requirements in the performance of this Contract, and shall perform no services required under this Contract outside of the United States. The Executive Order 2010-09S is available at the following website: (<http://www.governor.ohio.gov/Default.aspx?tabid=1495>).

The Contractor also affirms, understands, and agrees to immediately notify the State of any change or shift in the location(s) of services performed by the Contractor or its subcontractors under this Contract, and no services shall be changed or shifted to a location(s) that are outside of the United States.

If Contractor or any of its subcontractors perform services under this Contract outside of the United States, the performance of such services shall be treated as a material breach of the Contract. The State is not obligated to pay and shall not pay for such services. If Contractor or any of its subcontractors perform any such services, Contractor shall immediately return to the State all funds paid for those services. The State may also recover from the Contractor all costs associated with any corrective action the State may undertake, including but not limited to an audit or a risk analysis, as a result of the Contractor performing services outside the United States.

The State may, at any time after the breach, terminate the Contract, upon written notice to the Contractor. The State may recover all accounting, administrative, legal and other expenses reasonably necessary for the preparation of the termination of the Contract and costs associated with the acquisition of substitute services from a third party.

If the State determines that actual and direct damages are uncertain or difficult to ascertain, the State in its sole discretion may recover a payment of liquidated damages in the amount of one percent of the value of the Contract.

The State, in its sole discretion, may provide written notice to Contractor of a breach and permit the Contractor to cure the breach. Such cure period shall be no longer than 21 calendar days. During the cure period, the State may buy substitute services from a third party and recover from the Contractor any costs associated with acquiring those substitute services.

Notwithstanding the State permitting a period of time to cure the breach or the Contractor's cure of the breach, the State does not waive any of its rights and remedies provided the State in this Contract, including but not limited to recovery of funds paid for services Contractor performed outside of the United States, costs associated with corrective action, or liquidated damages.

## 9.0 SAMPLE CONTRACT – DRAFT

**DRAFT AGREEMENT**  
**Between**  
**OHIO BUREAU OF WORKERS' COMPENSATION**  
**And**  
**CONSULTING FIRM**

This is an Agreement by and between Consulting Firm, (hereinafter referred to as the "Consulting Firm"), having offices at Address from W-9 Form, and the State of Ohio, Bureau of Workers' Compensation (hereinafter referred to as the "Bureau"), having offices at 30 W. Spring Street, Columbus, Ohio 43215-2256, entered into the day, month and year set out below.

**Whereas**, the Bureau issued a Request for Proposals # BWC11002 for SERVICES OF A FULL SERVICE INVESTMENT CONSULTANT to serve as consultant to the Bureau, and the Consulting Firm submitted a proposal determined by the Bureau to be the best responsive and responsible response to the Request for Proposals;

**Now, therefore**, the parties hereto mutually agree to perform the contract in accordance with the Request for Proposals and the Consulting Firm's Proposal, which are hereby incorporated by reference as if fully rewritten herein. Furthermore the parties agree that if there is any conflict between the Request for Proposals and the Consulting Firm's Proposal, the Request for Proposals controls.

**SCOPE OF SERVICES.** The Consulting Firm agrees to perform the services described in the RFP under Scope of Services, Section 4.1 through Section 4.6.

The Consulting Firm shall report to the Bureau. When so directed by the BWC Board of Directors, the Consulting Firm shall advise and consult with the BWC Investment Staff to implement any recommendations to the Bureau Investment Policy.

**CONDITIONS PRECEDENT.** The parties agree that as a condition precedent, any applicable approvals of the Office of Budget and Management must be given before obligations under this Agreement commence. If at any time sufficient funds are not available to continue funding the payments due under this Agreement, the Bureau shall provide written notice to the Consulting Firm immediately of such circumstance, and this Agreement will terminate on the date the funding ceases to be available.

**FEES.** The Bureau, in consideration of the Consulting Firm's promise to perform services in accordance with the terms of this Agreement, agrees and promises to pay the Consulting Firm for services performed according to the following terms:

The parties agree that the Consulting Firm shall submit monthly invoices for services rendered not to exceed *(method and rate of billing - may be separate provisions for individual services described in Scope of Services)*. Notwithstanding any terms to the contrary, total costs for Fiscal Year 2012 shall not exceed the amount of X dollars (\$X).

The Bureau shall use its best efforts to pay the Consulting Firm within thirty (30) days upon receipt of Consulting Firm's properly submitted invoice. Failure to pay the Consulting Firm promptly within thirty (30) days entitles the Consulting Firm only to interest on the amount due and payable at the rate allowed by law in accordance with the provisions of Ohio Revised Code Section 126.30. Failure to promptly pay within thirty (30) days shall not be deemed to constitute default on the part of the Bureau.

**OFFSHORE PROVISION OF SERVICES PROHIBITED.** The Contractor affirms to have read and understands Executive Order 2010-09S issued by Ohio Governor Ted Strickland and shall abide by those requirements in the performance of this Contract, and shall perform no services required under this Contract outside of the United States.

The Executive Order 2010-09S is available at the following website:

<http://www.governor.ohio.gov/Default.aspx?tabid=1495>.

The Contractor also affirms, understands, and agrees to immediately notify the State of any change or shift in the location(s) of services performed by the Contractor or its subcontractors under this Contract, and no services shall be changed or shifted to a location(s) that are outside of the United States.

If Contractor or any of its subcontractors perform services under this Contract outside of the United States, the performance of such services shall be treated as a material breach of the Contract. The State is not obligated to pay and shall not pay for such services. If Contractor or any of its subcontractors perform any such services, Contractor shall immediately return to the State all funds paid for those services. The State may also recover from the Contractor all costs

associated with any corrective action the State may undertake, including but not limited to an audit or a risk analysis, as a result of the Contractor performing services outside the United States.

The State may, at any time after the breach, terminate the Contract, upon written notice to the Contractor. The State may recover all accounting, administrative, legal and other expenses reasonably necessary for the preparation of the termination of the Contract and costs associated with the acquisition of substitute services from a third party.

If the State determines that actual and direct damages are uncertain or difficult to ascertain, the State in its sole discretion may recover a payment of liquidated damages in the amount of one percent of the value of the Contract.

The State, in its sole discretion, may provide written notice to Contractor of a breach and permit the Contractor to cure the breach. Such cure period shall be no longer than 21 calendar days. During the cure period, the State may buy substitute services from a third party and recover from the Contractor any costs associated with acquiring those substitute services.

Notwithstanding the State permitting a period of time to cure the breach or the Contractor's cure of the breach, the State does not waive any of its rights and remedies provided the State in this Contract, including but not limited to recovery of funds paid for services the Contractor performed outside of the United States, costs associated with corrective action, or liquidated damages.

**TERM.** The parties agree that services under this contract shall commence in April, 2011, and shall continue until June 30, 2013. At the sole discretion of the Bureau, and subject to all Conditions Precedent, this Contract can be renewed for three (3) additional one (1) year terms.

**CONSULTING FIRM'S NAME**

TAX I.D. \_\_\_\_\_

BWC RISK # \_\_\_\_\_

**STATE OF OHIO, BUREAU OF  
WORKERS' COMPENSATION**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name (printed or typed)

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name (printed or typed)

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

# **The Ohio Bureau of Workers' Compensation**



## **Statement of Investment Policy and Guidelines**

Adopted by the BWC Board of Directors: September 24, 2010

Amends Adoption of: March 26, 2010

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

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

**I. INVESTMENT OBJECTIVES**

The primary investment objective is to manage assets to create and maintain a reasonable net asset position that has a high probability to meet identified long term liabilities. This net asset level will be achieved through an investment strategy that assumes a prudent amount of risk to earn sufficient returns to improve the level of net assets over time while keeping premium payments as reasonable and predictable as possible for the benefit of the injured workers and employers of Ohio.

**II. BACKGROUND**

**A. Purpose**

This document establishes the investment policy (the "Investment Policy") for the Ohio Bureau of Workers' Compensation ("OBWC") State Insurance Fund and Ancillary Funds ("the Funds"). The Workers' Compensation Board of Directors ("Board") adopts this policy in order to assist the Administrator, the Chief Financial Officer, the Chief Investment Officer and the OBWC staff in meeting investment objectives and monitoring the performance of the investment of the net assets and reserves of the Funds as required by Ohio Revised Code Section 4121.12(F).

*The Board is required to establish objectives, policies, and criteria for the administration of the investment program that include asset allocation targets and ranges, risk factors, asset class benchmarks, time horizons, total return objectives, and performance evaluation guidelines, and monitor the administrator's progress in implementing the objectives, policies, and criteria on a quarterly basis. (O.R.C. 4121.12(F))*

**B. Fiduciary Standard**

Under Ohio Revised Code Section (O.R.C.) 4123.44, the voting members of the Board, the Administrator of OBWC, and the Chief Investment Officer of the OBWC are trustees of the state insurance fund and fiduciaries of the Funds, which are held for the benefit of the injured workers and employers of Ohio.

*All fiduciaries shall discharge their duties with respect to the Funds with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, and by diversifying the investments of the assets of the funds so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so. (O.R.C. 4123.44)*

All investment activities undertaken by, or on behalf of, the OBWC, including any investment activities performed by outside Investment Managers and General Partners, will strictly adhere to the terms of this Investment Policy, the restrictions of the O.R.C. 4123.44 and any other applicable statutory or administrative rules.

# The Ohio Bureau of Workers' Compensation

## Statement of Investment Policy and Guidelines

### III. ROLES AND RESPONSIBILITIES

#### A. Board Responsibilities

The Board is the primary body charged with overseeing investment activities relating to the Funds. Its oversight functions include the duties specified below:

- i. Approve the strategic asset allocation and investment policy for the Funds and periodically review such policy in light of any changes in actuarial variables, market conditions, or other evolving facts or situations relevant to the appropriate character of that policy.
- ii. Permit the Administrator to invest in an investment class only after the Board, by majority vote, opens the class in question.
- iii. Close any class of investments when it deems prudent.
- iv. Monitor and review the investment performance of the Funds on a quarterly (February, May, August and November) basis to determine achievement of goals and compliance with this Investment Policy.
- v. Advise and consent to the Administrator's hiring of the CIO.
- vi. Approve the selection and termination of all Investment Consultants.
- vii. Approve the criteria and procedures for the selection of the Investment Managers and General Partners.
- viii. Approve the final selection and funding and termination of all Investment Managers and General Partners.
- ix. Approve the asset class to be managed, investment style, scope of investment activities and maximum percent of the Fund that may be allocated to each Investment Manager and General Partner.
- x. Prohibit on a prospective basis any specific investment that the Board finds to be contrary to the Investment Objectives of the Funds. In the event that the Board determines that any activity undertaken or proposed to be undertaken pursuant to this Investment Policy is contrary to the Investment Objectives, the Board shall direct the Administrator to take the appropriate corrective action.
- xi. Submit a report annually on the performance and the value of each investment class to the governor, the president and minority leader of the senate, and the speaker and the minority leader of the House of Representatives.

The Board may appoint members to an Investment Committee for the express purpose of assisting the Board to carry out any of the responsibilities enumerated here. Rules governing and responsibilities of the Investment Committee are outlined in the Investment Committee Charter.

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### **B. OBWC Staff Responsibilities**

The Chief Investment Officer shall be employed by the Administrator, with the advice and consent of the Board, and shall be a senior member of the OBWC staff with the primary responsibility for implementing the Investment Policy. Subject to the supervision and control of the Administrator, the Chief Investment Officer shall:

- i. Consult with the Investment Consultant and receive approval from the Board regarding the appropriate strategic asset allocation and investment policy for the Funds and periodically review such policy in light of any changes in actuarial variables, market conditions, or other evolving relevant facts or situations.
- ii. Recommend permissible asset classes for investment to the Board.
- iii. Monitor and review the investment performance of the Funds on a monthly basis to determine achievement of goals and compliance with Investment Policy. Provide a report of monthly market value changes by investment asset class.
- iv. Consult with and receive approval from the Board on the selection and termination of all Investment Consultants.
- v. Consult with and receive approval from the Board on the selection and termination of all Investment Managers and General Partners.
- vi. Consult with and receive approval from the Board on the asset class to be managed, investment style, and scope of investment activities that may be allocated to each Investment Manager and General Partner.
- vii. Implement the directives of the Board.
- viii. Supervise the management of each Fund's assets in accordance with this Investment Policy and the objectives and guidelines set forth herein.
- ix. Consult with and receive approval from the Board regarding criteria and procedures to be utilized to select Investment Managers and General Partners.
- x. Monitor all managed assets to insure compliance with the guidelines set forth in this Investment Policy and report same to the Board on a monthly basis.
- xi. Inform and receive approval by the Board of any significant change in investment strategy of approved Investment Managers and General Partners.
- xii. Monitor manager trade execution.
- xiii. Report to the Board on at least an annual basis summary trade activity by brokerage firm and communicate any unusual trading activity to the Board in a timely manner, including any discussions with Investment Managers regarding such trading activity.
- xiv. Promptly vote all proxies and related actions in a manner consistent with the long-term interests and objectives of the Funds set forth herein. The CIO may retain a third party proxy voting service to comply with all the regulatory obligations related thereto or direct investment managers to vote the proxies related to securities held in their respective portfolios and comply with all the regulatory obligations related thereto.
- xv. Consult with the Funds' Investment Managers on at least a quarterly basis to discuss account performance and other material information.

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- xvi. Collect and review the current Form ADV, the document filed with the U.S. Securities and Exchange Commission to register as an investment advisor, of each Investment Manager and Investment Consultant on an annual basis and provide a summary report to the Board.

### **C. Investments Managers' Responsibilities**

Each Investment Manager shall:

- i. Be a bank, insurance company, investment management company, or investment advisor as defined by the Investment Advisors Act of 1940.
- ii. Manage the plan assets under its care, custody and/or control in accordance with the Investment Policy set forth herein and in compliance with applicable Ohio statutory requirements.
- iii. Exercise full investment discretion over the assets in their care within the guidelines set forth herein, their Investment Management Agreement and the specific portfolio guidelines contained therein.
- iv. Subject to any exceptions expressly set forth herein, Investment Managers shall be directly responsible for executing trades related to the portfolios they manage for the Funds. Investment Managers shall be responsible for seeking the best execution of trades. Any Broker used by any Investment Manager must be properly licensed.
- v. Provide monthly performance evaluation reports that comply with the Global Performance Presentation Standards (GPPS) issued by the CFA Institute.
- vi. Provide the CIO with firm's Brokerage, Soft Dollar and Trade Execution Policy on an annual basis.
- vii. Provide the CIO with a report on at least monthly basis on the trading activities of the Funds, including, but not limited to, the volume of trades and related commissions executed by each Broker.
- viii. Provide the CIO with the firm's Ethics Policy and quarterly confirmation of its compliance with said policy.
- ix. Provide the CIO with the firm's most recent Form ADV on an annual basis.
- x. Comply with the Campaign Contribution Policy as set forth in the Ohio Revised Code (O.R.C.) Section 3517 and provide written evidence of such compliance on a quarterly basis.
- xi. Promptly inform the CIO in writing of all changes of a material nature pertaining to the firm's organization and professional staff.
- xii. If directed by the Administrator and/or the Chief Investment Officer, shall promptly vote all proxies and related actions in a manner consistent with the long-term interests and objectives of the Funds. Each manager designated to vote shall provide OBWC with firm's proxy voting policy on an annual basis, keep detailed records of said voting of proxies and related action and comply with all regulatory obligations related thereto.
- xiii. Report to the CIO on at least a quarterly basis on the status of the portfolio and its performance for various time periods and meet with the staff at least semi-annually to report on the economic outlook and compliance with goals and objectives.
- xiv. Acknowledge and agree in writing to their fiduciary responsibility to fully comply with the entire Investment Policy.

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**D. General Partners' Responsibilities**

Each General Partner shall:

- i. Manage the plan assets under its care, custody and/or control in accordance with the Investment Policy set forth herein and in compliance with applicable Ohio statutory requirements.
- ii. Exercise full investment discretion over the assets in their care within the guidelines set forth herein, their Partnership and/or Subscription Agreement and the specific portfolio guidelines contained therein.
- iii. Provide the CIO with quarterly financial statements and an audited annual financial statement for each partnership or fund to which the Ohio BWC has made a commitment.
- iv. Provide the CIO with an annual Valuation Certification attesting to the value of the Ohio BWC holdings in each partnership or fund.
- v. Provide the CIO with the firm's Ethics Policy and annual confirmation of its compliance with said policy (for agreements entered into after January 1, 2006 only).
- vi. Promptly provide the CIO with a detailed report of all capital calls and/or distributions for each partnership or fund.
- vii. Comply with the Campaign Contribution Policy as set forth in the Ohio Revised Code (O.R.C.) Section 3517 and provide written evidence of such compliance on an annual basis (for agreements entered into after January 1, 2006 only).
- viii. Promptly inform the CIO in writing of all changes of a material nature pertaining to the firm's organization and professional staff.

**E. Investment Consultants' Responsibilities**

The Investment Consultant shall:

- i. Provide independent and unbiased information to the Board, the Administrator and the CIO.
- ii. Assist in the development and amendment of this Investment Policy.
- iii. Assist in the establishment of strategic asset allocation targets.
- iv. Assist in the development of performance measurement standards.
- v. Report the quarterly investment performance results and quarterly risk characteristics of the Funds to the Board.
- vi. Monitor and evaluate Investment Manager performance on an ongoing basis.
- vii. Conduct due diligence on the Funds' current and prospective Investment Managers.
- viii. Confirm a procedural due diligence search process to include criteria and procedures to be utilized for the selection of all Investment Managers.
- ix. Provide the CIO with the firm's most recent Form ADV on an annual basis.
- x. Provide any other advice or services that the Board or the Administrator and Chief Investment Officer determine from time to time is necessary, useful or appropriate to fulfill the objectives of this Investment Policy in accordance with the Investment Consulting Agreement.

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## IV. INVESTMENT POLICY GUIDELINES

### A. Asset Allocation Guidelines

**The Funds are part of the Ohio Workers' Compensation System, an exclusive state insurance fund system that is held for the sole benefit of the injured workers and employers of Ohio.**

Asset allocation refers to the strategic deployment of assets among the major classes of investments such as fixed income, U.S. equity, non-U.S. equity, alternative investments and cash equivalents. It is the primary determinant of success in meeting long term investment objectives. The asset allocation decision reflects the Funds' return requirements as well as the Funds' tolerance for return variability (risk) within the context of the expected liabilities of the Funds. The liability considerations shall include, but not be limited to, current and expected future values of the benefits, premiums and total assets. These factors are important for identifying the investment horizon of the Funds and their cash flow requirements. A formal asset/liability analysis for each Fund will be conducted every three – five years, or more frequently if conditions warrant.

The Board has a long-term asset allocation policy for each Fund that identifies the strategic target asset weights and ranges to each of the major asset classes. These policies are detailed in Section VI.

### B. Rebalancing Policy

Rebalancing is the periodic adjustment of an asset portfolio for the purposes of shifting the asset allocation back towards the desired target percentages. Rebalancing policies are put in place to provide a reliable discipline to keep a portfolio in balance as market fluctuations change the percentages that are committed to various assets classes. Over, time the asset mix of any portfolio will tend to drift away from its strategic target asset allocation, acquiring risk and return characteristics that are unintended.

The Board has a policy of rebalancing when actual asset allocations fall outside of the desired ranges as detailed in Section VI. For purposes of rebalancing, the percentages that each asset class constitutes of the total market value of the fund of which it is a part will be computed at the end of every calendar quarter. If the actual percentage of an assets class falls outside of the allowable ranges as outlined in Section VI by any amount, a rebalancing event will be triggered.

The following sequence of actions will be applied for any rebalancing activity:

1. When a rebalancing event is triggered, the Chief Investment Officer will notify the Administrator that a rebalancing event is imminent.
2. The Investment Division will then contact the appropriate outside investment managers and the BWC investment consultant to discuss market conditions and potential rebalancing actions.
3. The Investment Division will calculate a specific rebalancing dollar reallocation that will factor in appropriate future trust fund cash flows and the desired asset allocations after rebalancing. In general, the Board's policy, when rebalancing becomes necessary, is to restore an asset allocation for the out-of-balance asset class that is halfway between the outer bound that was violated and the original targeted asset percentage. Thus, as an example, if equities have a target allocation of 20%, and an allowable lower limit of 17%, but fall to 16% at a quarter's end as a result of market action, the proposed rebalancing plan would seek to restore equities to 18½% of the total fund (halfway between 17% and 20%).

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4. The Chief Investment Officer will present a rebalancing recommendation to the Senior Officer Review Team, which consists of the BWC Administrator, the Chief Operating Officer, and the Chief Fiscal & Planning Officer, for approval before any such asset rebalancing can be implemented and executed.
5. Finally, the Chief Investment Officer will provide a written summary of the fully executed rebalancing activity for any respective trust fund portfolio to the BWC Investment Committee at its next scheduled meeting.

In order to minimize turnover, Fund cash flows, such as premiums received or benefits paid, will be used to the fullest extent to achieve rebalancing objectives.

During periods of extreme market conditions and consequent illiquid markets whereby the ability to execute identified Fund assets rebalancing adjustments is made difficult and costly in the judgment of the Administrator and Chief Investment Officer, such rebalancing actions may be suspended. The suspension of such rebalancing actions and the reason for such decision will be reported promptly to the Board by the Administrator and Chief Investment Officer. Any required rebalancing action for a Fund will be implemented when the impacted financial markets become sufficiently liquid so as to execute such rebalancing action with reasonable cost in the judgment of the Administrator and Chief Investment Officer.

### **C. General Guidelines**

The following represent the general guidelines that will apply to the management of Fund assets. In addition, each Investment Manager will have specific guidelines that are part of their Investment Management Agreement that will document the Funds' performance expectations and the Investment Manager's role in the overall portfolio. The Funds use these guidelines to establish, guide and control the strategy for each Investment Manager.

- i. The following guidelines serve to diversify the organizational risk of Investment Management firms or General Partners providing services to the Funds and to minimize the dependence by the Funds on any one investment firm. The diversification guidelines are as follows:
  - No one investment organization or General Partner, utilizing active investment strategies, should manage more than 15% of the Funds' assets at the time it is hired.
  - On a prospective basis, an investment organization which utilizes passive investment strategies, may manage up to 50% of the Funds' assets at the time it is hired. This guideline has been established to allow the BWC to take advantage of the benefits of low fees resulting from the economies of scale that exist with passive management. The Board, Staff and the Consultant will closely monitor this organizational risk to ensure the security of Fund assets. The maximum allocation under this guideline will only be utilized in circumstances where the fee benefit is believed to outweigh the organizational risk to the Funds.
  - The Funds' assets managed by any one firm, utilizing either active or passive investment strategies, or General Partner should not exceed 5% of the total assets managed by the firm or General Partner for all clients in that asset class at the time it is hired. For purposes of this constraint, "asset class" shall be broadly defined to include all styles, sub-sectors, or specialty portfolios managed by a firm within a particular asset class.

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### **ii. Fixed Income Investments**

The investment goal of the fixed income investments is to offer the Funds a broad exposure to the return opportunities and investment characteristics associated with the U.S. domestic fixed income market. Each Fund's fixed income portfolio shall be invested in a manner that takes into consideration the duration and yield curve characteristics of its liabilities in order to preserve the reserve, provide for stable premiums and grow net assets. Passive fixed income investment mandates shall be managed to match the risk and return profile of an assigned fixed income benchmark resulting in performance with a reasonably low tracking error.

### **iii. U.S. Equity**

The investment goal of the domestic equity investments is to offer the Funds a broad exposure to the return opportunities and investment characteristics associated with the U.S. domestic equity market. Passive U.S. equity investment mandates shall be managed to match the risk and return profile of an assigned U.S. equity benchmark resulting in performance with a reasonably low tracking error.

### **iv. Non-U.S. Equity**

The investment goal of the non-U.S. equity investments is to offer the Funds a broad exposure to the return opportunities, diversification effects and investment characteristics associated with the non-U.S. equity market. Passive international equity investment mandates shall be managed to match the risk and return profile of an assigned international equity benchmark resulting in performance with a reasonably low tracking error.

### **v. Cash Equivalents**

Cash equivalents may be held to meet each Fund's short term cash flow needs.

### **vi. Securities Lending**

Securities lending shall be engaged by the Funds or their Investment Managers as determined and approved by the Board.

### **vii. Derivatives**

A derivative is broadly defined as a contract whose value is based on the performance of an underlying financial asset, index or other investment. The most common forms of derivatives are futures, options, swaps and forwards.

The use of derivatives by the Funds or their Investment Managers is prohibited unless specifically approved by the Board. Specific approvals include:

1. Permission is granted to passive indexed investment managers to use futures on financial contracts in the management of commingled investment funds. The Board anticipates that this use of financial futures may be initiated by investment managers for specific risk-control purposes such as the facilitation of the investment of a large inflow of new money into the commingled fund.

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The Board also recognizes that the language of the policies of some commingled funds permits other financial derivatives such as options and swaps. The Board has a very low tolerance for the use of other financial derivatives in commingled funds. On the infrequent occasions when financial derivatives such as options and swaps are used in commingled funds, the Board requires the investment staff of the BWC to report the use of the derivatives to the Board at the next scheduled meeting after the derivatives position has been initiated so that the Board may judge the appropriateness of the risks of the derivatives position. The Board will carefully evaluate whether remaining invested in that commingled fund is appropriate.

2. Permission is granted to investment transition managers to use futures on financial contracts, forward currency contracts, and Exchange Traded Funds in the management of portfolio transitions and in the management of portfolio rebalancing activity. The use of these instruments by investment transition managers for these purposes will typically begin and end in short periods of time.
3. Other derivatives that are generally approved for use include: collateralized mortgage obligations (CMOs), asset backed securities (ABS), and TBA mortgaged-backed securities in accordance with the restrictions stated in the definitions outlined below. Other broad classes of derivatives may be added in the future as deemed necessary and desirable by the Board.

CMOs are mortgage-backed bonds that separate mortgage pools into different maturity classes. Issued by the Federal Home Loan Mortgage Corporation (Freddie Mac) and private issuers, CMOs are usually backed by government-guaranteed or other top-grade mortgages. Interest-only (IOs) and principal-only (POs) instruments are prohibited.

ABS are bonds or notes backed by loan paper on accounts receivable originated by banks, credit card companies or other providers of credit and often “enhanced” by a bank letter of credit or by insurance coverage provided by an institution other than the issuer.

TBA (“to be announced”) pools are mortgage-backed securities in which the specific underlying mortgage pools are not identified at the time of commitment to purchase, but which share defined characteristics such as coupon and term to stated maturity. TBA pools are sometimes either sold before settlement or extended in settlement from original settlement date to a future settlement date that is typically in the next month. To qualify for investment by the Funds, TBA pools must be issued by Freddie Mac, Federal National Mortgage Association (Fannie Mae), or Government National Mortgage Association (Ginnie Mae).

### **viii. Commission Recapture / Directed Brokerage**

The Funds shall not engage in commission recapture or directed brokerage programs.

### **ix. General Prohibitions**

The following activities or investments are expressly prohibited within the Funds:

- a. Short selling with the exception of selling futures contracts for risk-control purposes.
- b. The use of all forms of leverage or the purchase of securities with borrowed money is prohibited, except that the Board recognizes that financial futures are generally purchased on margin and this is permitted.
- c. Coins, artwork, horses, jewelry, gems, stamps, antiques, artifacts, collectibles, and memorabilia.

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- d. Direct or indirect investments in vehicles that target specified assets, which includes unregulated investments that are not commonly part of an institutional portfolio, that lack liquidity and that lack readily determinable valuation.

### **V. PERFORMANCE OBJECTIVES**

#### **A. Total Fund**

The primary performance objective for each Fund is to achieve an aggregate rate of return that equals or exceeds the return of each Fund's Performance Benchmark on a consistent basis. Each Fund's Performance Benchmark combines designated market and/or custom indexes for Investment Category asset classes, weighted by asset-allocation target percentages. The Performance Benchmarks for each Fund are named in Section VI. The investment category Performance Benchmarks are described in Appendix A.

#### **B. Asset Class Composites**

Each asset class shall be measured relative to its designated market and/or custom index. It is expected that any active management of individual asset classes will provide an investment return in excess of the index, net of expenses, on a consistent basis.

### **VI. TARGET ASSET MIXES AND RANGES**

#### **A. State Insurance Fund (SIF)**

The State Insurance Fund liabilities consist of the following primary components:

- Indemnity cost: the compensation paid to injured workers for lost wages
- Medical cost: the cost of providing medical coverage to injured workers

These liabilities are long-term in nature, with an approximate duration of 10 years. Premiums are set each year at a level that is expected to cover the cost of future claims. Future claims are estimated based on actuarial methods that measure the expected indemnity and medical costs. These costs are discounted at a rate that is consistent with the guidelines as established by the Government Accounting Standards Board (GASB).

The Board has adopted a long-term asset allocation policy that identifies the strategic target weights to each of the major asset classes with a specific performance benchmark for each asset class. The asset allocation is deemed reasonable by the Board given the risk and return objectives of the Fund within the context of the Fund's expected liabilities and the current funding ratio. Performance benchmarks have been selected to provide broadly diversified market coverage within each asset class segment.

The table below highlights the general asset classes approved for investment and the strategic target weights. The allowable range for all target weights is reflected in the following table.

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**State Insurance Fund**

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Permissible Range</u>	<u>Performance Benchmark</u>
Indexed Long Duration Fixed Income – Credit Bonds	28%	24% - 32%	Barclays Capital U.S. Long Credit Index
Indexed Long Duration Fixed Income – U.S. Government Bonds	9%	6% - 12%	Barclays Capital U.S. Long Government Index
Indexed Barclays Capital Aggregate Fixed Income	15%	12% - 18%	Barclays Capital U.S. Aggregate Index
Indexed Treasury Inflation Protected Securities	17%	14% - 20%	Barclays Capital U.S. Treasury: U.S. TIPS Index
Cash and Cash Equivalents	1%	0 - 6%	3 Month U.S. Treasury Bills

**Total Fixed Income                      70%**

Indexed U.S. Equity	20%	17% - 23%	Russell 3000 Stock Index
Index Non-U.S. Equity	10%	7% - 13%	MSCI All World ex-U.S. Index

**Total Public Equity                      30%**

		Fund Performance Benchmark
<b>Total State Insurance Fund</b>	<b>100%</b>	<u>A weighted index consisting of:</u> 28% BC U.S. Long Credit Index 9% BC U.S. Long Govt. Index 15% BC U.S. Aggregate Index 17% BC U.S. TIPS Index 1% 3 Month U.S. Treasury Bills 20% Russell 3000 Index 10% MSCI All World Ex-U.S. Index

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**B. Disabled Workers' Relief Fund (DWRF)**

The Disabled Workers' Relief Fund ("DWRF") provides supplementary payments to workers whose combined Permanent and Total Disabled plus Social Security disability benefits are lower than the DWRF entitlement amount.

These liabilities are long-term in nature. However, premiums are set each year on a "pay as you go" basis. BWC originally collected premium at a level that is expected to cover the cost of future claims, but a State of Ohio Attorney General's Opinion in 1993 clarified that premiums should be on a pay as you go basis. Due to this prior treatment the liabilities of the fund, discounted at a rate that is consistent with the guidelines as established by the GASB, are supported by both cash and invested assets as well as an accrued premium asset.

The Board has a long-term asset allocation policy that identifies the strategic target weights to each of the major asset classes. The table below highlights the general asset classes approved for investment and the strategic target weights. The allowable range for all target weights is reflected in the following table.

<b><u>Disabled Workers' Relief Fund</u></b>			
<u>Investment Category</u>	<u>Target Allocation</u>	<u>Permissible Range</u>	<u>Performance Benchmark</u>
Indexed Barclays Capital Aggregate Fixed Income	34%	30% - 38%	Barclays Capital U.S. Aggregate Index
Indexed Treasury Inflation Protected Securities	35%	31% - 39%	Barclays Capital U.S. Treasury: U.S. TIPS Index
Cash and Cash Equivalents	1%	0 - 6%	3 Month U.S. Treasury Bills
<b>Total Fixed Income</b>	<b>70%</b>		
Indexed U.S. Equity	20%	17% - 23%	Russell 3000 Stock Index
Index Non-U.S. Equity	10%	7% - 13%	MSCI All World ex-U.S. Index
<b>Total Public Equity</b>	<b>30%</b>		
<b>Total Disabled Workers' Relief Fund</b>	<b>100%</b>		<p style="text-align: center;">Fund Performance Benchmark</p> <p><u>A weighted index consisting of:</u></p> <p>34% BC U.S. Aggregate Index</p> <p>35% BC U.S. TIPS Index</p> <p>1% 3 Month U.S. Treasury Bills</p> <p>20% Russell 3000 Stock Index</p> <p>10% MSCI All World ex-US Index</p>

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**C. Coal Workers' Pneumoconiosis Fund (CWPF)**

The Coal Workers' Pneumoconiosis Fund ("CWPF") provides benefits for injured workers under the Federal Coal Mine Health and Safety Act of 1969. The CWPF provides voluntary coverage to employers who have employees who are exposed to coal dust, as required by federal law.

These liabilities are long-term in nature, with an approximate duration of 11 years. Premiums are set each year at a level that is expected to cover the cost of future claims and are assessed only to employers that have come into Ohio since May 1999. Liabilities are discounted at a rate that is consistent with the guidelines as established by the GASB.

The Board has a long-term asset allocation policy that identifies the strategic target weights to each of the major asset classes. The table below highlights the general asset classes approved for investment and the strategic target weights. The allowable range for all target weights is reflected in the following table.

<b><u>Coal Workers' Pneumoconiosis Fund</u></b>			
<u>Investment Category</u>	<u>Target Allocation</u>	<u>Permissible Range</u>	<u>Performance Benchmark</u>
Indexed Barclays Capital Aggregate Fixed Income	39%	35% - 43%	Barclays Capital U.S. Aggregate Index
Indexed Treasury Inflation Protected Securities	40%	36% - 44%	Barclays Capital U.S. Treasury: U.S. TIPS Index
Cash and Cash Equivalents	1%	0 - 6%	3 Month U.S. Treasury Bills
<b>Total Fixed Income</b>	<b>80%</b>		
Indexed U.S. Equity	13%	10% - 16%	Russell 3000 Stock Index
Index Non-U.S. Equity	7%	4% - 10%	MSCI All World ex-U.S. Index
<b>Total Public Equity</b>	<b>20%</b>		
			<b>Fund Performance Benchmark</b>
<b>Total: Coal Workers' Pneumoconiosis Fund</b>	<b>100%</b>		<u>A weighted index consisting of:</u> 39% BC U.S. Aggregate Index 40% BC U.S. TIPS Index 1% 3 Month U.S. Treasury Bills 13% Russell 3000 Index 7% MSCI All World Ex-U.S. Index

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**D. Public Work-Relief Employees' Fund (PWRF)**

The Public Work-Relief Employees' Fund ("PWRF") provides benefits for "work-relief employees" who are engaged in any public relief employment and receiving "work-relief" in the form of public funds or goods in exchange for any service or labor rendered in connection with any public relief employment.

These liabilities are long-term in nature, with an approximate duration of 10 years. Premiums are set each year at a level that is expected to cover the cost of future claims. These costs are discounted at a rate that is consistent with the guidelines as established by the GASB.

The Board has a long-term asset allocation policy that identifies the strategic target weights to each of the major asset classes. The table below highlights the general asset classes approved for investment and the strategic target weights. The allowable range for all target weights is reflected in the following table.

<b><u>Public Work-Relief Employees' Fund</u></b>				
<u>Investment Category</u>	<u>Target Allocation</u>	<u>Permissible Range</u>	<u>Performance Benchmark</u>	
Indexed Intermediate Duration Fixed Income	99%	NA	Barclays Capital Intermediate U.S. Government / Credit Index	
Cash and Cash Equivalents	1%	0 - 6%	3 Month U.S. Treasury Bills	
<b>Total Fixed Income</b>	<b>100%</b>			
<b>Total Public Equity</b>	<b>0%</b>			
<b>Total: Public Work-Relief Employees' Fund</b>	<b>100%</b>		Fund Performance Benchmark <u>A weighted index consisting of:</u> 99% BC Intermediate U.S. Gov / Credit Index 1% 3 Month U.S. Treasury Bills	

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**E. Marine Industry Fund (MIF)**

The Marine Industry Fund (“MIF”) provides voluntary coverage to employers who have employees who work on or about navigable waters as required by the Federal Longshoremen and Harbor Workers’ Act.

These liabilities are long-term in nature, with an approximate duration of 10 years. Premiums are set each year at a level that is expected to cover the cost of future claims. These costs are discounted at a rate that is consistent with the guidelines as established by the GASB.

The Board has a long-term asset allocation policy that identifies the strategic target weights to each of the major asset classes. The table below highlights the general asset classes approved for investment and the strategic target weights. The allowable range for all target weights is reflected in the following table.

<b><u>Marine Industry Fund</u></b>			
<u>Investment Category</u>	<u>Target Allocation</u>	<u>Permissible Range</u>	<u>Performance Benchmark</u>
Indexed Intermediate Duration Fixed Income	99%	94-100%	Barclays Capital Intermediate U.S. Government / Credit Index
Cash and Cash Equivalents	1%	0 - 6%	3 Month U.S. Treasury Bills
<b>Total Fixed Income</b>	<b>100%</b>		
<b>Total Public Equity</b>	<b>0%</b>		
<b>Total: Marine Industry Fund</b>	<b>100%</b>		Fund Performance Benchmark <u>A weighted index consisting of:</u> 99% BC Intermediate U.S. Gov/Credit Index 1% 3 Month U.S. Treasury Bills

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**F. Self Insured Employers Guarantee Fund (SIEGF)**

The Self Insured Employers Guarantee Fund (“SIEGF”)/Surety Bond Fund (“SBF”) provides for payment of compensation and benefits to injured workers of bankrupt self-insured employers.

The Board has a long-term asset allocation policy that identifies the strategic target weights to each of the major asset classes. The table below highlights the general asset classes approved for investment and the strategic target weights.

<b><u>Self Insured Employers Guarantee Fund</u></b>			
<u>Investment Category</u>	<u>Target Allocation</u>	<u>Permissible Range</u>	<u>Performance Benchmark</u>
Cash and Cash Equivalents	100%	NA	3 Month U.S. Treasury Bills
<b>Total Fixed Income</b>	<b>100%</b>		
<b>Total Public Equity</b>	<b>0%</b>		
			Fund Performance Benchmark
<b>Total: Self Insured Employers Guarantee Fund</b>	<b>100%</b>		<u>A weighted index consisting of:</u>  100% 3 Month U.S. Treasury Bills

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**VII. INVESTMENT POLICY STATEMENT REVIEW**

The Board in conjunction with the Administrator, Chief Investment Officer and Investment Consultant will review this policy statement at least once a year, to determine if revisions are warranted and will publish the policy statement and any changes it adopts and make copies available to all interested parties.

It is not expected that this Investment Policy will change frequently; in particular short-term changes in the financial markets should generally not require an adjustment in this Investment Policy.

**VIII. FAIR CONSIDERATION / PUBLIC INTEREST POLICY**

The Board desires that the BWC Investment Staff and the Investment Consultant identify, research and evaluate qualified Ohio investment managers, minority-owned investment managers and women-owned investment managers. It is the Board's intention to give such investment management firms fair consideration to fulfill the Funds' investment objective; however, the Board is not obligated to hire any qualified Ohio firm, minority-owned or women-owned firm on behalf of the Funds if such hiring is inconsistent with its fiduciary duty to the Funds and their stakeholders or in asset classes that have not been approved by the Board.

**A. Qualified Minority-Owned and/or Women-Owned Investment Managers – Criteria**

As used in this Investment Policy, a minority-owned investment manager shall be defined as an investment manager that is U.S. domiciled and is majority-owned by one, or any combination, of the following groups: African American, Native American, Hispanic American and Asian American. Additionally, Investment Managers who are majority-owned by women are included in this Policy and defined as women-owned investment managers.

As used in this Investment Policy, minority-owned and/or women-owned investment managers are collectively defined as Minority-or-Women Business Enterprise (MWBE) Investment Managers. Any MWBE Investment Manager must be a registered investment advisor under the Investment Advisors Act of 1940.

**i. Process**

With regards to MWBE Investment Manager strategy, it is the Board's desire to have Fund assets managed by such qualified firms through a Manager-of-Manager (MoM) program. BWC will not place Fund assets directly with MWBE firms but will instead place Fund assets directly with MoM firms. BWC Investment Staff and the Investment Consultant will identify qualified MoM firms through a selection process approved by the Board. Any MoM firm approved by the Board will be defined as a BWC Investment Manager with all of the duties and responsibilities of Section III.C of this Investment Policy. Any MoM firm must be a registered investment advisor under the Investment Advisors Act of 1940.

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### **ii. Monitoring and Responsibilities**

Any MoM approved by the Board will be responsible for identifying and monitoring the selected MWBE investment managers in the MoM portfolio managed for BWC. While the Board is responsible for reviewing and approving this MoM Policy, the Board delegates authority to the MoM to implement this MoM Policy and the MoM acknowledges its fiduciary responsibility for the assets it manages for BWC.

The MoM is responsible for the management of BWC assigned assets within the guidelines and restrictions of this Investment Policy adopted by the Board. The MoM is responsible for identifying and monitoring MWBE compliance to the approved investment guidelines. MWBE managers are hired into or removed from the MoM's portfolio of BWC assets based on information reviewed by the BWC Investment Staff and the Investment Consultant.

### **iii. Eligible Asset Classes**

The Board may consider MoM programs that focus on one or more of the following approved asset classes:

1. Large Capitalization U.S. Equities
2. Small Capitalization U.S. Equities
3. Mid Capitalization U.S. Equities
4. Core U.S. Fixed Income
5. Non-U.S. Equities

### **iv. Target Asset Allocation**

The MoM investment manager program for MWBE asset allocation will have a 1% target for invested assets of the State Insurance Fund.

## **B. Qualified Ohio Investment Managers - Criteria**

As used in this Investment Policy, a qualified Ohio investment manager is one that meets at least one of the following requirements:

- Maintains its corporate headquarters or principal place of business in Ohio, or
- Employs at least 500 individuals in Ohio, or
- Maintains a principal place of business in Ohio and employs at least 20 Ohio residents

Any qualified Ohio investment manager must be a registered investment advisor under the Investment Advisors Act of 1940.

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## **APPENDIX A – Investment Category Performance Benchmarks**

### **I. Barclays Capital U.S. Aggregate Index**

The Barclays Capital U.S. Aggregate Index consists of taxable fixed income securities that are SEC-registered and U.S. dollar denominated. The index covers the broad U.S. investment grade fixed coupon rate bond market with index components for government and corporate securities, residential mortgage-backed securities, commercial mortgage-backed securities and asset-backed securities. Government and corporate securities include non-U.S. issuers, although non-U.S. issuers represent only a small portion of the index. Each security in the index must have at least one year to final maturity regardless of call features. Each security must be rated investment-grade (Baa3/BBB- or higher) in quality by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only one of the three ratings agencies rates a security, the rating must be investment grade. The index typically has a weighted average duration between three and five years which is considered to be intermediate-term in duration.

### **II. Barclays Capital U.S. Long Government/Credit Index**

The Barclays Capital U.S. Long Government/Credit Index consists of taxable fixed income securities that are publicly issued and U.S. dollar denominated. The index includes fixed coupon rate U.S. treasury securities, U.S. federal agency securities, U.S. municipal securities, non-U.S. government securities and both U.S. and non-U.S. corporate securities. Non-U.S. issuers represent only a small portion of the index. Each security in the index must have a final maturity of at least ten years. The index is a component of the broad Barclays Capital U.S. Aggregate Index. Each security must be rated investment-grade (Baa3/BBB- or higher) in quality by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only one of the three ratings agencies rates a security, the rating must be investment grade. The index typically has a weighted average duration between ten and twelve years which is considered to be long-term in duration.

### **III. Barclays Capital U.S. Intermediate Government/Credit Index**

The Barclays Capital U.S. Intermediate Government/Credit Index consists of taxable fixed income securities that are publicly issued and U.S. dollar denominated. The index includes fixed coupon rate U.S. treasury securities, U.S. federal agency securities, U.S. municipal securities, non-U.S. government securities and both U.S. and non-U.S. corporate securities. Non-U.S. issuers represent only a small portion of the index. Each security in the index must have a final maturity of at least one year and less than ten years. The index is a component of the broad Barclays Capital U.S. Aggregate Index. Each security must be rated investment-grade (Baa3/BBB- or higher) in quality by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only one of the three ratings agencies rates a security, the rating must be investment grade. The index typically has a weighted average duration between three and five years which is considered to be intermediate-term in duration.

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### **IV. Barclays Capital U.S. Treasury: U.S. TIPS Index**

The Barclays Capital U.S. Treasury: U.S. TIPS Index consists of all publicly issued U.S. dollar denominated Inflation-Protection securities (TIPS) issued by the U.S. Treasury that have at least one year to final maturity. The principal value of a TIPS increases with inflation and decreases with deflation, as measured by changes in the urban, non-seasonally adjusted consumer price index (CPI-U) calculated by the Bureau of Labor Statistics. The CPI-U index is a measure of the average change in prices paid by urban consumers for a fixed basket of goods and services. The principal value of a TIPS security is adjusted by a published index ratio reflecting the changes in the reference CPI-U index. TIPS securities have a stated fixed coupon rate of interest payable semi-annually that is applied to the inflation-adjusted principal value. Over the past several years, approximately one-third of the weighted market value of the index has been represented by issues in each of the maturity ranges of one-to-five years, five-to-ten years, and in excess of ten years. The index is considered to be intermediate-term in duration.

### **V. S&P 500 Index**

The S&P 500 Index is a market capitalization weighted equity index maintained by Standard & Poors that seeks to be a benchmark of the U.S. large cap universe of stocks. S&P first identifies important industry categories and allocates a representative sample of stocks to each group. The companies chosen to be in the S&P 500 generally have the largest market values within their industry group. The industry categories are grouped into ten sectors: consumer discretionary, consumer staples, energy, financials, health care, industrials, information technology, materials, telecommunication services, and utilities. It is calculated on a total return basis with all dividends reinvested.

### **VI. Russell 3000 Index**

The Russell 3000 Index is a market capitalization weighted equity index maintained by the Russell Investment Group that seeks to be a benchmark of the entire U.S. [stock market](#). More specifically, this index encompasses the 3,000 largest U.S.-traded stocks, in which the underlying companies are all incorporated in the U.S., and represents 98% of the U.S. equity market. The Russell 3000 is comprised of stocks within the Russell 1000 and Russell 2000 Indices. Furthermore, the Russell 3000 Index is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected. It is calculated on a total return basis with all dividends reinvested.

### **VII. MSCI All Country World Index Ex U.S.**

The MSCI All Country World Index Ex U.S. is a market-capitalization-weighted index maintained by [Morgan Stanley](#) Capital International (MSCI) and designed to provide a broad measure of stock performance throughout the world, with the exception of U.S.-based companies. The MSCI All Country World Index Ex U.S. includes both developed and emerging markets. The index attempts to replicate the industry composition of each local market and includes representative sampling of large, medium, and small capitalization companies. The index is calculated with net dividends reinvested in U.S. dollars.