

REQUEST FOR PROPOSALS
by the
STATE OF OHIO
BUREAU OF WORKERS' COMPENSATION
for
Passive U.S. Large Cap Equity
Investment Management Services
July 8, 2013
Bid # BWCB14001

RFP ISSUED:	July 8, 2013
QUESTION PERIOD BEGINS:	July 8, 2013
QUESTION PERIOD ENDS:	July 12, 2013 at 8:00 AM EDT
PROPOSAL DUE DATE:	July 30, 2013 2:00 PM EDT

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

OPENING LOCATION:	Ohio Bureau of Workers' Compensation Procurement Administration 30 W. Spring Street, Level 24 Columbus, OH 43215-2256
-------------------	--

TABLE OF CONTENTS

	<u>Page</u>
1.0 BACKGROUND AND NATURE OF PROJECT	
1.1 Purpose of the Request for Proposals	4
1.2 Definitions and Abbreviations	5
1.3 BWC General Background	6
1.4 Minimum Qualifications	7
2.0 CALENDAR OF EVENTS	
2.1 Dates	9
3.0 PROPOSAL INQUIRIES AND SUBMISSIONS	
3.1 Questions	10
3.2 Communications Restrictions	11
3.3 Proposal Submission	11
3.4 Changes to the RFP by BWC	13
3.5 Vendor Costs for Responses Not Reimbursable by BWC	13
4.0 SCOPE OF SERVICES	
4.1 General	14
5.0 PROPOSAL FORMAT	
5.1 General	16
5.2 Cover Letter	16
5.3 Contact Information	16
6.0 EVALUATION AND SELECTION PROCESS	
6.1 Evaluation Approach and Methodology	17
6.2 Scoring the Proposals	17
6.3 Clarifications and Corrections	18
6.4 Basis for Award and Fee Negotiation	18
6.5 Validity of Offers	18
6.6 Administrative Requirements	18

7.0	GENERAL QUESTIONNAIRE	
7.1	Organization, Ownership & Professional Staff	20
7.2	Investment Philosophy / Process, Performance / Portfolio, Risk Management, and Operation	23
7.3	Fees	28
8.0	TERMS AND CONDITIONS	
8.1	General	29
8.2	Travel Expenses	29
8.3	Resulting Contract	29
8.4	Contract Compliance	30
8.5	Contract Termination	30
8.6	Termination for Convenience	30
8.7	Governing Law – Severability	30
8.8	Compliance with Applicable Laws and Acknowledgement of Fiduciary Status	30
8.9	Publicity	31
8.10	Non-Discrimination	31
8.11	Vendor's Liability	31
8.12	Conditions Precedent	31
8.13	Method of Remuneration and Billing Procedures	32
8.14	Workers' Compensation	32
8.15	Default by Vendor	33
8.16	Inspection of Time Records and Work Papers	33
8.17	Ohio Elections Law	33
8.18	Drug-Free Workplace	33
8.19	Intellectual Property & Confidentiality	34
8.20	Assignment and Subcontracting	34
8.21	Unresolved Finding for Recovery	34
8.22	No Secondary Interests	34
8.23	Conflicts of Interest and Ethics Compliance Certification	35
8.24	Fiduciary Transactions and Responsibilities	35
8.25	Background Checks	36
8.26	Debarment	36
9.0	BWC INVESTMENT POLICY STATEMENT	37

REQUEST FOR PROPOSALS
by the
STATE OF OHIO
BUREAU OF WORKERS' COMPENSATION
for
Passive U.S. Large Cap Equity
Investment Management Services
July 8, 2013
Bid # BWCB14001

READ ALL CONDITIONS AS SET FORTH IN THIS REQUEST FOR PROPOSALS 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 Request for Proposals (RFP) is to locate and contract with a Passive U.S. Large Cap Equity Investment Manager for the Ohio Bureau of Workers' Compensation (BWC) State Insurance Fund (SIF). The vendor, through its response to this RFP, will demonstrate experience with and success in managing passive U.S. Large Cap Equity investment mandates. Several specific duties are more fully described in Section 4.0 of this RFP to assist BWC in its passive U.S. Large Cap Equity Investment Management Services.

This passively managed U.S. equity investment mandate will attempt to replicate the performance of the benchmark index. It is expected that real-world constraints such as transaction costs and liquidity introduce tracking error (volatility of performance differences). The Russell Top 200 Index will serve as the benchmark index for this portfolio.

The Ohio Bureau of Workers' Compensation reserves the right to reject any or all proposals and to solicit additional proposals if it is determined to be in the best interest of BWC.

1.2 Definitions and Abbreviations

- BOD BWC Board of Directors
- BWC Ohio Bureau of Workers' Compensation
- BWC Trust Funds SIF and Specialty Funds
- Benchmark Index Russell Top 200 Index
- CFA Institute Chartered Financial Analyst Institute
- 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 BWC and the passive U.S. Large Cap Equity Investment Management Services firm. The Contract for Services shall describe passive U.S. Large Cap Equity Investment Management Services and specify the objectives and compensation arrangements that will apply to such services
- DAS Ohio Department of Administrative Services
- EC Evaluation Committee
- ERISA Employee Retirement Income Security Act of 1974, as amended
- IC Investment Committee
- IPS BWC Investment Policy Statement
- ORC Ohio Revised Code
- Proposal 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 Proposals
- 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 \$24 billion as of May 31, 2013 and annual insurance premiums and assessments of approximately \$2 billion. The Ohio workers' compensation system consists of 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 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 Section 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.

Please note: BWC is a non-ERISA agency.

SUMMARY OF BWC INVESTMENTS & CASH

(Unaudited as of May 31, 2013)

(\$ Millions)

Fund Name	Fixed Income	Equity	Real Estate	Cash	Total
State Insurance Fund (SIF)	13,864	7,432	762	427	22,485
Specialty Funds (DWRF, CWPF, PWRF, MIF, SIEGF)	1,280	587	0	60	1,927
Total	15,144	8,019	762	487	24,412

1.4 Minimum Qualifications

To be considered as a Passive U.S. Large Cap Equity Investment Manager for the purpose stated above, vendors submitting proposals **must meet** the following:

1. Be able to contract to act as a fiduciary to BWC and acknowledge in writing compliance with BWC's Investment Policy Statement (IPS) (see IPS Sections II.B & III.C).
2. If the vendor is an asset management firm, be duly and currently registered with the Securities & Exchange Commission (SEC) pursuant to the Investment Advisors Act of 1940, as amended, or otherwise be exempt from registration. If exempt, the vendor must explain the nature of their exemption. If the vendor is a national bank regulated by the Office of the Comptroller of the Currency or the Federal Reserve Board, provide evidence that the bank is "well-capitalized" under the rules and guidelines of the respective regulator.
3. Be able to manage BWC assets in a separate account structure.
4. The Passive U.S. Large Cap Equity Investment Manager and its respective personnel performing services for BWC must have all authorizations, permits, licenses, and certifications required by federal, state and/or local law. Vendor must be prepared to submit Form ADV, Parts I and II if selected as a finalist candidate.
5. Vendor must prepare all eVestment Alliance data through March 31, 2013 for the product for which they are submitting proposals by not later than July 29, 2013, which is one day before the RFP proposal submission due date (July 30, 2013). If a Vendor does not already utilize the eVestment Alliance database, they must participate by establishing their firm in the data base. The eVestment Alliance does not charge investment managers for participating in the database.
6. Vendor must:
 - a. have at least \$20 billion of assets under management as of March 31, 2013 in passive U.S. large cap equity mandates
 - b. be able to manage BWC assets in separate account structure
 - c. agree to accept a passive separately managed account allocation between \$2.7 billion and \$2.9 billion for this U.S. large cap equity mandate product for which the vendor is offering a proposal
7. Vendors offering to provide Passive U.S. Large Cap Equity Investment Management Services must have at least three (3) years of performance history, as of March 31, 2013, for passive investments benchmarked against the respective mandate Benchmark Index (Russell Top 200 Index) they are applying for or a comparative U.S. large cap equity mandate benchmark index.
8. Provide timely monthly performance evaluation reports and comply with the current Global Investment Presentation Standards (GIPS) issued by the CFA Institute.
9. Have a lead portfolio manager to be assigned to the account with at least three (3) years experience, as of March 31, 2013, managing a passive U.S. large cap equity investment mandate against the respective Benchmark Index they are applying for or a comparative U.S. large cap equity mandate benchmark index.
10. Must be able to provide a compliant industry recognized standard for electronic trading/transmissions to the BWC's sub-custodian (currently JPMorgan Chase Bank), and the BWC's master record-keeper (currently BNY Mellon) in a timely manner.

11. The vendor must maintain sufficient procedures and capabilities to ensure timely accurate backup and full recovery for all computers and other data storage systems related to BWC accounts.
12. The Passive U.S. Large Cap Equity Investment Manager performing services for BWC must be able to complete monthly asset reconciliation with the master record-keeper by the 5th business day each month in order for the master record-keeper to finalize monthly investment accounting by the 7th business day of the month.

Proposals that have been determined not to have met one or more of the minimum qualifications may 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 website area for this RFP. Any schedule change published on the website will be followed by an addendum to this RFP, also available through the State Procurement website. It is each prospective responder's responsibility to check the website question and answer area of this RFP for current information regarding this RFP and its calendar of events through award of the Contract for Services.

2.1 Dates

RFP Issued	July 8, 2013
Question Submission Period Begins	July 8, 2013
Question Submission Period Ends	July 12, 2013 (8:00 AM EDT)
Questions and Answers Posted	July 16, 2013
Proposals Due	July 30, 2013 (2:00 PM EDT)
Potential Interviews	August 15 – 20, 2013
Notice of Award Date*	August 29, 2013
Contract Commences	4 th Quarter 2013 (estimated)

PLEASE NOTE: These dates are subject to change.

Proposals received after 2:00 PM EDT 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 EDT) that the Proposals are due.

* Note: Please 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 website 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 July 12, 2013 at 8:00 AM EDT. 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 website 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 EDT 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 website 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 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 website 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 Section 3.1.

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

3.3 Proposal Submission

Vendors must carefully review all elements of their final proposals. Once received by BWC, a proposal cannot be altered except as provided in Sections 6.3 and 6.4 of this RFP. One (1) complete, sealed and signed original proposal, one (1) electronic pdf version on CD or DVD and four (4) hard copies of each proposal shall be submitted for evaluation. Proposals shall be clearly marked “BWC Passive U.S. Large Cap Equity Investment Management Services Bid # BWCB14001” 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 BWC Procurement Administration by **2:00 PM EDT on July 30, 2013**. 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 PM EDT deadline at BWC.

If mailing proposals, vendors should allow for sufficient mailing time to ensure timely receipt by BWC Procurement Administration. All mail and deliveries can be expected to undergo package security screening (amounting to approximately one hour) before receipt in BWC Procurement Administration. 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
Procurement Administration
William Green Building
30 West Spring Street, Level 24
Columbus, Ohio 43215-2256**

PLEASE MAKE SURE THE PROPOSALS ARE DELIVERED TO BWC PROCUREMENT ADMINISTRATION ON THE 24TH FLOOR OF THE WILLIAM GREEN BUILDING BY 2:00 PM EDT ON THE DUE DATE. PROPOSALS DELIVERED TO OTHER LOCATIONS MAY NOT BE RECEIVED BY BWC PROCUREMENT ADMINISTRATION IN A TIMELY MANNER. ONLY PROPOSALS RECEIVED IN BWC PROCUREMENT ADMINISTRATION BY 2:00 PM EDT ON THE DUE DATE WILL BE OPENED AND CONSIDERED.

3.4 Changes to the RFP by BWC

BWC reserves the right to amend specific sections of this RFP at any time during the bidding process. In the event that BWC does amend the RFP during the bidding process, BWC will provide notice to prospective responders, to the fullest extent possible. Should 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

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 the Passive U.S. Large Cap Equity Investment Management Services. The target size of the SIF Passive U.S. Large Cap Equity Investment is approximately \$2.6 billion (approximately 12% of SIF assets).

The Passive U.S. Large Cap Equity Investment Manager will be required to adhere to the following investment services guidelines:

1. The Passive U.S. Large Cap Equity Investment Manager shall abide by and not violate BWC's Investment Policy Statement (IPS) and acknowledge its fiduciary responsibility for the assets it manages for BWC, and shall manage the assets within the guidelines and restrictions of the BWC IPS adopted by the BWC Board of Directors (BOD). The Passive U.S. Large Cap Equity Investment Manager is responsible for identifying and monitoring compliance to the approved investment guidelines.
2. The SIF Passive U.S. Large Cap Equity Investment portfolio will have the following complementary objectives:
 - a. Providing further asset class diversification to the SIF portfolio with a relatively low correlation to the returns of the other bond and non-stock asset classes of the SIF portfolio.
 - b. Attempt to replicate the benchmark index.
3. Other duties performed by the selected Passive U.S. Large Cap Equity Investment Manager will include the following:
 - a. Reviewing the specific performance results, performance objectives, risk tolerances, and investment guidelines on a quarterly basis for the Passive U.S. Large Cap Equity Investment portfolio managed.
 - b. Participating in annual meetings and as-needed teleconferences to provide information to BWC concerning the management and performance of the portfolio managed and firm/market updates. Each annual meeting for purposes of portfolio performance review and firm/market updates will be held either in-person or by teleconference as determined by the BWC investment staff.
4. Maintain a good working relationship with BWC investment staff by providing timely information regarding material changes in the vendor's organizational structure, staffing, and any other pertinent information the BWC investment staff may require.
5. The Passive U.S. Large Cap Equity Investment Manager shall provide electronic and hard copies of the monthly, quarterly, year-to-date and annual performance reports, portfolio valuations, portfolio characteristics and portfolio holdings reports to the BWC investment staff and the BWC investment consultant.

6. The Passive U.S. Large Cap Equity Investment Manager will document all investment transactions with the SIF sub-custodian (currently JPMorgan Chase Bank) and master record-keeper (currently BNY Mellon) in accordance with the usual and customary standards of practice and confirm all executed transactions from custodial account records.

7. The scope of services defined in the final contract between BWC and the Passive U.S. Large Cap Equity Investment Manager will be binding and will supersede this section of the RFP if different from the scope of services defined here.

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. Please complete all questions in the order they are presented in this RFP and number the responses accordingly. 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

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 Passive U.S. Large Cap Equity Investment Management Services 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's 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 BWC investment staff and will include the BWC investment consultant. The current BWC investment consultant is R. V. Kuhns & Associates, Inc. The EC will have the operational support of the BWC investment staff, BWC legal staff, BWC procurement administration, and the BWC investment consultant to administer the search process.

BWC intends to select a Passive U.S. Large Cap Equity Investment Manager that provides the best value and best accomplish the requirements and objectives set forth in this RFP in a manner most advantageous to BWC.

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

The Passive U.S. Large Cap Equity Investment Manager will be notified by letter/email of the selection decision. No information will be released by BWC after the proposal due date until an official award of the contract is made.

6.2 Scoring the Proposals

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

- | | | |
|---|--------------------|------------|
| • The Vendor’s Organization and Professional Staff | Section 7.1 | 30% |
| • The Vendor’s Philosophy and Process, Performance, Portfolio Risk Management, and Operations | Section 7.2 | 30% |
| • The Vendor’s Fees | Section 7.3 | 40% |

Follow-up interviews may be conducted by the EC with the finalist candidates, as determined by the EC on initial scoring of the above criteria. The EC will determine the finalist firm for recommendation of approval by the BOD. Representatives of the finalist firm may appear before the BOD before any approval is considered by the BOD.

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 and Fee Negotiation

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 contract(s) to proposal(s) other than the ones with the highest number of points if, in BWC's sole determination, other proposals are 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 ORC Section 125.071(E).

BWC reserves the right to negotiate fees submitted pursuant to Section 7.3 of this RFP with the finalist candidates. BWC may limit this negotiation to only the finalist candidates and not negotiate with any lower-ranking responder. Any negotiated revisions to fees will be reduced to writing and incorporated into the contract entered into pursuant to Section 8.3 of this RFP.

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 proposal, one (1) electronic pdf version on CD or DVD and four (4) hard copies of each proposal 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. 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 may deem the Responder non-responsive and may result in no further consideration being 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):
- C. List the locations of all offices of Responder.

7.1 Organization, Ownership & Professional Staff

7.1.1 Organization and Ownership

1. If the firm is not a registered Investment Advisor under the Securities Act of 1940, please explain why the firm is exempt.
2. Provide a general description and history of the firm, including:
 - a. When was the firm established? Describe the ownership structure of the firm. Identify affiliated or subsidiary organization(s) and designate the percent of parent firm's total revenue generated by the organization(s). If the firm is a joint venture partner, identify the percentage ownership and revenues recognized by each partner to the combined association.
 - b. What was the registration date of the SEC Investment Advisers Act of 1940 for the firm? What was the date the firm began managing passive U.S. large cap equity investment accounts for U.S. tax-exempt clients, and what was the date the product was introduced?
 - c. Within the past five (5) years, have there been any significant developments in the organization (changes in ownership, personnel reorganization, new business ventures, etc.)? If so, please describe. Provide detail on the effects such developments have had on resources. Are any changes expected over the next five (5) years?
 - d. Over the past five (5) years, has the organization or any of its affiliates or parent, or any officer or principal of such entities been involved in any business litigation, regulatory or other legal proceedings? If so, provide a brief explanation and indicate the current status. Finalist candidates will be required to provide a complete Form ADV (Parts I and II), if applicable.
 - e. Please provide an Equal Employment Opportunity Commission (EEOC) chart.
3. Does the firm provide any product or service other than investment management? If so, elaborate on these services and indicate respective percentage of firm-wide revenues from each service other than providing investment management to clients.
4. Discuss the overall business objectives of the firm with respect to future growth. Comment on any present or planned areas of emphasis over the near future. Be sure to include the response by product (including the proposed product):
 - a. Total number of separate accounts that will be accepted.
 - b. Total number of clients that will be accepted.
 - c. Total assets that will be accepted.
 - d. Future staffing requirements as it relates to growth in number of accounts by product.

5. Using the following format, complete this table of the firm's ownership:

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

6. Provide a detailed position Organizational Chart for the firm with associated individual names and titles, as well as the parent-subsiary, affiliate, or joint venture entities.

7. Complete this table of the firm's employee profile using the following format:

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

8. Please provide the details on the financial condition of the firm. The firm's most recent annual reports filed with the SEC will be acceptable, but any recent material changes should be included. This information is not a minimum requirement, but preference will be given to those managers that include this information.

9. List and summarize material news stories and events (e.g. executive turnover, extraordinary losses, lawsuits, securities lending problems/issues) from September 2008 to date regarding the firm.

10. Describe any potential conflicts of interest the firm may have in the management of this account. 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 relationships from being a factor when providing advice to clients? Please provide a copy of your firm's Code of Ethics Policy.

11. Please list any third party marketing or placement agent firms and/or other relationships the firm has related to the marketing of the firm and/or its investment strategies, including any related to the completion of this RFP. If you list any third party marketers or placement agents used for this RFP, please disclose the fee, retainer or commission paid for such services.

12. State the policies and practices concerning the firm's approach to brokerage, soft-dollar, and trade execution. Are these policies and practices in compliance with the CFA Institute's Standards of Practice? If not, explain.

13. Describe the firm's philosophy regarding corporate governance as practiced by the firm with respect to the proposed product.

14. Describe in detail the internal controls and oversight processes in place at the firm to monitor the management of client accounts so as to maintain compliance with specific client investment policy guidelines provided.

15. Does the firm offer most favored nations clauses in the management of portfolios? Would the firm enter into a most favored nation clause with the BWC? Briefly describe the firm's process for managing specific client contractual provisions.

7.1.2 Professional Staff

16. Provide the portfolio management team proposed for this Passive U.S. Large Cap Equity mandate to include portfolio managers, traders/trading supervisors, risk/compliance managers, and other key personnel.

Passive U.S. Large Cap Equity				
Key Personnel				
Name of Professional	Title and Responsibilities	Years of Experience	Years with Firm	Degrees/ Designations
Portfolio Managers				
Trading				
Risk / Compliance				
Other				

17. Identify and discuss the causes and impact of any turnover (departures or hiring/promotions) of any key professionals in the firm's U.S. Equity Investment Management group(s) in the past three (3) years. Complete the tables below with respect to each mandate you are proposing to BWC.

Passive U.S. Large Cap Equity					
Personnel Turnover					
Date	Name/Title	Responsibilities	Years at Firm	Reason for Leaving	Replaced by (name/title)
<u>Departed:</u>					
<u>Joined:</u>					
<u>Summary</u>					
For Calendar Year	Total # of Professionals	# Joined		# Departed	% Turnover
2012					
2011					
2010					

18. Describe the compensation structure and incentive program for professionals of the firm directly involved in overseeing investment management. How are portfolio managers, traders, and relationship managers evaluated and rewarded? What specific incentives are employed to ensure key professionals do not leave the firm either as a group or individually? Please describe the hiring and internal retention procedures for portfolio managers, traders, and research analysts.
19. How often could the investment advisory professional, portfolio manager, chief investment officer and/or firm president be available for client meetings? Who would be the client service officer assigned to BWC for this mandate? How often would he/she be available for client meetings?
20. Describe the firm's backup procedures in the event the key investment professional assigned to this account should leave the firm or be transferred to other accounts or duties.
21. Provide the following information regarding new, departed, and net new or (departed) clients for each of the last three (3) calendar years for all passive U.S. large cap equity accounts and for the passive Russell Top 200 benchmark index mandate your firm is proposing to BWC. If the firm has no clients or assets under management with a passive mandate specific to the Russell Top 200 benchmark index over this time period, please so state.

Year Ended	All Passive U.S Large Cap Equity Indexes		Russell Top 200 Index	
	\$ AUM	# Accounts	\$ AUM	# Accounts
<u>New Clients</u>				
12/31/2012				
12/31/2011				
12/31/2010				
<u>Departed Clients</u>				
12/31/2012				
12/31/2011				
12/31/2010				
<u>Net New/Departed/ Clients</u>				
12/31/2012				
12/31/2011				
12/31/2010				

7.2 Investment Philosophy / Process, Performance / Portfolio, Risk Management, and Operation

7.2.1. Investment Philosophy / Process

22. Describe the firm's philosophy concerning passive investment management and domestic equity products for institutional clients.
23. Please describe the firm's investment management process on the proposed product and identify the person or persons who are involved in this process.

24. List those features that distinguish the firm’s investment approach from competitors.
25. Please describe any capacity constraints that may limit the prospective firm’s ability to successfully execute this program.
26. What is the average cash percentage position of the subject product? What is the maximum allowable range for a cash position?

7.2.2 Performance/Portfolio

27. Please list the different domestic equity mandates, both passive and active, which the firm manages for institutional clients. Please include the number of institutional clients to which the firm provides passive U.S. large cap equity investment management.
28. List all asset classes managed by the firm, both passive and active (i.e. Domestic Small Cap Equity, Foreign All Cap Equity, Domestic Investment Grade Core Fixed Income, Domestic High Yield Fixed Income, etc).
29. Indicate the total passively managed domestic equity assets and also indicate what percent of this passive portfolio is managed for public fund clients. Additionally provide the largest public plan \$ account (and name) for both total all passive U.S. equity mandates under management as well as for each benchmark specific passive U.S. large cap equity mandate under management. You are encouraged to provide information separately in the right half of the following table format for each prominent U.S. large cap equity benchmark with passively managed assets under management by your firm, including the Russell Top 200 benchmark index proposed for this mandate.

Period	Total Passive U.S. Equity Mandates			Benchmark Specific Passive U.S. Large Cap Equity Mandate		
	\$- mm	% of \$ AUM with Public Clients	# of Accts	\$- mm	% of \$ AUM with Public Clients	# of Accts
As of 3/31/2013						
12/31/2012						
12/31/2011						
12/31/2010						
12/31/2009						
12/31/2008						
				State Benchmark:		

30. Provide the firm’s performance data both gross and net of management fees, excluding securities lending income, for passively managed assets in the following tables. Additionally, provide additional securities lending return in basis points to client and assumed income split where requested. You are encouraged to provide information separately in these following table formats for each prominent U.S. large cap equity benchmark with passively managed assets under management by your firm, including the Russell Top 200 benchmark proposed for this mandate.

Passive U.S. Large Cap Equity							
Period	Benchmark Return	Gross of Fees*		Net of Fees*		Sec Lending	
		Portfolio Return	Variance to Benchmark	Portfolio Return	Variance to Benchmark	Portfolio Return	Split
1 yr (ending 12/31/12)							
3 yr (ending 12/31/12)							
5 yr (ending 12/31/12)							
10 yr (ending 12/31/12)							
Since Inception Date							
State Inception Date:							
State Benchmark:							

*“Gross of Fees” and “Net of Fees” returns should EXCLUDE securities lending income

Passive U.S. Large Cap Equity								
Calendar Year Period	Benchmark Return	Gross of Fees*		Net of Fees*		Period end # of Accounts	Sec. Lending	
		Portfolio Return	Variance to Benchmark	Portfolio Return	Variance to Benchmark		Portfolio Return	Split
2012								
2011								
2010								
2009								
2008								
State Benchmark:								

*“Gross of Fees” and “Net of Fees” returns should EXCLUDE securities lending income

31. Describe the composite used to compute performance results for each benchmark reported in the tables of question 30.

32. Have the performance numbers provided in the tables of question 30 been audited?

33. If the number of accounts used in the composite is different from the number of accounts identified in the table(s) of question 46 of Section 7.2.4 of this RFP, please explain why certain accounts were excluded. Please note if returns are net or gross of fees (gross preferred), and if they are CFA institute GIPS compliant.

34. When presenting “net of fees” returns, disclose exactly what other fees are deducted from gross returns in addition to the investment management fee.
35. Comment and provide attribution on any periods of time when the firm’s strategy for this mandate or most comparable mandate (please note and explain) experienced high variances to the benchmark return. Please be specific as to the reasons for these notable performance variances for each period provided.
36. What is the typical number of securities owned in a separate account portfolio for this product and does this number vary by size of separate account managed for this mandate?
37. What has been the average annual portfolio turnover of securities for this product for separate accounts over each of the past five (5) years ending December 31, 2012?
38. What percentage of the accounts submitted in this proposal is included in the performance results provided?
39. What percentage of the assets submitted in this proposal is included in the performance results provided?
40. Are terminated accounts included in the performance results provided?
41. Is there any exclusion from the performance results provided? If so, please detail.

7.2.3 Risk Management

42. Please characterize the anticipated tracking error of the proposed management style to the BWC relative to the Benchmark Index.
43. How does the firm measure and monitor risk at the client portfolio level, ensuring that risk parameters are in line with portfolio returns?
44. Can trade date accounting be provided? Are the performance returns regularly reconciled with the custodian and/or client?
45. What is the policy and practice in the use of derivatives with regard to the mandate proposed? What are the specific derivatives that your firm would propose using for the mandate and for what purpose(s) would these derivatives be employed? What would be the effect on returns, tracking error, duration, and risk with and without the use of derivatives relative to the mandate? What would be the effect on returns, tracking error, duration, and risk with the use of futures contracts only relative to the mandate? Describe exactly how the firm monitors and manages risks associated with any derivatives, including the controls in place to monitor the trading of derivatives.

7.2.4 Operations

46. Provide a breakdown of assets for all passive U.S. large cap equity portfolios under management by asset size and year for separate accounts, as well as by size of account as of December 31, 2012. Please include a separate table for all assets and accounts passively managed specifically to the Russell Top 200 benchmark index, if any.

Passive U.S. Large Cap Equity						
Year Ending:	\$ Separate Account AUM	# of Accounts		Size of Account as of 12/31/2012	\$ Separate Account AUM	# of Accounts
As of 12/31/2012				Under \$100 mm		
As of 12/31/2011				\$100mm to \$250 mm		
As of 12/31/2010				\$250 mm to \$500 mm		
As of 12/31/2009				\$500 mm to \$1 billion		
As of 12/31/2008				\$1billion to \$2billion		
				Over \$2 billion		
				Total		

47. Please provide at least four (4) current public funds and/or insurance company clients and contact information as references. Please provide date of account inception, and a contact name, title, phone number and email address of a contact person for each public fund and/or insurance company client reference. The BWC will respect any preference that your firm be contacted first by BWC prior to the BWC contacting the public fund or insurance company client references.
48. Provide samples of client monthly, quarterly and annual reports including risk reports. What other communication is provided to clients (include description and/or samples of newsletters, seminars, research, etc.)?
49. Is the firm or its parent or affiliate a broker-dealer? Does the firm trade for client accounts through this broker-dealer? If so, state how much trading, and the reason for trading with this related party.
50. How are trading costs (market impact plus commissions) monitored? How are transaction costs managed to reduce their negative impact on performance?
51. Describe the firm's internal domestic equity trading desk(s). How are the firm's internal traders monitored and evaluated for trading execution effectiveness?
52. Please provide the dollar values of the soft dollar trades for the year ended December 31, 2012 broken down by those directed by clients and by the firm for either the proposed mandate or most comparable mandate to the proposed mandate. Please indicate the current brokerage relationships for directed business that benefit the firm and what services/products were provided.

7.3 FEES

53. Provide the firm’s proposed fee schedule (in basis points). Additionally, provide fee breakpoints. Finally, disclose applicable minimum fees, if any. If a fee chart for a mandate is incomplete, the firm will not be considered for that particular mandate. The market value of BWC assets to be allocated to the Passive U.S. Large Cap Equity Investment Management firm is expected to be in the \$2.7 billion to \$2.9 billion range.

Passive Large Cap U.S. Equity Mandate (<i>separate account fees</i>)	Without Sec. Lending	With Sec. Lending*	Sec. Lending Split
(insert ranges here)			

*Please Note: Securities lending is currently suspended and not permitted in the BWC trust funds.

54. Under what circumstances are the fees provided in your response to the preceding question negotiable? Have more favorable terms ever been provided to other investors when compared to the BWC proposed fee schedule represented in your response to the preceding question? If yes, please describe.

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. If there is any conflict between the Request for Proposals and the selected Proposal, the Request for Proposals controls.

BWC and the successful vendor shall execute a contract based on the terms of this RFP and 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 three (3) years and can be renewed for additional three (3) year terms, without limit, 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 BWC or to the authority of the BOD over BWC's investment activities.

8.4 Contract Compliance

During the term of this contract, 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. 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 to the vendor, in writing of its intent to so terminate for convenience and the effective date of such termination, and the vendor may terminate the contract for convenience by giving not less than ninety (90) days notice to BWC, in writing of its intent to so terminate for convenience and the effective date of such termination. In the event that termination under either of these provisions 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. *BWC is a non-ERISA agency.*

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, for any contract in the amount of \$2500.00 or more, the 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 website:

<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 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 the contract 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 gross 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 Investment Manager shall submit quarterly invoices electronically to BWC Investment and Finance Divisions E-Mail boxes:

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

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 Investment Manager 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 this Agreement on the part of BWC.

8.14 Workers' Compensation and Liability Insurance

Before a contract can be awarded or renewed, the vendor shall submit 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 BWC's sole discretion.

Before a contract can be awarded or renewed, 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 each of 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.

8.15 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.

8.16 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.

8.17 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.

8.18 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.

8.19 Intellectual Property & Confidentiality

The vendor agrees to keep all data, information and documents furnished by BWC under the contract in strict confidence. The vendor agrees to use any confidential information to which it has access during the work under the contract only for the purpose of completing work under the contract. 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.

8.20 Assignment and Subcontracting

- A. The vendor will not assign any of its rights nor delegate any of its duties and responsibilities under the contract without prior written consent of BWC. Any assignment or delegation not consented to may be deemed void by BWC. However, BWC'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.
- B. 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 BWC, if the vendor was selected based in part on its experience, corporate structure, responsibility or conflicts of interest, which factors have changed. BWC may withdraw the contract award or it may declare the contract "void ab initio" and may select another finalist firm for a contract under this RFP.
- C. 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 BWC of the change and that change may be deemed a material change by BWC, and may be deemed grounds for terminating the contract under this RFP.

8.21 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 ORC Section 9.24 (A) and the vendor qualifies for and has taken the necessary steps to resolve the finding for recovery pursuant to ORC 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.

8.22 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.

8.23 Conflicts of Interest and Ethics Compliance Certification

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 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 BWC or any of its board members, officers, employees, or agents, or any third party in any of the engagements of the contract 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.

8.24 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: 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. This prohibition does not apply if 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.

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.

8.25 Background Checks

Vendor warrants that, to the best of its knowledge, none of its employees who will be investing assets of BWC has been convicted of or pleaded guilty to a financial or investment crime. Vendor warrants that, to the best of its knowledge, none of its subcontractors' or agents' employees who will be investing assets of BWC has been convicted of or pleaded guilty to a financial or investment crime. Vendor agrees to notify BWC if it discovers that any employee investing assets of BWC has been convicted of or pleaded guilty to a financial or investment crime.

Pursuant to ORC section 4123.444, vendor agrees that it will provide to BWC a list of all key employees (those who will be investing assets of BWC) with each employee's state of residence for the five years prior to the date of BWC's request and a list of all subcontractors' and agents' employees who will be investing assets of BWC with each employee's state of residence for the five years prior to the date of BWC's request. For all such employees BWC requires the completion of a form with standard impression sheet to obtain fingerprints for such employees, and Vendor agrees to provide these completed forms with standard impression sheets. If Vendor or any subcontractor or agent assigns a new key employee to invest assets of BWC, Vendor agrees to provide to BWC the name, state of residence, and form with standard impression sheet to obtain fingerprints for such new employee.

If any employee described in this provision has been or is convicted of or pleaded guilty to a financial or investment crime or if Vendor or any of its subcontractors or agents fail to comply with this provision, Vendor agrees to allow BWC to terminate the contract. Vendor agrees to waive redemption fees if termination is made under this provision.

8.26 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, the contract will be declared "void ab initio" and vendor shall immediately repay to BWC any funds paid under the contract.

The Ohio Bureau of Workers' Compensation



Statement of Investment Policy and Guidelines

Adopted by the BWC Board of Directors: June 21, 2013

Amends Adoption of: November 30, 2012

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

Table of Contents

<u>General Policy</u>	<u>Page</u>
I. Investment Objectives	IPS - 1
II. Background	IPS - 1
III. Roles and Responsibilities	IPS - 2
IV. Investment Policy Guidelines.....	IPS - 7
V. Performance Objectives	IPS - 15
VI. Target Asset Mixes and Ranges.....	IPS - 15
A. State Insurance Fund (SIF)	
B. Disabled Workers' Relief Fund (DWRF)	
C. Coal Workers' Pneumoconiosis Fund (CWPF)	
D. Public Work-Relief Employees' Fund (PWRF)	
E. Marine Industry Fund (MIF)	
F. Self Insured Employers Guarantee Fund (SIEGF)	
VII. Investment Policy Statement Review	IPS - 23
VIII. Fair Consideration / Public Interest Policy	IPS - 23
 APPENDICES	
A. Investment Category Performance Benchmarks.....	IPS - 25

**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 ("BWC") State Insurance Fund and Specialty 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 ("CIO") and the BWC 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 the BWC, and the CIO of the BWC 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 BWC, 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.

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

B. BWC Staff Responsibilities

The CIO shall be employed by the Administrator, with the advice and consent of the Board, and shall be a senior member of the BWC staff with the primary responsibility for implementing the Investment Policy. Subject to the supervision and control of the Administrator, the CIO 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 periodic basis to determine achievement of goals and compliance with the guidelines set forth in this Investment Policy. Investment performance for managers of stocks and bonds will be computed monthly. Performance for real estate managers and other less liquid investments will be computed quarterly. Formal compliance reports for all managers will be compiled at least once a year or more often as deemed necessary.
- iv. Provide a report of monthly market value changes by investment asset class.
- v. Consult with and receive approval from the Board on the selection and termination of all Investment Consultants.
- vi. Consult with and receive approval from the Board on the selection and termination of all Investment Managers and General Partners.
- vii. 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.
- viii. Implement the directives of the Board.
- ix. Supervise the management of each Fund's assets in accordance with this Investment Policy and the objectives and guidelines set forth herein. Any notable exceptions to Investment Manager and General Partner portfolio guidelines will be reported to the Board on a timely basis. If there are no exceptions known to the BWC investment staff, the CIO shall so state to the Board on a monthly basis.
- x. Consult with and receive approval from the Board regarding criteria and procedures to be utilized to select Investment Managers and General Partners.
- 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.

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

- 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 and General Partners as necessary and appropriate to discuss account performance and other material information.

C. Investments Managers' Responsibilities

Each Investment Manager of fixed income assets and/or publicly traded equity assets of the Funds 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. Acknowledge and agree in writing to their fiduciary responsibility to fully comply with relevant sections of the Investment Policy.
- v. Provide to the BWC investment staff on at least a quarterly basis the status of each portfolio managed for the Funds and its performance for various time periods.
- vi. Consult with the CIO and/or other BWC investment staff on at least an annual basis regarding the status of each portfolio managed for the Funds with respect to achieving portfolio goals and objectives as well as the market outlook related to each portfolio.
- vii. Provide the BWC investment staff with compliance reports as deemed appropriate and necessary.
- viii. 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.
- ix. Provide monthly performance evaluation reports that comply with the Global Investment Performance Standards (GIPS) issued by the CFA Institute.

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

- x. Provide the BWC investment staff with firm's Brokerage, Soft Dollar and Trade Execution Policy on an annual basis.
- xi. Provide the BWC investment staff 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.
- xii. Provide the BWC investment staff with the firm's Ethics Policy and annual confirmation of its compliance with said policy.
- xiii. Provide the BWC investment staff with the firm's most recent Form ADV on an annual basis if such document is required to be filed by law.
- xiv. 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.
- xv. Promptly inform the CIO in writing of all changes of a material nature pertaining to the firm's organization and professional staff.
- xvi. If directed by the Administrator and/or the CIO, 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 BWC 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.

D. General Partners' Responsibilities

Each General Partner (including each real estate fund investment manager) 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 and contained within the specific portfolio guidelines of their Partnership/Fund and/or Subscription Agreement.
- iii. Acknowledge and agree in writing to their fiduciary responsibilities to fully comply with relevant sections of the Investment Policy.
- iv. Provide to the BWC investment staff on at least a quarterly basis the status of each portfolio managed for the Funds and its performance for various time periods.
- v. Consult with the CIO and/or other BWC investment staff on at least an annual basis regarding the status of each portfolio managed for the Funds with respect to achieving portfolio goals and objectives as well as the market outlook related to each portfolio.
- vi. Provide the BWC staff with compliance reports as deemed appropriate and necessary.

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

- vii. Provide the BWC investment staff with quarterly financial statements and an audited annual financial statement for each partnership or fund to which the BWC has made a commitment.
- viii. Provide the BWC investment staff with an annual Valuation Certification attesting to the value of the BWC holdings in each partnership or fund.
- ix. Provide the BWC investment staff with the firm's Ethics Policy and annual confirmation of its compliance with said policy.
- x. Promptly provide the BWC investment staff with a detailed report of all capital calls and/or distributions for each partnership or fund.
- xi. 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.
- xii. 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 and General Partner performance on an ongoing basis.
- vii. Conduct due diligence on the Funds' current and prospective Investment Managers and General Partners.
- viii. Confirm a procedural due diligence search process to include criteria and procedures to be utilized for the selection of Investment Managers and General Partners.
- ix. Provide the BWC investment staff 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 CIO 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.

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

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 CIO 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%).

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

4. The CIO will present a rebalancing recommendation to the Senior Officer Review Team, which consists of the BWC Administrator, the Chief Operating Officer, the Chief Fiscal & Planning Officer and the Director of Investments, for approval before any such asset rebalancing can be implemented and executed.
5. Rebalancing less liquid asset classes, such as real estate, should not be undertaken as automatically as transactions designed to rebalance the more liquid asset classes with ready public markets. Many factors need to be considered when contemplating transactions intended to restore desired asset class targets in less liquid assets, including:
 - a. the availability of product to purchase
 - b. existing queues for entering or exiting desirable investments
 - c. the availability of investable cash
 - d. natural wind downs of less liquid commitments in the near future

No simple rule will describe every situation but, as a guide, the Senior Officer Review Team should strive to maintain invested levels in less liquid assets as close as practicable to the target levels prescribed in Section VI, given the market conditions that prevail. Less liquid assets should rarely be sold for the primary purpose of portfolio rebalancing. Most of the time, market conditions and cash flow will allow achieving targeted allocation levels with the passage of time.

For purposes of determining quarterly asset allocation percentages for rebalancing, allocations to less liquid assets that are committed but not yet invested need to be accounted for, as do known or expected returns of capital invested. In addition, market values for less liquid assets may often lag market values for liquid assets by as much as three months, and this must be tolerated.

6. Finally, the CIO 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 CIO, 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 CIO. 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 CIO.

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

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 management investment strategies, should manage more than 15% of the Funds' assets at the time it is funded by BWC.
 - On a prospective basis, an investment organization which utilizes passive management investment strategies, may manage up to 50% of the Funds' assets at the time it is funded by BWC. 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 management investment strategies, or General Partner should not exceed 20% of the total assets managed by the firm or General Partner for all clients in that asset class at the time it is funded by BWC. 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 such as bonds or stocks but shall exclude the real estate asset class which will be governed by its own specific diversification guidelines that follow.
 - At the time of commitment, the amount of the Fund's capital commitment to any one Core real estate fund is limited as follows:
 - a. If the net asset value (i.e., largely real estate asset value minus debt value) of a Core real estate fund is less than \$500 million, the Fund's capital commitment cannot exceed the lower of (i) 20% of such Core fund's net asset value and (ii) \$75 million;
 - b. If the net asset value of a Core real estate fund is between \$500 million and \$1 billion, the Fund's capital commitment cannot exceed the lower of (i) 15% of such Core fund's net asset value and (ii) \$100 million; and
 - c. If the net asset value of a Core real estate fund is \$1 billion or higher, the Fund's capital commitment cannot exceed the lower of (i) 10% of such Core fund's net asset value and (ii) \$200 million.

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

- The amount of the Fund's capital commitment to any one Value-Added real estate fund cannot exceed the lower of (i) 20% of the total capital commitments to such Value-Added fund and (ii) \$50 million.

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. Active managed fixed income investment mandates shall be managed to provide an enhanced return-to-risk profile and excess investment return performance relative to an assigned fixed income benchmark.

Active managed Long Duration Credit fixed income portfolios are to have the following complementary objectives:

- Controlling/reducing risk and notable market value deterioration, independent of general interest rate increases, by eliminating/avoiding exposure to prominent declining credits.
- Emphasizing the careful selection of well-researched credit holdings sufficiently diversified by both issuers and industry/sector groups.
- Achieving acceptable risk-adjusted portfolio returns by outperforming the benchmark index by 0.25% (25 basis points) per annum net-of-fees over the trailing three-year period within acceptable returns tracking error and dispersion objectives.
- Outperforming the peer group manager total return median over the trailing three-year period net-of-fees.

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.

Actively managed U.S. equity investment mandates shall be managed to provide an enhanced return-to-risk profile pursuant to a specific and identified investment style and strategy. Active equity managers should make specific investments to capitalize on what they believe are valuation inefficiencies in the marketplace with the goal of providing excess investment return performance relative to its assigned benchmark.

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

Actively managed Mid Capitalization and Small Capitalization U.S. equity portfolio are to have the following complementary objectives:

- Primary objective should be capital appreciation.
- Emphasizing the careful selection of well-researched equity holdings sufficiently diversified by both industry and sector groups.
- Achieving acceptable risk-adjusted portfolio returns by outperforming the benchmark index (net-of-fees) over the trailing three-to-seven year period. Investment managers should attempt to achieve these returns within acceptable ranges of risk (measured by standard deviation of returns).
- Outperforming the peer group manager total return median over the trailing three-to-seven year period net-of-fees.

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. Real Estate

The investment goal of the real estate investments is to offer the State Insurance Fund a broad exposure to the return opportunities, portfolio diversification effects, inflation protection features and investment characteristics associated with the institutional quality U.S. commercial real estate market. Eligible real estate investments will consist of U.S. concentrated private open-end Core real estate funds and U.S. concentrated private Value-Added real estate funds.

Core real estate funds are to have the following complementary objectives:

- Emphasizing the careful acquisition of high quality, well-leased commercial real estate properties sufficiently diversified by number, property type and geographical location and the subsequent effective professional management of such properties until such time as determination is made by the fund manager to dispose of such properties at acceptable market value.
- Achieving acceptable risk-adjusted portfolio returns by meeting or exceeding the benchmark index returns per annum gross of management fees over the trailing three-year period within acceptable returns tracking error.

Value-Added real estate funds are to have the following complementary objectives:

- Emphasizing the careful acquisition of commercial real estate properties sufficiently diversified by number at sufficiently low and attractive prices that have the potential for increases in tenant occupancy rates and leasing income attained from capital improvements

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

and effective property management to provide the fund targeted expected rates of return for investors over the projected holding period.

- Achieving acceptable risk-adjusted portfolio returns by exceeding the benchmark index return gross of management fees by at least 200 basis points per annum over the trailing three-year period within acceptable tracking error.

Leverage in the Real Estate portfolio: Real Estate Fund managers typically will borrow money to supplement the equity capital provided by their investors; these borrowings are obligations of the real estate fund and not of the BWC. As a percentage of the market value of the properties held by the fund, these borrowings typically will fall in a range of 15% - 40% for Core real estate funds and 0% - 70% for Value-Added real estate funds.

There are two principal factors to be considered in setting acceptable targets for the level of borrowing, often called leverage, in the Real Estate portfolio:

- The amount of leverage in a single fund is not a constant. It varies as the market value of the properties in the fund varies. In the case of closed-end funds it also varies as the fund matures. In the early days of a typical Value-Added closed-end fund, the fund may utilize very little leverage. But as properties are accumulated, the borrowing as a percentage of the properties will increase.
- The leverage of any particular fund is not as important as the aggregate leverage of the real estate portfolio.

The BWC investment staff and the consultant will carefully monitor the aggregate level of leverage in the real estate portfolio and will seek a target leverage ratio level that does not exceed 50% for the aggregate real estate portfolio. This leverage ratio is the ratio of total borrowings in all the real estate funds invested in by the BWC to the total market value of the properties in the funds. This calculation will be made at the end of each fiscal year and reported to the Board as soon as it is available.

vi. **Cash Equivalents**

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

vii. **Securities Lending**

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

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

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.

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).

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

ix. **Commission Recapture / Directed Brokerage**

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

x. **Placement Agents**

BWC and its Funds do not hire, engage, employ, or otherwise retain Placement Agents and do not use the services of Placement Agents. No Investment Manager or General Partner shall hire, engage, employ, or otherwise retain the services of any Placement Agent for the purpose of securing or maintaining the management of BWC investment funds. BWC monies will not be used to pay Placement Agents, directly or indirectly. Disclosure requirements and Remedies for failure to comply with the Placement Agent Policy will be provided by the BWC Policies, amended as they are from time to time.

xi. **General Prohibitions**

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

1. Short selling with the exception of selling futures contracts for risk-control purposes.
2. The use of all forms of leverage or the purchase of securities with borrowed money is prohibited, except that:
 - a. The Board recognizes that financial futures are generally purchased on margin and this is permitted.
 - b. Real estate funds generally employ leverage at the fund and/or property level, and this is approved within the guidelines described in Section IV.C.v.
3. Coins, artwork, horses, jewelry, gems, stamps, antiques, artifacts, collectibles, and memorabilia.
4. 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.

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

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

The table following 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.

<u>State Insurance Fund</u>			
<u>Investment Category</u>	<u>Target Allocation</u>	<u>Permissible Range</u>	<u>Performance Benchmark</u>
Active Long Duration Fixed Income – Credit Bonds	28%	22% - 34%	Barclays Capital U.S. Long Credit Index
Indexed Long Duration Fixed Income – U.S. Government Bonds	9% ↓ *6%*	6% - 12% ↓ *3% - 9%*	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%**	14% - 20% ↓ **11% - 17%**	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% → 64%		
Core Real Estate Funds	4.5%	3% - 6%	NCREIF – ODCE Index
Value-Added Real Estate Funds	1.5%	.75% - 2.25%	NCREIF – ODCE Index
Total Real Estate	6%		

* Allocation Target and Range after initial 3% allocation completed for Real Estate.

** Allocation Target and Range after full 6% allocation completed for Real Estate.

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

State Insurance Fund (Continued)

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Permissible Range</u>	<u>Performance Benchmark</u>
Indexed U.S. Large-Cap Equity	12%	9% - 15%	Russell Top 200 Large Cap Index
Active Mid-Cap Value U.S. Equity	2%	1.25% - 2.75%	Russell Midcap Value Index
Active Mid-Cap Growth U.S. Equity	2%	1.25% - 2.75%	Russell Midcap Growth Index
Active Mid-Cap Core U.S. Equity	1.5%	.75% - 2.25%	Russell Midcap Index
Active Small-Cap Value U.S. Equity	.75%	.5% - 1%	Russell 2000 Value Index
Active Small-Cap Growth U.S. Equity	.75%	.5% - 1%	Russell 2000 Growth Index
Active U.S. Equity (MWBE MoM)***	1%	.5% - 1.5%	Russell 3000 All Cap Index
Indexed Non-U.S. Equity	10%	7% - 13%	MSCI All World ex-U.S. Index

Total Public Equity **30%**

<u>Total State Insurance Fund</u>	<u>100%</u>	<u>Fund Policy Performance Benchmark</u>
		<u>A weighted index consisting of:</u>
		28% BC U.S. Long Credit Index
		6% BC U.S. Long Govt Index
		15% BC U.S. Aggregate Index
		14% BC U.S. TIPS Index
		1% 3-Month U.S. Treasury Bills
		12% Russell Top 200 Large Cap Index
		2% Russell Midcap Value Index
		2% Russell Midcap Growth Index
		1.5% Russell Midcap Index
		.75% Russell 2000 Value Index
		.75% Russell 2000 Growth Index
		1% Russell 3000 All Cap Index
		10% MSCI All World ex-U.S. Index
		6% NCREIF – ODCE Index

***Minority-Owned and/or Women-Owned Business Enterprises Manager-of-Managers Program

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

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.

<u>Disabled Workers' Relief Fund</u>			
<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
Total Fixed Income	70%		
Indexed U.S. Equity	20%	17% - 23%	Russell 3000 Stock Index
Indexed Non-U.S. Equity	10%	7% - 13%	MSCI All World ex-U.S. Index
Total Public Equity	30%		
Total Disabled Workers' Relief Fund	100%		Fund Policy Performance Benchmark
			<u>A weighted index consisting of:</u>
			34% BC U.S. Aggregate Index
			35% BC U.S. TIPS Index
			1% 3-Month U.S. Treasury Bills
			20% Russell 3000 Stock Index
			10% MSCI All World ex-US Index

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

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.

<u>Coal Workers' Pneumoconiosis Fund</u>			
<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
Total Fixed Income	80%		
Indexed U.S. Equity	13%	10% - 16%	Russell 3000 Stock Index
Indexed Non-U.S. Equity	7%	4% - 10%	MSCI All World ex-U.S. Index
Total Public Equity	20%		
Total: Coal Workers' Pneumoconiosis Fund	100%		Fund Policy Performance Benchmark <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 Stock Index 7% MSCI All World ex-U.S. Index

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

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.

<u>Public Work-Relief Employees' Fund</u>			
<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
Total Fixed Income	100%		
Total Public Equity	0%		
			Fund Policy Performance Benchmark
Total: Public Work-Relief Employees' Fund	100%		<u>A weighted index consisting of:</u> 99% BC Intermediate U.S. Gov / Credit Index 1% 3-Month U.S. Treasury Bills

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

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.

<u>Marine Industry Fund</u>			
<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
Total Fixed Income	100%		
Total Public Equity	0%		
Total: Marine Industry Fund	100%		Fund Policy Performance Benchmark <u>A weighted index consisting of:</u> 99% BC Intermediate U.S. Gov/Credit Index 1% 3-Month U.S. Treasury Bills

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

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.

<u>Self Insured Employers Guarantee Fund</u>			
<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
Total Fixed Income	100%		
Total Public Equity	0%		
			Fund Policy Performance Benchmark
Total: Self Insured Employers Guarantee Fund	100%		<u>A weighted index consisting of:</u> 100% 3-Month U.S. Treasury Bills

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

VII. INVESTMENT POLICY STATEMENT REVIEW

The Board in conjunction with the Administrator, CIO 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.

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

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.

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

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 Index

The Barclays Capital U.S. Long Government 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, and U.S. federal agency securities. The index typically has a weighted average duration in excess of ten years which is considered to be long-term in duration.

III. Barclays Capital U.S. Long Credit Index

The Barclays Capital U.S. Long 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. corporate securities, non-U.S. corporate securities, U.S. municipal securities, non-U.S. government securities (both sovereigns and regionals) and supranational organizations. Non-U.S. issuers represent a relatively 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.

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

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. 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.

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. Russell Top 200 Large Cap Index

The Russell Top 200 Index is a market capitalization weighted index maintained by Russell Investment Group that includes approximately 200 of the largest U.S. eligible stocks by market cap. The index is a subset of the Russell 1000 Index and is constructed to provide a comprehensive and unbiased barometer for this very large market capitalization segment 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.

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

VIII. Russell Midcap Index

The Russell Midcap Index is a market capitalization weighted index maintained by Russell Investment Group. The index is a subset of the Russell 1000 index that includes approximately 800 of the smallest U.S. eligible stocks by market cap within the Russell 1000 index. The index is constructed to provide a comprehensive and unbiased barometer for the mid-cap segment of the U.S. equity market and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid-cap opportunity segment. It is calculated on a total return basis with all dividends reinvested.

IX. Russell Midcap Value Index

The Russell Midcap Value Index is a market capitalization weighted index maintained by Russell Investment Group. The index is a subset of the Russell Midcap index and includes those U.S. companies with lower price-to-book ratios and lower forecasted growth rates. The index is constructed to provide a comprehensive and unbiased barometer for the mid-cap value segment of the U.S. equity market and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid-cap value market. It is calculated on a total return basis with all dividends reinvested.

X. Russell Midcap Growth Index

The Russell Midcap Value Index is a market capitalization weighted index maintained by Russell Investment Group. The index is a subset of the Russell Midcap index and includes those U.S. companies with higher price-to-book ratios and higher forecasted growth rates. The index is constructed to provide a comprehensive and unbiased barometer for the mid-cap growth segment of the U.S. equity market and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid-cap growth market. It is calculated on a total return basis with all dividends reinvested.

XI. Russell 2000 Index

The Russell 2000 Index is a market capitalization weighted index maintained by Russell Investment Group. The index is a subset of the Russell 3000 index and includes those U.S. incorporated and traded stocks that represent the small-cap segment of the U.S. equity universe the index includes approximately 2000 of the smallest securities based on market capitalization within the Russell 3000 index. The index is constructed to provide a comprehensive and unbiased barometer for the small-cap segment of the U.S. equity market and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity segment. It is calculated on a total return basis with all dividends reinvested.

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

XII. Russell 2000 Value Index

The Russell 2000 Value Index is a market capitalization weighted index maintained by Russell Investment Group. The index is a subset of the Russell 2000 index and includes those U.S. eligible companies with lower price-to-book ratios and lower forecasted growth rates. The index is constructed to provide a comprehensive and unbiased barometer for the small-cap value segment of the U.S. equity market and is completely reconstituted annually to ensure larger value stocks do not distort the performance and characteristics of the true small-cap value market. It is calculated on a total return basis with all dividends reinvested.

XIII. Russell 2000 Growth Index

The Russell 2000 Growth Index is a market capitalization weighted index maintained by Russell Investment Group. The index is a subset of the Russell 2000 index and includes those U.S. eligible companies with higher price-to-book ratios and higher forecasted growth rates. The index is constructed to provide a comprehensive and unbiased barometer for the small-cap growth segment of the U.S. equity market and is completely reconstituted annually to ensure larger growth stocks do not distort the performance and characteristics of the true small-cap growth market. It is calculated on a total return basis with all dividends reinvested.

XIV. 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.

XV. NCREIF – ODCE Index

The NCREIF - ODCE (Open End Diversified Core Equity) index is a market-capitalization-weighted index of investment returns before management fees of virtually all existing institutional quality private open-end commingled real estate funds emphasizing a diversified core investment strategy in the U.S. commercial real estate property market. The index is maintained by the not-for-profit National Council of Real Estate Investment Fiduciaries (NCREIF) institutional real estate trade association which calculates time-weighted rates of return of each core real estate fund comprising the index in order to calculate and publish the overall aggregate index return on a calendar quarterly basis.