

REQUEST FOR PROPOSALS

by the

STATE OF OHIO

BUREAU OF WORKERS' COMPENSATION

for

**Minority-Owned and/or Women-Owned Business Enterprises
(MWBE)**

Manager of Managers (MoM) Services

March 17, 2011

Bid # BWCB11004

RFP ISSUED:	March 17, 2011
QUESTION PERIOD BEGINS:	March 28, 2011
QUESTION PERIOD ENDS:	April 1, 2011 at 8:00 A.M. EDT
PROPOSAL DUE DATE:	April 21, 2011 by 2:00 P.M. EDT

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

OPENING LOCATION:	Ohio Bureau of Workers' Compensation (BWC) Purchasing Department 30 W. Spring Street, Level 24 Columbus, OH 43215-2256
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READ ALL CONDITIONS AS SET FORTH IN THIS REQUEST FOR PROPOSALS (RFP) FOR A FULL UNDERSTANDING OF THE REQUIREMENTS

1.0 BACKGROUND AND NATURE OF PROJECT

1.1 Purpose of the Request for Proposals

The purpose of this RFP is to locate and contract with one or more MWBE Manager of Managers vendor(s) for the BWC State Insurance Fund that have demonstrated experience with, and success in identifying and hiring MWBE investment managers. Several specific duties are more fully described in Section 4.0 of this RFP to assist the Ohio Bureau of Workers' Compensation (BWC) in its MWBE Manager of Managers Program (Program).

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

The Program is established to accomplish the mission of identifying and hiring MWBE investment managers that meet or exceed the risk-adjusted return expectations set forth by the BWC for all investment managers.

The primary goals of the Program are to:

1. Generate superior Fund return performance through the Program, and
2. Further diversify the Fund's overall investment program, so as to enhance the risk-adjusted returns of the BWC State Insurance Fund.

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

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

1.2 Definitions and Abbreviations

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

1.3 BWC General Background

Under the mandates of the Ohio Revised Code (ORC), the Ohio workers' compensation system is the largest exclusive state insurance fund system in the United States, with investment assets of \$20.1 billion as of December 31, 2010 and annual insurance premiums and assessments of approximately \$2.1 billion. The Ohio workers' compensation system consists of the BWC, responsible for administrative and insurance functions, and the Industrial Commission of Ohio, responsible for claims adjudicative functions. BWC exercises fiduciary authority with respect to the State Insurance Fund (SIF) and related Specialty Funds. These BWC Trust Funds are held for the benefit of the injured workers and employers of Ohio. It is from these trust funds that all claims for both medical and compensation for disability benefits are paid with the exception of self-insured claims. Self-insuring employers have been granted the status of self-insurance by having proven ability to meet certain obligations set forth in ORC 4123.35. BWC monitors self-insuring employers, which administer their own workers' compensation claims. Presently, BWC processes claims, pays compensation and medical benefits to injured workers and underwrites workers' compensation coverage for employers doing business in Ohio. BWC also offers safety training and accident prevention programs to employers and helps injured employees return to work through rehabilitation programs. The BOD, as a fiduciary, oversees BWC's activities and functions.

SUMMARY OF BWC INVESTMENTS & CASH

(Unaudited as of December 31, 2010)

(\$ Millions)

Fund Name	Fixed Income	Equity	Cash	Total
State Insurance Fund (SIF)	12,248	5,933	193	18,374
Specialty Funds (DWRF, CWRF, PWRF, MIF, SIEGF)	1,156	497	49	1,702
Total	13,404	6,430	242	20,076

1.4 Minimum Qualifications

To be considered as a Manager of Managers for the purpose stated above, vendors submitting proposals must meet the following:

1. Contract to act as a fiduciary to the BWC and acknowledge in writing to comply 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 pursuant to the Investment Advisors Act of 1940, as amended. 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 either a separate account structure or a commingled account structure.
4. Vendors offering to provide Manager of Managers services must have at least three (3) years of performance history, as of December 31, 2010, for investments benchmarked against the Index or Indexes for which they are proposing to manage.
5. Have a lead portfolio manager to be assigned to the account with at least three (3) years experience, as of December 31, 2010, managing Manager of Managers programs against the Index or Indexes for which the vendor is proposing to manage.
6. Provide timely monthly performance evaluation reports and comply with the current Global Investment Presentation Standards (GIPS) issued by the CFA Institute.
7. Must be able to provide a compliant industry recognized standard for electronic trading/transmissions to the BWC, the BWC's sub-custodian (currently JPMorgan Chase Bank), and the BWC's master record-keeper (currently BNY Mellon) in a timely manner.
8. 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.
9. The Manager of Managers and its underlying investment managers 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.
10. The Manager of Managers and its underlying investment managers performing services for BWC and their respective personnel shall have all authorizations, permits, licenses and certifications required by federal, state and/or local law.
11. The Manager of Managers' underlying investment managers performing services for BWC must be minority-owned investment managers which 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 and defined as women-owned investment managers.
12. The Manager of Managers' underlying investment managers performing services for BWC must be duly and currently registered with the Securities & Exchange Commission pursuant to the Investment Advisors Act of 1940, as amended. If an underlying investment manager performing services for BWC 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.

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

2.0 CALENDAR OF EVENTS

The time schedule for this project is outlined below, and is subject to change. BWC may change this schedule at any time. If BWC changes the schedule before the Proposal due date, it will do so through an announcement on the State Procurement 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 for this RFP for current information regarding this RFP and its calendar of events through award of the Contract.

2.1 Dates

RFP Issued	March 17, 2011
Question Submission Period Begins	March 28, 2011
Question Submission Period Ends	April 1, 2011 (8:00 AM EDT)
Questions and Answers Posted	April 6, 2011
Proposals Due	April 21, 2011 (2:00 PM EDT)
Potential Interviews	May 24 – June 2, 2011
Contract Commences	September, 2011

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 local time) that the Proposals are due.

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

3.0 PROPOSAL INQUIRIES AND SUBMISSIONS

3.1 Questions

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

1. Access the State Procurement 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 April 1, 2011 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 the BWC will respond to all such inquiries. Communications directed elsewhere and/or not written may result in disqualification of the vendor. All BWC responses to inquiries will be in writing and will be made available to all responders to this RFP via the State Procurement 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 this 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 the 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 eight (8) hard copies of each proposal shall be submitted for evaluation. Proposals shall be clearly marked "BWC MWBE Manager of Managers Services Bid # BWCB11004" on the outside of the envelope. FAX transmittals will not be accepted. All copies must be received by BWC together and in a timely manner consistent with the schedule presented in Section 2.1.

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

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

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

Proposals must be sealed, and received in the BWC Purchasing Department by **2:00 PM EDT on April 21, 2011**. Proposals delivered after the deadline will not be accepted nor evaluated, and shall be deemed non-responsive. Proposals will be opened publicly after the 2:00 P.M. deadline at BWC.

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

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

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

3.4 Changes to the RFP by BWC

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

3.5 Vendor Costs for Responses Not Reimbursable by BWC

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

4.0 SCOPE OF SERVICES

4.1 General

Proposals are hereby solicited for MWBE Manager of Managers services for one or more of the following asset classes listed below. The target size of the MWBE Manager of Managers Mandate will be approximately 1% of the SIF assets or approximately \$185 Million. Respondents may propose their services for any one mandate or any combination of investment mandates for the asset classes listed below. The BWC will evaluate proposals for each asset class separately, and/or in combination, pending a final evaluation and scoring of the responding vendors. The BWC may hire a firm or firms to manage one or a combination of these mandates. BWC reserves the right to determine the number of MWBE Manager of Managers selected and the asset allocation amounts.

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

The MWBE Manager of Managers will be required to adhere to the following investment services and guidelines:

1. Identifying and monitoring the selected MWBE investment managers in the respective portfolio(s) managed for the BWC. BWC reserves the right to review and assist in developing the screening and selection criteria used to develop the Manager of Manager's portfolio. The MWBE Manager of Managers shall implement the BWC's MWBE Policy stated in the IPS and acknowledge its fiduciary responsibility for the assets it manages for BWC.
2. Managing the BWC assigned assets within the guidelines and restrictions of the BWC Investment Policy adopted by the Board. The MWBE Manager of Managers is responsible for identifying and monitoring MWBE compliance to the approved investment guidelines.
3. Providing expert due diligence for prospective MWBE external investment managers for the BWC SIF Funds. The specific duties performed by the selected Manager of Managers will include the following:
 - a. Maintaining a comprehensive database of global MWBE public market investment managers that at a minimum includes their assets under management, products, benchmarks, performance and fees.
 - b. Reviewing the benchmarks, performance objectives, risk tolerances and investment guidelines on a quarterly basis for the MWBE external public market investment managers selected to manage BWC invested assets.
 - c. Participate in quarterly meetings and as-needed conference calls to provide information to the BWC concerning the management or performance of the investment.
4. Cash equivalents held in the portfolio may be in U.S. dollar or non U.S. dollar denominated investments, as approved by the BWC's Investment Policy Statement.

5. With respect to international equity portfolio(s), the underlying investment managers in this portfolio may invest up to the benchmark (MSCI ACWI x U.S. Index) weight in emerging markets.
6. The Manager of Managers will have independent discretionary authority with respect to the investment of that portion of assets managed by the underlying Investment Manager.
7. 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 in evaluating the capabilities of the vendor.
8. The Manager of Managers shall provide electronic and hard copies of the monthly, quarterly and year to date performance reports, portfolio valuations, portfolio characteristics, portfolio holdings, and summary brokerage trading reports to the BWC Investment staff and the investment consultant.
 - a) The Manager of Managers shall ensure its underlying investment managers performing services for BWC provide electronic and hard copies of brokerage trading reports to BWC Investment staff.
 - b) The Manager of Managers shall ensure its underlying investment managers performing services for BWC use their best efforts to communicate trades by 4:30 PM Eastern Time to the Fund's sub-custodian (currently JPMorgan Chase Bank) and master record-keeper (currently BNY Mellon).
 - c) The Manager of Managers shall ensure its underlying investment managers performing services for BWC use their best efforts to complete monthly asset reconciliations with the Fund's sub-custodian (currently JPMorgan Chase Bank) by the 4th business day of each month in order to effect a timely prior month end close by BWC.
9. The Manager of Managers as well as the underlying investment managers performing services for BWC will document all investment transactions with the Fund's 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.
10. The Manager of Managers shall ensure its underlying investment managers performing services for BWC enter into agreements with BWC (the Manager of Managers may be, but is not required to be, a party to these agreements) in which these underlying investment managers affirm their fiduciary status and independently agree to comply with, at a minimum, the following Sections of this RFP: 8.7, 8.8, 8.10, 8.14, 8.17, 8.18, 8.19, 8.20, 8.21A, 8.22, 8.25, 8.26, 8.27, 8.28, and 8.29.

The scope of services defined in the final contract between the BWC and the Manager of Managers will be binding and will supersede this section of the RFP if different from the scope of services defined here.

The Manager of Managers will serve in a fiduciary capacity and by signing a contract affirm this fiduciary status, without qualification.

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 your responses identically. 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 MWBE Manager of Managers 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 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. The EC will have the operational support of BWC staff to administer the search process.

The BWC intends to select the MWBE Manager of Managers that provides the best value and best accomplishes the requirements and objectives set forth in the RFP in a manner most advantageous to the BWC.

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

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

6.2 Scoring the Proposals

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

- The Vendor's background, profile, and organization **Section 7.1 – 25%**
- The Vendor's philosophy & process, experience, performance, and professional staff **Section 7.2 – 60%**
- The Vendor's Fees **Section 7.3 – 15%**

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

6.3 Clarifications and Corrections

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

6.4 Basis for Award 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 the contract to the proposal other than the one with the highest number of points if, in BWC's sole determination, another proposal is determined to be the most advantageous to BWC and the State of Ohio, taking into consideration the price and evaluation criteria of the RFP, pursuant to Ohio Revised Code Section 125.071(E).

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 eight (8) 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):

Is your firm a certified MWBE firm? (If yes, please provide certification)

Yes

No

7.1 BACKGROUND, PROFILE AND ORGANIZATIONAL PRACTICES

1. Provide a general description and history of the firm, including:
 - a. When was your firm established? Describe the ownership structure of your firm. Identify affiliated or subsidiary organization(s).
 - b. Within the past three (3) years, have there been any significant developments in your 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. Do you expect any changes over the next five (5) years?
 - c. Over the past three (3) years, has your organization or any officer or principal been involved in any litigation or other legal proceedings related to your investment activities? If so, provide a brief explanation and indicate the current status.
 - d. Please provide an Equal Employment Opportunity Commission (EEOC) chart.
2. If the firm has more than one office location, indicate (i) the office location(s) where all services for BWC will be performed, as well as a complete list of other offices and their respective locations; (ii) the office location(s) where any BWC data applicable to the contract will be maintained or made available; and; (iii) the principal location of business for the firm.
3. Does the firm provide any other 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 manager of manager programs to clients.
4. Using the following format, complete this table of your firm’s ownership:

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

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

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

7. 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.

8. Provide details of any Securities and Exchange Commission, state regulatory, self-regulatory organization, or professional organization action taken against the firm or any of its owners, principals, or personnel.
9. Describe all arrangements or understandings (written or oral) between the firm and any advisor, broker, law firm, or other individual or entity in connection with the firm's performance of Manager of Manager services.
10. How does the firm identify and manage conflicts of interest? Does the firm have written policies or procedures to address conflicts of interest or to prevent these payments or relationships from being a factor when you provide advice to your clients?
11. Does the firm have any arrangements with broker-dealers under which the firm or a related company will benefit if underlying money management firms chosen by the firm place trades for their clients with such broker dealers? If yes, how does the firm monitor such trades to ensure that the client receives best execution for its securities trades?
12. Does the firm receive any revenue, either hard dollars or soft dollar revenue, from chosen underlying investment managers? If so, please explain.
13. 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.
14. Please describe the typical contracting procedures between your firm as an MWBE Manager of Managers, the underlying MWBE investment management firms selected by your firm for your client, and the client itself.
15. How do you handle conflicts contractually between the underlying managers and your client?
16. Please describe the process for terminating contracts with underlying investment managers and the reassignment of assets.
17. 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 (e.g., most favored nations clauses).
18. 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 given to you. Address the differences, if any, in the firm's process as it relates to commingled versus separate accounts.
19. Under a commingled account managed structure, describe in detail what controls and oversight processes are in place to assure the clients of a segregation of duties at the firm between the asset management and custodial services, especially if these duties are performed by the same or affiliated entities of the firm.

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

20. Describe the firm's philosophy concerning MWBE Manager of Managers for institutional clients.
21. List those features that you believe distinguish your investment approach from your competitors.
22. List all asset classes managed by the firm, both passively and actively (i.e. Domestic Small Cap Equity, Foreign All Cap Equity, Domestic Investment Grade Core Fixed Income, Domestic High Yield Fixed Income, etc).
23. Describe the investment manager research and selection process in detail. Including the following:
 - a. firm's research capabilities.
 - b. adherence to style
 - c. performance versus benchmark
 - d. trading practices
 - e. marketing to prospective clients
24. Describe your process and due diligence in assessing the business plan, financial condition and soundness of operations of existing and prospective MWBE investment managers considered by your firm. How frequently do you perform these reviews/assessments? Does your firm use any third parties to assist in this part of the due diligence process?
25. Describe your MWBE manager database with an emphasis on the number of managers included, how managers are identified for inclusion in the database and the extent of familiarity your firm has with the managers in the database. How often is this database updated?
26. Identify the MWBE managers in your database by type of assets managed, style, market cap size, performance record and ownership.
27. Does the database have the capability to screen for Ohio based investment managers? Please list the names of the Ohio based investment managers in your database and their asset class mandates.
28. Provide a list of investment managers currently under contract with your firm, and indicate the investment style(s) of the product(s) for each investment manager in which assets are invested. Please divide this list between MWBE firms and all other investment managers that are not considered MWBE firms. Do any of your contracted underlying investment managers have capacity constraints?
29. Please indicate in the tables below the totals for All Manager of Managers assets under management (AUM) and, more specifically, AUM for the MWBE Manager of Managers under management as of the end of each of the last five calendar years. Also, please provide this information in the tables and specifically for your public fund clients. These tables are separated by mandates for All Funds, U.S. Equity Funds, non-U.S. Equity Funds and U.S. Fixed Income Funds. Please also further divide U.S. Equity funds into Large Cap Funds and Small-Mid Cap Funds as reflected in the two ending tables.

All Funds	All Manager of Managers				MWBE Manager of Managers			
	\$ AUM All Clients	# Accts All Clients	\$ AUM Public Clients	# Accts Public Clients	\$ AUM All Clients	# Accts All Clients	\$ AUM Public Clients	# Accts Public Clients
12/31/2010								
12/31/2009								
12/31/2008								
12/31/2007								
12/31/2006								

U.S. Equity	All Manager of Managers				MWBE Manager of Managers			
	\$ AUM All Clients	# Accts All Clients	\$ AUM Public Clients	# Accts Public Clients	\$ AUM All Clients	# Accts All Clients	\$ AUM Public Clients	# Accts Public Clients
12/31/2010								
12/31/2009								
12/31/2008								
12/31/2007								
12/31/2006								

Non-U.S. Equity	All Manager of Managers				MWBE Manager of Managers			
	\$ AUM All Clients	# Accts All Clients	\$ AUM Public Clients	# Accts Public Clients	\$ AUM All Clients	# Accts All Clients	\$ AUM Public Clients	# Accts Public Clients
12/31/2010								
12/31/2009								
12/31/2008								
12/31/2007								
12/31/2006								

U.S. Fixed Income	All Manager of Managers				MWBE Manager of Managers			
	\$ AUM All Clients	# Accts All Clients	\$ AUM Public Clients	# Accts Public Clients	\$ AUM All Clients	# Accts All Clients	\$ AUM Public Clients	# Accts Public Clients
12/31/2010								
12/31/2009								
12/31/2008								
12/31/2007								
12/31/2006								

Large Cap U.S. Equity	All Manager of Managers				MWBE Manager of Managers			
	\$ AUM All Clients	# Accts All Clients	\$ AUM Public Clients	# Accts Public Clients	\$ AUM All Clients	# Accts All Clients	\$ AUM Public Clients	# Accts Public Clients
12/31/2010								
12/31/2009								
12/31/2008								
12/31/2007								
12/31/2006								

Small-Mid Cap U.S. Equity	All Manager of Managers				MWBE Manager of Managers			
	\$ AUM All Clients	# Accts All Clients	\$ AUM Public Clients	# Accts Public Clients	\$ AUM All Clients	# Accts All Clients	\$ AUM Public Clients	# Accts Public Clients
12/31/2010								
12/31/2009								
12/31/2008								
12/31/2007								
12/31/2006								

30. Provide the following information regarding new, departed, and net new or (departed) clients for each of the last four calendar years.

Year Ended	All Manager of Managers		MWBE Manager of Managers	
	\$ AUM	# Accounts	\$ AUM	# Accounts
New Clients				
12/31/2010				
12/31/2009				
12/31/2008				
12/31/2007				
Departed Clients				
12/31/2010				
12/31/2009				
12/31/2008				
12/31/2007				
Net New or (Departed) Clients				
12/31/2010				
12/31/2009				
12/31/2008				
12/31/2007				

31. Provide detailed criteria for the inclusion and removal of MWBE investment managers in your program. Do you maintain a watchlist of MWBE Investment Managers? If so, please explain how you utilize this watchlist. What are the criteria for adding and deleting firms from this watchlist? Do your firm’s legal, audit or compliance departments veto inclusion of particular manager(s) in client portfolios?

32. Please provide the number of institutional clients to which your firm provides manager of manager services. Please provide the number of institutional clients to which your firm provides MWBE Manager of Manager services.

33. What is the size of your largest account?

34. Please provide the number of public plan clients to which your firm provides manager of manager services. Please provide the number of public plan clients to which your firm provides MWBE Manager of Manager services.

35. Please name your current public fund clients to which your firm provides MWBE Manager of Manager services.

36. For the table below, provide information on each of your firm’s key professionals. Please provide biographical summaries of each of the individuals listed below.

<i>Key Personnel</i>					
Name of Professional	Title/Responsibilities	Years of Experience	Years with Firm	Degrees/ Designations	School

37. Identify and discuss the causes and impact of any turnover (departures or hiring/promotions) of any key professionals in your firm’s MWBE Manager of Managers investment management group(s) in the past three years. Complete the tables below with respect to MWBE Manager of Managers investment management at your firm.

<i>Personnel Turnover</i>					
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
2010					
2009					
2008					
2007					
2006					

- 38. Describe the compensation and incentive program for professionals of your firm directly involved in overseeing investment management. How are portfolio managers, traders, and relationship managers evaluated and rewarded?
- 39. Describe the firm's securities lending program and risk management procedures in terms of lending (e.g., counterparty risk, credit analysis) and collateral reinvestment (e.g., portfolio construction, use of derivatives, liquidity).
- 40. How does the firm ensure that it is extracting full value from the securities on loan? What differentiates the firm’s securities lending program? Describe recent issues confronted in the program.
- 41. Does the firm have any redemption restrictions in place for commingled funds? If so, have there been any realized or unrealized losses reflected in the Net Asset Value (NAV) of the fund?
- 42. Describe the process by which you structure programs for your clients. Please explain how the manager selection and manager structure aspects of your process are combined.
- 43. How do you select/structure benchmarks for investment managers?
- 44. How do you evaluate and validate investment managers’ returns?

45. The approved BWC asset classes for its MWBE Manager of Managers program are: U.S. All Cap Equity (U.S. Large Cap, Small Cap and Mid Cap); each of U.S. Large Cap Equity, U.S. Mid Cap Equity, U.S. Small Cap Equity or combinations thereof; Non-U.S. Equities; and Core Fixed Income. How would you structure the BWC's Manager of Managers Portfolio with one or more of these asset classes if the goal is to maximize alpha or excess return to the benchmark(s), net of management fees, within reasonable tracking error or moderate volatility ranges. Please be specific with appropriate detail.
46. Provide a breakdown of MWBE Manager of Managers accounts of the firm for your mandate(s) proposed for BWC by asset size and by commingled and separate accounts as of December 31, 2010.

MWBE Manager of Managers

Size of Account	\$ Separate Assets	# of Accounts	Size of Account	\$ Commingled Assets	# Fund Participants
Under \$10 mm			Under \$10 mm		
\$10 mm to \$25 mm			\$10 mm to \$25 mm		
\$25 mm to \$50 mm			\$25 mm to \$50 mm		
\$10 mm to \$100 mm			\$10 mm to \$100 mm		
\$100 mm to \$200 mm			\$100 mm to \$200 mm		
Over \$200 mm			Over \$200 mm		
Total Separate			Total Commingled		
Total Separate and Commingled Assets					

47. Please provide information on the turnover of MWBE managers (number and percentage) with whom your firm contracted services in the proposed investment program being offered to the BWC by your firm, as represented in the following table.

For Full Year	Additions	Graduations	Terminations	Mgrs at Yr-End
2006				
2007				
2008				
2009				
2010				

48. Provide the firm's performance data both gross and net of management fees, **excluding securities lending income***, for assets under management managed to the investment style for the mandate(s) being proposed for BWC. Additionally, provide additional securities lending return in basis points to client and assumed income split.

MWBE Manager of Managers

	Benchmark Return	Gross of Fees*		Net of Fees*		# of Accounts	Sec Lending	
		Portfolio Return	Variance to Benchmark	Portfolio Return	Variance to Benchmark		Portfolio Return	Split
1 yr (ending 12/31/10)								
3 yr (ending 12/31/10)								
5 yr (ending 12/31/10)								
10 yr (ending 12/31/10)								
Since Inception Date								
State inception date:								

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

49. Describe the composite and benchmark used to compute performance results reported in the table above.
50. When presenting “net of fees” returns, disclose **exactly what other fees** are deducted from gross returns in addition to the investment management fee.
51. Comment and provide attribution on any periods of time when the firm’s strategy for the mandate(s) being proposed for BWC experienced higher than normal tracking error. (Specifically, include pricing differences, securities lending, and other factors.)
52. Describe the sources of value added for the portfolio (for example: manager selection, portfolio structure vs. benchmark, criteria selection, etc.)
53. Please characterize the anticipated tracking error of your proposed mandate(s) product to the BWC relative to the proposed benchmark/index.
54. What is the policy and practice in the usage of derivatives with regard to this mandate? What would be the effect on returns, tracking error, and risk with and without the use of derivatives relative to this specific mandate? Describe exactly how the firm monitors and manages risks associated with any derivatives used by the underlying investment managers.
55. How do you rebalance portfolios in the fund of funds? What triggers rebalancing? What tools do you use to determine reallocation of assets?
56. Describe your process and the tools you use for monitoring the managers including structure, style consistency, and changes to the investment process.
57. How do you measure and monitor risk at both the underlying investment manager level and the client portfolio level, ensuring that risk parameters are in line with portfolio returns?
58. For the table below, provide information about each of the members of the management team to be responsible for the investment management services of BWC. Please provide biographical summaries of each of the individuals listed below.

<i>Key Personnel</i>					
Name of Professional	Title/Responsibilities	Years of Experience	Years with Firm	Degrees/ Designations	School

59. Please provide quarterly performance for the entire history ending December 31, 2010 for the investment style being proposed for BWC in this RFP. Please note if the returns are for a separate account, commingled account or composite. If a composite is used, provide equal-weighted results; identify the number of accounts included; and the annual performance of the best and worst accounts. In addition, provide the market value for each year, ending December 31, 2010, while identifying the benchmark and benchmark return. If the number of accounts used in the composite is different from the number of accounts identified in the "Assets and Account Management" section 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.
60. Describe your firm's capabilities for providing customized reports.
61. Please provide at least four (4) current public fund clients and contact information as references for whom you have provided MWBE Manager of Manager services. Please provide a contact name, phone number and email address of a contact person for each public fund reference. The BWC will respect any preference by you that your firm be contacted first by BWC prior to the BWC contacting your public fund references.
62. How would you assist the BWC in establishing a "graduation" program involving MWBE investment managers? Please provide examples of your participation in graduation programs (if possible, specify the manager and asset class).
63. Provide the names of two (2) references of existing clients that you have assisted with their graduation programs. Please provide a contact name, phone number and email address of a contact person for each public fund reference. The BWC will respect any preference by you that your firm be contacted first by BWC prior to the BWC contacting your public fund references.

7.3 FEES

The following table outlines the BWC’s target asset allocation (per the current Investment Policy Statement approved September 24, 2010) and targeted approximate dollars by mandate for the SIF trust fund, excluding a 1% targeted allocation to cash.

State Insurance Fund			
SIF - \$18.5 billion*			
	Allocation		
	(%)	(\$ in millions)	Benchmark
Long Duration – U.S. Credit	28%	5,200	Barclays U.S. Long Credit
Long Duration – U.S. Government	9%	1,700	Barclays U.S. Long Government
TIPS	17%	3,100	Barclays U.S. TIPS
Aggregate Fixed Income	15%	2,800	Barclays U.S. Aggregate
U.S. Equity	20%	3,700	Russell 3000
Non-U.S. Equity	10%	1,800	MSCI All World ex-U.S.

* Market value of assets as of December 31, 2010

64. Describe your fee arrangement(s) with the underlying investment managers. Typically, what percentage of the overall fee are they paid? How do you determine what fees to pay the underlying investment managers? Are there any incentive payments paid by your firm to underlying investment managers for exceeding performance expectations? Would your fees be affected by a most favored nations clause? If so, please describe.

65. Provide the firm’s proposed fee schedule (in basis points) for the MWBE Manager of Managers mandate (size in \$ millions) being proposed for BWC. 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 maximum expected assets of BWC to be allocated to any one MWBE Manager of Managers firm are approximately \$185 million which represents 1% of State Insurance Fund Assets.

MWBE Manager of Managers	Commingled Fees			Separate Fees		
	w/ Sec Lend*	Sec Lend Split	w/o Sec Lend	w/ Sec Lend*	Sec Lend Split	w/o Sec Lend
Benchmark:						
(insert ranges here)						
Minimum fee:						

* The MWBE Manager of Managers mandate is not currently in the Investment Policy Statement asset allocation for this trust fund. Also, securities lending is currently suspended and not permitted in the BWC trust funds.

8.0 TERMS AND CONDITIONS

8.1 General

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

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

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

8.2 Travel Expenses

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

8.3 Resulting Contract

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

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

The term of the contract shall commence on or about the date the contract is executed. The contract will have an initial term of approximately three (3) years and can be renewed for additional two (2) 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 the BWC or to the authority of the BOD over BWC's investment activities.

8.4 Contract Compliance

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

8.5 Contract Termination

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

8.6 Termination for Convenience

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

8.7 Governing Law – Severability

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

8.8 Compliance with Applicable Laws and Acknowledgment of Fiduciary Status

The vendor agrees to comply with all applicable federal, state, and local laws in the conduct of the work hereunder. The vendor accepts full responsibility for payment of all taxes and insurance including workers' compensation insurance premiums, unemployment compensation insurance premiums, all income tax deductions, social security deductions, and any and all other taxes or payroll deductions required for all employees engaged by the vendor in the performance of the work authorized by this contract. BWC does not agree to pay any taxes. Failure to have workers' compensation or other required insurance in accordance with the RFP may cause BWC to terminate any resulting contract at BWC's sole discretion.

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

8.9 Publicity

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

8.10 Non-Discrimination

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

Before a contract can be awarded or renewed, vendor must submit an Affirmative Action Program Verification Form to the DAS Equal Opportunity Division to comply with the Ohio affirmative action requirements. Affirmative Action Verification Forms and approved Affirmative Action Plans can be found by contacting the Equal Opportunity Department or viewing the Equal Opportunity Department's 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 the BWC against any and all losses, damages, costs, expenses (including reasonable attorney fees), liabilities, claims and demands for any action, omission, information or recommendation in connection with this Agreement constituting a breach or violation of its fiduciary duties under applicable law, or a material breach of any agreement, representation, warranty or covenant made herein by the vendor or its agents (including underlying investment managers performing services for BWC), except that the vendors shall have no liability hereunder in the absence of negligence or reckless or willful misconduct on the part of itself or its agents (including underlying investment managers performing services for BWC).

8.12 Conditions Precedent

It is expressly understood by the parties that the contract is not binding on BWC until such time as all necessary funds are made available and forthcoming from the appropriate State agencies, and such expenditure of funds is approved by the Administrator after execution of the contract by the vendor but before execution by BWC. No contract shall be binding upon either party until receipt by the contracting vendor of a copy of a fully executed contract, and compliance with any and all conditions precedent.

8.13 Method of Remuneration and Billing Procedures

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

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

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

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

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

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

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

8.14 Workers' Compensation

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 the BWC's sole discretion.

8.15 Liability Insurance

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, (including underlying investment managers performing services for BWC), or their agents, while performing under the terms of this Contract.

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

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

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

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

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

8.16 Default by Vendor

BWC declares and the vendor acknowledges that BWC may suffer damages due to the failure of the vendor to act in accordance with the requirements, terms, and conditions of the contract. BWC declares and the vendor agrees that such failure shall constitute an event of default on the part of the vendor. The vendor agrees that if BWC does not give prompt notice of such a failure, that BWC has not waived any of its rights or remedies concerning the failure by the vendor.

8.17 Inspection of Time Records and Work Papers

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

8.18 Ohio Elections Law

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

8.19 Drug-Free Workplace

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

8.20 Intellectual Property & Confidentiality

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

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

8.21 Assignment and Subcontracting

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

8.22 Unresolved Finding for Recovery

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

8.23 No Secondary Interests

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

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

8.24 Key Employee Credentials

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

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

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

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

http://www.publicsafety.ohio.gov/links/terrorist_exclusion_list.pdf

8.26 Conflicts of Interest and Ethics Compliance Certification

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

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

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

8.27 Fiduciary Transactions and Responsibilities

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

party in interest; transfer to, or use by or for the benefit of a party in interest, of any assets of BWC; or the acquisition, on behalf of BWC, of any employer security or employer real property.

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

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

8.28 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.

Vendor agrees that it will provide to BWC a list of all employees who will be investing assets of BWC with each employee's state of residence for the five years prior to the date of the administrator'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 may request 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 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 this Agreement. Vendor agrees to waive redemption fees if termination is made under this provision.

8.29 Debarment

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

9.0 SAMPLE CONTRACT – DRAFT

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

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

Whereas, the Bureau issued a Request for Proposals # BWCB11004 for SERVICES OF A MANAGER OF MANAGERS to serve as Manager of Managers to the Bureau, and the Manager of Managers Firm submitted a proposal determined by the Bureau to be the best responsive and responsible response to the Request for Proposals;

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

SCOPE OF SERVICES. The Manager of Managers Firm agrees to perform the services described in the RFP under Scope of Services, Section 4.1.

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

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

FEES. The Bureau, in consideration of the Manager of Managers Firm's promise to perform services in accordance with the terms of this Agreement, agrees and promises to pay the Manager of Managers Firm for services performed according to the following terms: The parties agree that the Manager of Managers Firm shall submit monthly invoices for services rendered not to exceed **(method and rate of billing - may be separate provisions for individual services described in Scope of Services)**.

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

TERM. The parties agree that services under this contract shall commence in September, 2011, and shall continue until September 30, 2014. At the sole discretion and exclusive option of the Bureau, and subject to all Conditions Precedent, this Contract can be renewed for additional two (2) year terms, without limit.

MANAGER OF MANAGERS FIRM'S NAME
TAX I.D. _____

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

Signature

Signature

Name (printed or typed)

Name (printed or typed)

Title

Title

Date

Date

The Ohio Bureau of Workers' Compensation



Statement of Investment Policy and Guidelines

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

Amends Adoption of: March 26, 2010

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I. INVESTMENT OBJECTIVES

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

II. BACKGROUND

A. Purpose

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

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

B. Fiduciary Standard

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

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

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

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.

B. OBWC Staff Responsibilities

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

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

C. Investments Managers' Responsibilities

Each Investment Manager shall:

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

D. General Partners' Responsibilities

Each General Partner shall:

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

E. Investment Consultants' Responsibilities

The Investment Consultant shall:

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

IV. INVESTMENT POLICY GUIDELINES

A. Asset Allocation Guidelines

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

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

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

B. Rebalancing Policy

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

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

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

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

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

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

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

C. General Guidelines

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

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

ii. **Fixed Income Investments**

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

iii. **U.S. Equity**

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

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

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

v. **Cash Equivalents**

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

vi. **Securities Lending**

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

vii. **Derivatives**

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

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

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

The Board also recognizes that the language of the policies of some commingled funds permits other financial derivatives such as options and swaps. The Board has a very low tolerance for the use of other financial derivatives in commingled funds. On the infrequent occasions when

financial derivatives such as options and swaps are used in commingled funds, the Board requires the investment staff of the BWC to report the use of the derivatives to the Board at the next scheduled meeting after the derivatives position has been initiated so that the Board may judge the appropriateness of the risks of the derivatives position. The Board will carefully evaluate whether remaining invested in that commingled fund is appropriate.

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

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

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

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

viii. Commission Recapture / Directed Brokerage

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

ix. General Prohibitions

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

- a. Short selling with the exception of selling futures contracts for risk-control purposes.
- b. The use of all forms of leverage or the purchase of securities with borrowed money is prohibited, except that the Board recognizes that financial futures are generally purchased on margin and this is permitted.
- c. Coins, artwork, horses, jewelry, gems, stamps, antiques, artifacts, collectibles, and memorabilia.
- d. Direct or indirect investments in vehicles that target specified assets, which includes unregulated investments that are not commonly part of an institutional portfolio, that lack liquidity and that lack readily determinable valuation.

V. PERFORMANCE OBJECTIVES

A. Total Fund

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

B. Asset Class Composites

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

VI. TARGET ASSET MIXES AND RANGES

A. State Insurance Fund (SIF)

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

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

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

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

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

State Insurance Fund

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

Total Fixed Income 70%

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

Total Public Equity 30%

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

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
Index Non-U.S. Equity	10%	7% - 13%	MSCI All World ex-U.S. Index
Total Public Equity	30%		
			Fund Performance Benchmark
Total Disabled Workers' Relief Fund	100%		<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-U.S. Index

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
Index 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 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 Index 7% MSCI All World Ex-U.S. Index

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

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 Performance Benchmark <u>A weighted index consisting of:</u> 99% BC Intermediate U.S. Gov/Credit Index 1% 3 Month U.S. Treasury Bills

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 Performance Benchmark
Total: Self Insured Employers Guarantee Fund	100%		<u>A weighted index consisting of:</u> 100% 3 Month U.S. Treasury Bills

VII. INVESTMENT POLICY STATEMENT REVIEW

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

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

VIII. FAIR CONSIDERATION / PUBLIC INTEREST POLICY

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

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

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

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

i. Process

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

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.

APPENDIX A – Investment Category Performance Benchmarks

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

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

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

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

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

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

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

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

V. S&P 500 Index

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

VI. Russell 3000 Index

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

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

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