

Ohio Bureau of Workers' Compensation



Bureau of Workers' Compensation

Investment Policy Statement

**Adopted by the BWC Board of Directors: December 19, 2025
(Amends Adoption of: January 27, 2023)**

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The Investment Policy Statement (“IPS”) establishes the investment policies for the Ohio Bureau of Workers’ Compensation (“BWC”) State Insurance Fund and Specialty Funds (“the Funds”). The Workers’ Compensation Board of Directors (“Board”) adopts the IPS to assist the Administrator, the Chief Financial Officer (“CFO”), the Chief Investment Officer (“CIO”) and other BWC staff in meeting investment objectives as established by the Board. This policy further articulates monitoring and overall performance evaluation of the Funds as required by Ohio Revised Code (“O.R.C.”) Section 4121.12(F).

The Board shall approve the investment policy developed by the workers’ compensation investment committee if the policy satisfies the requirements specified in section 4123.442 of the Revised Code and shall review and publish the investment policy no less than annually (O.R.C. 4121.12(F)(7) and (F)(8)).

The investment policy adopted by the Board shall “specify the asset allocation targets and ranges, risk factors, asset class benchmarks, time horizons, total return objectives, and performance evaluation guidelines” for investment of the Funds. (O.R.C.4123.442(A)).

The purpose of this document is to set forth the objectives and constraints of the BWC and to establish guidelines for the implementation of the investment strategy. The IPS will be reviewed at least annually to ensure its relevance over time.

The Board recognizes that a stable, well-articulated IPS is crucial to the long-term success of the BWC. Accordingly, the Board has developed this IPS with the following purposes in mind:

- To clearly and explicitly establish the objectives and constraints that govern the investment of the BWC’s assets,
- To establish a long-term target asset allocation with a high likelihood of meeting the BWC’s objectives given the explicit constraints, and
- To protect the financial health of the BWC through the implementation of the IPS.

I. BWC Goals

The primary investment goal of the BWC is to maintain a net asset position that has a high probability of meeting long-term liabilities while keeping premium payments as reasonable and predictable as possible for the benefit of the workers and employers of Ohio.

II. Investment Objectives

The BWC's investment strategy is designed to prudently manage funds to achieve the BWC investment goals over time, while safeguarding against undue volatility and risk of loss. These objectives will be confirmed annually with an asset allocation study.

A. Risk Objectives

1. To the extent possible, accept a prudent level of risk (annual volatility) required to achieve the Funds' return objective as stated below.
2. To minimize the likelihood of experiencing a loss over any ten-year period (with at least 95% certainty).
3. To minimize the likelihood of experiencing a loss of 10% or greater over any one-year period (with at least 90% certainty).
4. To use diversification to seek to minimize exposure to company and industry-specific risks in the aggregate investment portfolio.

B. Return Objectives

1. In a manner consistent with the goals stated in Section I above, to manage the Funds' assets to achieve a total nominal return of at least 4.0% over long periods of time.
2. In a manner consistent with the goals stated in Section I above, to manage the Funds' assets to match or exceed the return of the Funds' custom benchmark over a full market cycle as described in Section VIII.

III. Roles and Responsibilities

A. Board Responsibilities

The Board is the primary body charged with overseeing investment activities relating to the Funds. Board decisions are made by a majority vote, unless otherwise stated. Its oversight functions include the duties specified below:

1. Approve the strategic asset allocation and investment policy for the Funds and annually review such policy considering any changes in actuarial variables, market conditions, or other evolving facts or situations relevant to the appropriate character of that policy.
2. Approve the strategic asset allocation by conducting an asset liability study every five-to-seven years or sooner if capital market conditions or business conditions change significantly as determined by the Board.
3. Approve new asset classes.
4. Approve the elimination of an asset class.
5. 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.
6. Advise and consent to the Administrator's hiring of the CIO.
7. Approve the selection and termination of all Investment Consultants.
8. Approve the criteria and procedures for selecting Investment Managers and General Partners. A General Partner of a fund is the entity responsible for managing the fund's operations and making investment decisions on behalf of the fund.
9. Approve the selection and funding of Investment Managers and General Partners.
10. Approve the termination of Investment Managers and General Partners.
11. 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 the Board determines that any activity undertaken or proposed to be undertaken pursuant to this IPS is contrary, such as due to a change in circumstances, to the investment objectives, the Board shall notify the Administrator to take the appropriate corrective action.
12. 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.
13. The Board may appoint members to the 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 set forth in the Investment Committee Charter.

B. BWC Management Responsibilities

Management assumes the primary responsibility for implementing the investment decisions of the Board, ensuring the Funds are invested in a manner consistent with this IPS, and using their best professional judgment to achieve its stated objectives.

1. The CIO will submit recommendations for investment and investment office policies and procedures to the Administrator for approval.

2. The CIO shall be employed by the Administrator, with the advice and consent of the Board.
3. Management will work collaboratively with the Board's independent Investment Consultant(s) to facilitate the following activities as necessary or appropriate:
 - a) Provide liquidity for agency operations
 - b) Conduct transition manager search and selection
 - c) Develop and amend investment manager guidelines
 - d) Perform Investment Manager due diligence
 - e) Monitor the Funds' performance
 - f) Monitor investment manager performance
 - g) Monitor investment manager compliance with the IPS and their respective investment manager guidelines
 - h) Conduct asset liability studies and modelling
 - i) Conduct asset allocation modelling
 - j) Conduct private market pricing modelling
 - k) Conduct portfolio rebalancing and asset class restructuring analysis
 - l) Support the Administrator with BWC Board recommendations for Board approval regarding:
 - i) Authorizing new asset classes or exiting existing asset classes
 - ii) Adding investment managers and Investment Consultant(s) utilizing an RFP process, and terminating investment managers and Investment Consultant(s)
 - iii) Revising the Board's IPS
4. Deliver the following monthly standard reports to the Board:
 - a) Asset Class Valuation Report
 - b) Asset Allocation Report for each Fund / asset allocation compliance
 - c) Office of Investments Report / Fund and investment manager compliance
5. Report to the Board on at least an annual basis summary trade activity.
6. Promptly vote all proxies and related actions in a manner solely consistent with the long-term interests and objectives of the Funds. The Office of Investments may retain a third-party proxy voting service to facilitate proxy voting and comply with all the regulatory obligations related to voting proxies.

C. Investment Manager & General Partner Responsibilities

All Investment Managers & General Partners of the Funds shall:

1. Manage the plan assets under its care, custody, and/or control in accordance with the IPS and in compliance with applicable Ohio statutory requirements.
2. Exercise full investment discretion over the assets in their care within the policies set forth herein, their Investment Management/Partnership/Fund and/or Subscription Agreement and the specific portfolio guidelines provided by CIO.
3. Acknowledge and agree in writing to their fiduciary responsibility to fully comply with relevant sections of the IPS if an Investment Manager or to fully comply in accordance with their fiduciary responsibilities to the relevant partnership or fund if a General Partner. Both standards shall apply to a person if such person is both an Investment Manager and a General Partner.
4. Provide the Office of Investments staff the status of each portfolio managed for the Funds and its performance for various time periods on at least a quarterly basis.
5. Consult with the CIO and/or other Office of Investments staff on at least an annual basis regarding the status of each portfolio managed for the Funds with respect to achieving portfolio goals and objectives as well as providing a market outlook related to each portfolio.
6. Provide the Office of Investments staff with compliance reports as indicated in the investment management agreement.
7. Provide the Office of Investments staff with the firm's current Ethics Policy, annual confirmation of its compliance with the policy, and notification of changes to the policy.
8. Comply with the Campaign Contribution Policy as set forth in the O.R.C. Section 3517 and provide written attestation of such compliance on an annual basis.
9. Promptly inform the CIO and/or Office of Investments staff of all changes of a material nature pertaining to the investment firm's organization and professional staff, including, but not limited to, any investigation or adverse action taken by any governmental regulatory agency.

Each Investment Manager of fixed income assets and/or publicly traded equity shall:

1. Be a bank, insurance company, investment management company, or investment advisor as defined by the Investment Advisors Act of 1940.
2. 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.
3. Provide monthly performance evaluation reports and that the firm shall be compliant with the Global Investment Performance Standards ("GIPS") issued by the CFA Institute, with the exception that fund-of-fund managers will be in accordance with industry standards.
4. Provide the BWC investment staff with firm's current Brokerage, Soft Dollar and Trade Execution Policy and provide annual confirmation of its compliance with said policies.
5. Provide the BWC investment staff with a report on at least monthly basis on the trading activities of the Funds, including, but not limited to, the volume of trades and related commissions executed by each Broker.
6. Provide the BWC investment staff with the firm's most recent Form ADV on an annual basis if such document is required to be filed by law.

7. If directed by the Administrator and/or the CIO, shall promptly vote all proxies and related actions in a manner consistent with the long-term interests and objectives of the Funds. Each manager designated to vote shall provide BWC with firm's proxy voting policy on an annual basis, keep detailed records of said voting of proxies and related action and comply with all regulatory obligations related thereto.

Each General Partner shall:

1. Promptly provide the BWC investment staff with a detailed report of all capital calls and/or distributions for each partnership or fund.
2. Provide the BWC investment staff with quarterly financial statements and an audited annual financial statement for each partnership or fund to which the BWC has made a commitment.

D. Investment Consultants' Responsibilities

Subject to Section III (A)(7), the Board will retain a consultant for general consulting with expertise in equity and fixed income and either the same or separate consultant with specialized expertise in other matters as needed (e.g. real estate).

The Investment Consultant(s) shall:

1. Provide all services agreed to within the Investment Consulting Agreement.
2. Report to and provide independent and unbiased information and recommendations to the Board.
3. Work collaboratively with and make recommendations to BWC Management to implement the Board's IPS and monitor each Funds' compliance with the IPS.
4. Assist in the development, amendment and monitoring of the IPS.
5. Assist in the establishment of strategic asset allocation targets by conducting asset allocation and asset liability studies as requested.
6. Assist in the development, implementation and monitoring of performance measurement standards.
7. Report the quarterly investment performance results and quarterly risk characteristics of the Funds to the Board.
8. Monitor and evaluate Investment Manager and General Partner performance on an ongoing basis.
9. Conduct ongoing due diligence on the Funds' current and prospective Investment Managers and General Partners, and report to the Board any significant issues that may impede the manager's ability to implement its investment strategy successfully.
10. Collaborate with BWC investment staff to establish criteria and procedures to be utilized in the selection of Investment Managers and General Partners.
11. Provide the BWC investment staff with the firm's most recent Form ADV on an annual basis.
12. Provide any other advice or services that the Board or the Administrator and CIO determine from time to time is necessary, useful, or appropriate to fulfill the objectives of the IPS in accordance with the Investment Consulting Agreement.

IV. Investment Constraints

A. Legal and Regulatory

Under O.R.C. Section 4123.44, the voting members of the Board, the Administrator of the BWC, and the CIO of the BWC are fiduciaries of the Funds, which are held for the benefit of the injured workers and employers of Ohio.

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

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

B. Prohibited Investments

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

1. Short selling of any kind.
2. The use of derivatives by the Funds or their Investment Managers is prohibited except in instances described below. 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.
 - a) Permission is granted to managers of commingled fund vehicles (e.g. Collective Investment Trusts, Mutual Funds, etc.) to use derivatives for the efficient management of the fund vehicle. The use of derivatives may be initiated by investment managers only for hedging or risk-control purposes but shall not be used for speculation.
 - b) Permission is granted to investment transition managers to use derivatives for the efficient 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.
 - c) Permission is granted to active fixed income managers to invest in securitized fixed-income assets, including collateralized mortgage obligations (CMOs), mortgage-backed securities (MBS), collateralized debt obligations (CDOs), asset backed securities (ABS), and To-Be-Announced (TBA) mortgage-backed securities. TBA pools must be issued by Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), or Government National Mortgage Association (Ginnie Mae).
3. The use of all forms of leverage or the purchase of securities with borrowed money is prohibited, except that:
 - a) The Board recognizes that financial futures are generally purchased on margin, and this is permitted.
 - b) Leverage is approved for private market funds that generally employ leverage at the fund and/or asset (e.g. property) level as a part of their permitted investment strategy.
4. Coins, artwork, horses, jewelry, gems, stamps, antiques, artifacts, collectibles, and memorabilia.

5. Direct or indirect investments in vehicles which target specified assets, which include unregulated investments that are not commonly part of an institutional portfolio, which lack liquidity and that lack readily determinable valuation.
6. Cryptocurrency or non-fungible tokens.
7. Investing the Funds with the primary purpose of influencing any social or environmental policy or attempting to influence the governance of any corporation.

C. Time Horizon

The Funds will be managed on a going-concern basis. The assets of the BWC will be invested with a long-term time horizon (ten years or more), consistent with the liability and cash flow expectations of the Funds.

D. Liquidity

Effective liquidity management is integral to the Funds' investment process. BWC staff will maintain appropriate levels of liquidity (i.e., the ability to convert investments into cash) to meet immediate or short-term obligations and liabilities. The Board will evaluate liquidity in the context of the Funds' liabilities and other cash needs of the BWC.

Further, the Board intends to target no more than 25% of the BWC's assets in illiquid vehicles, defined as those vehicles that do not allow withdrawals to occur on at least a monthly basis.

E. Tax Considerations

The BWC is a tax-exempt governmental entity. Therefore, investments and strategies will be evaluated on a basis that is indifferent to taxable status, except where the prospect of Unrelated Business Taxable Income (UBTI) is a concern.

V. Diversification

The Board of the BWC recognizes that an important element of risk control is diversification. Diversification should be achieved by investing in:

1. Multiple asset classes with complementary investment characteristics and lower return correlation with one another.
2. Multiple investment managers with complementary investment styles and characteristics and lower return correlation with one another.

Further, each investment manager will have guidelines that will set specific diversification requirements, which will further diversify the portfolios at the individual security level.

Additionally, to diversify the organizational risk and minimize the dependence by the Funds on any one investment firm, no one investment organization utilizing active management investment strategies, should manage more than 15% of the Funds' assets at the time it is funded by BWC. Additional investment organizational diversification limits may be contained in asset class specific guidelines, if necessary.

VI. Asset Allocation

The Board recognizes that the Funds' allocation across various asset classes will be the primary determinant of the BWC's return and risk experience over time. Therefore, the Board, in conjunction with the advice of investment staff and Investment Consultants, will allocate investments across

those asset classes that, based on historical and expected returns and risks, provide the highest likelihood of meeting the BWC's investment objectives.

The asset allocation decision reflects the BWC's return requirements as well as the Board's 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 five – seven years, or more frequently if conditions warrant.

The Board has a long-term asset allocation policy for each Fund which identifies the strategic target asset weights and ranges to each of the major asset classes, as shown in Appendix B. The current asset allocation policies will be reviewed on an on-going basis, and at least annually. When necessary, such reviews may result in a rebalancing of assets. In general, the Board intends that the BWC will adhere to its long-term target allocations, and that major changes to these targets will be made only in response to significant developments in the circumstances, objectives, or constraints of the BWC or in the capital market opportunities.

A. Permissible Asset Classes

Because investment in any particular asset class may or may not be consistent with the objectives of the BWC and this IPS, the Board has specifically indicated in Appendix A those asset classes that may be utilized when investing the BWC's assets. Only the Board can approve adding or eliminating an asset class.

B. Expected Returns, Risks, and Correlations for Permissible Asset Classes

The risk and return behavior of the Funds will be driven primarily by the allocation of investments across the permissible asset classes. In determining the appropriate target asset allocation, the expected return, risk, and correlation (known as the capital market assumptions) of the permissible asset classes are to be considered. The Board will use its independent Investment Consultant's capital market assumptions for asset allocation purposes.

C. Long-Term Target Allocations

Based on the investment objectives and constraints of the BWC, and on the expected risk-return characteristics of the permissible asset classes, the Board will specify a long-term target allocation for each asset class. These targets will be expressed as a percentage of the specific Funds' overall market value, surrounded by a target range of permissible variations resulting from market forces.

The long-term target allocations which are shown in Appendix B, are intended as strategic goals, not short-term imperatives. Thus, it is permissible for the overall Funds' asset allocation to deviate from the long-term targets, as would likely occur during manager transitions, asset class restructurings, and other temporary changes, including sudden changes in the financial markets, that may occur. Deviations from targets that occur due to capital market changes are discussed below in Section D.

D. Rebalancing

While the Board recognizes that the asset allocation represents long-term targets with permissible ranges, it is committed to ensuring alignment with long-term investment objectives and prudent risk management through disciplined rebalancing. Therefore, the Board has established a policy to rebalance the portfolio when allocations fall outside of the strategic asset

class ranges specified in Appendix B. Additionally, the Board authorizes the CIO to seek and consider a recommendation from the Board's independent Investment Consultant to rebalance among asset classes and managers within the specified ranges, provided such transfers move toward the long-term asset allocation targets established by the Board. The CIO must obtain approval from the Administrator before executing any rebalancing actions. These transactions can be conducted at any time and to any extent that the CIO considers prudent, subject to the requisite constraints noted above.

The BWC Board established the following process to rebalance assets:

1. The CIO or other Office of Investments staff will convene a meeting with the Administrator (with additional staff at the Administrator's discretion) to discuss a rebalance event and to receive approval for a rebalancing transaction.
2. The CIO will present to the Administrator a specific rebalancing dollar reallocation that will factor in Fund cash flows, the desired asset allocation targets after rebalancing, and an informed estimate of the time to accomplish the proposed rebalancing.
3. Upon written approval from the Administrator, the Office of Investments will execute the rebalance.
4. Finally, the CIO will provide a written summary of the executed rebalancing activity for any respective Fund portfolio to the BWC Investment Committee at its next scheduled meeting.

In general, cash flows will be allocated in such a manner as to move each asset class toward its target allocation.

There may be periods in which private investments may not offer liquidity to make rebalancing pragmatic. The Board does not wish to force illiquid asset purchases or sales which could adversely impact the relevant Fund. In such instances, the CIO and the Administrator will notify the Board that normal rebalancing is not feasible. The CIO and the Administrator, in collaboration with the Board's Consultant, will develop a plan to prudently align the Fund with target allocations as liquidity becomes available. The CIO and the Administrator will provide regular updates to the Board's Investment Committee on the progress of rebalancing efforts. While committed to the principle of disciplined rebalancing and diversification, the Board acknowledges it can take months or longer to prudently return liquidity-constrained asset classes to the policy ranges specified in this IPS. In such situations, the CIO shall report the rebalancing progress to the Board's Investment Committee on a quarterly basis.

Lastly, no simple rule will describe or anticipate every situation, but as a guide, the Board and BWC staff should strive to maintain invested levels in less liquid assets as close as practicable to the long-term target levels prescribed in Appendix B. Due to the unpredictable nature of the timing of private investment cash flows and the self-liquidating fund structures (e.g. closed-end funds), commitments to private investment funds must be made on a relatively consistent basis from year to year in order to gain and maintain diversified exposure across various points of economic, business, and market cycles. As such, BWC staff, in collaboration with the Investment Consultant(s) will conduct a commitment pacing analysis at least annually to evaluate the status of existing private investment exposures and determine the appropriate budget of annual commitments to reach and maintain target allocations.

VII. General Guidelines

The following section represents the general guidelines which will apply to the management of Fund assets.

1. Each investment manager will have specific investment guidelines that document the manager's investment strategy, eligible securities, and portfolio investment characteristics/restrictions, as well as performance expectations. The Office of Investments approves investment manager guidelines. In the event of a discrepancy between the IPS and an investment manager's guidelines, the IPS supersedes the investment manager guidelines.
2. The following investment structures are permitted for investment managers if the underlying assets conform to the manager's investment guidelines and applicable mandate. Separate account managers wishing to invest in any of these structures must receive CIO approval prior to investing in them.
 - a) Separate accounts
 - b) Limited Partnerships
 - c) Real Estate Investment Trusts
 - d) Collective Investment Trusts
 - e) Mutual Funds
 - f) Exchange Traded Funds
3. Securities lending for separate accounts must be approved by the Board. It does not need to be approved by the Board if it is part of a comingled investment fund, mutual fund or exchange traded fund investment strategy.
4. The Funds shall not engage in commission recapture or directed brokerage programs.
5. BWC and its Funds do not hire, engage, employ, or otherwise retain Placement Agents and do not use the services of Placement Agents. BWC monies will not be used to pay Placement Agents, directly or indirectly. A Placement Agent is a financial intermediary that helps investment managers and other entities raise capital from accredited investors, earning compensation tied to the successful completion of the fundraising process.
6. Cash and cash equivalents may be held to meet each Fund's short-term cash flow needs.
7. The Board intends to invest in the public US and Non-US Equity asset classes with portfolios that are generally style (e.g. growth and value) and market capitalization (e.g. large, mid, and small) neutral with respective benchmark indexes.

VIII. Performance Evaluation

The Board will specifically evaluate the performance of the BWC Funds relative to its objectives and to the returns available from the capital markets during the period under review. In general, the Board will utilize relative, rather than absolute, benchmarks in evaluating performance.

The total performance of the Funds will be evaluated relative to the investment objectives and constraints identified in this IPS. Specifically, the total Fund performance will be evaluated relative to a “custom benchmark” that weights the returns of available market indices based on each Fund’s target investment structure (as specified in Appendix B), to assess the implementation of the investment strategy.

The performance of investment managers will be evaluated on a quarterly basis to ensure alignment with the investment objectives and strategies outlined in this IPS. Passive investment managers are expected to replicate the performance of their respective benchmarks with minimal tracking error. Active investment managers are expected to generate returns that exceed their respective benchmarks, net of fees, over a three-to-seven-year period. Performance will be evaluated on risk-adjusted and absolute basis against specific investment style benchmarks and peer groups (if available).

IX. Investment Costs

The Board intends to monitor and control investment costs.

1. Professional fees will be negotiated whenever possible.
2. Where appropriate, passive portfolios will be used to minimize management fees and portfolio turnover.
3. If possible, assets will be transferred in-kind during manager transitions and BWC restructurings to eliminate unnecessary turnover expenses.
4. Managers will be instructed to minimize brokerage and execution costs while seeking best execution.

X. 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 US domiciled and is majority-owned by one, or any combination, of the following groups: African American, Native American, Hispanic American, Asian American and women.

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

1. Process

With regards to MWBE Investment Manager strategy, it is the Board's desire to have Fund assets invested directly with MWBE firm(s). BWC Investment Staff and the Investment Consultant will identify qualified firms through a selection process approved by the Board. Any 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 firm must be a registered investment advisor under the Investment Advisors Act of 1940.

2. Target Asset Allocation

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

Appendix A Permissible Asset Classes

Asset Class
Cash Equivalents
TIPS
Investment Grade Bonds
Intermediate Government Bonds
Long-Term Corporate Bonds
High Yield Bonds
Real Estate (Core, Core Plus, and Value Add)
Public US Equity
Public Non-US Equity

Appendix B Asset Allocation Targets

A. State Insurance Fund (SIF)

The State Insurance Fund (“SIF”) 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 average duration of 10 years. Premiums are set each year at a level that is expected to cover the cost of claims that occur during the policy year to which those premiums apply, regardless of how far into the future those claim payments may occur. Future claim costs 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 Governmental Accounting Standards Board (“GASB”).

The Board has adopted a long-term asset allocation policy which 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.

Asset Class	Target Allocation (%)	Target Ranges (%)	Performance Benchmark
Total Equity	19	14 - 24	
US Equity ¹	13	8 - 18	Russell 3000 Stock Index
Non-US Equity	6	4 – 8	MSCI World ex-USA Index
Total Fixed Income	66	56 – 76	
Cash Equivalents	1	0 - 6	ICE BofA 3-Month US Treasury Bill Index
Investment Grade Bonds	33	29 - 37	Bloomberg US Aggregate Index
Long-term Corporate Bonds	16	13 – 19	Bloomberg US Long Credit Index
Interm. Gov’t Bonds	4	2 – 6	Bloomberg US Intermediate Treasury Index
TIPS	7	5 - 9	Bloomberg US Treasury: US TIPS Index
High Yield Bonds ²	5	3 - 7	50% ICE BofA US High Yield / 50 % Morningstar LSTA US Leveraged Loan Index
Total Real Estate	15	10 – 20	
Core Real Estate	7	4 – 10	NCREIF – ODCE Index
Core Plus Real Estate	5	3 - 7	NCREIF – ODCE Index
Value-Added Real Estate	3	1 – 5	NCREIF – ODCE Index

¹ Includes 1% target to Minority-Owned and/or Women-Owned Business Enterprises Program

² Includes Below Investment Grade Multi-Asset Credit strategies.

B. Disabled Workers' Relief Fund (DWRF)

DWRF I: Provides Permanent Total Disability (“PTD”) claimants, whose accidents occurred prior to January 1, 1987, additional indemnity benefits payments to cover ‘cost of living’ increases. The DWRF benefit is determined using a formula that includes the PTD benefit and a DWRF Threshold amount that is adjusted annually. DWRF I currently operates on a “pay-as-you-go” basis and has no significant investable assets. Legislation approved in 2015 earmarks State Insurance Fund invested assets to cover the unfunded liability in DWRF I.

DWRF II: Provides PTD claimants, whose accidents occurred on or after January 1, 1987, additional indemnity benefits payments to cover ‘cost of living’ increases. These benefits are determined using a formula that includes the PTD benefit and a DWRF Threshold amount that is adjusted annually. This fund was originally operated on a pre-funded basis but subsequent to a State of Ohio Attorney General’s Opinion No. 93-011, has been operated on a “pay- as-you-go’ basis. The liabilities are very long-term in nature.

The Board has a long-term asset allocation policy for the DWRF II Fund that identifies the strategic target weights for 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.

Asset Class	Target Allocation (%)	Target Ranges (%)	Performance Benchmark
Total Equity	30		
US Equity	20	17 - 23	Russell 3000 Stock Index
Non-US Equity	10	8 - 12	MSCI World ex-USA Index
Total Fixed Income	70		
Cash Equivalents	1	0 - 6	BofA 3-Month US Treasury Bill Index
TIPS	35	31 - 39	Bloomberg US Treasury: US TIPS Index
US Long Government / Credit Fixed Income	34	30 - 38	Bloomberg US Long Government / Credit 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 federal government through the Department of Labor sets benefit levels and determines claims eligibility for benefits. 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 average duration of 19 years. Premiums are set each year at a level that is expected to cover the cost of claims that occur during the policy year to which those premiums apply, regardless of how far into the future those claim payments may occur. These premiums are assessed only to employers that do not meet the premium moratorium eligibility requirements. 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 for 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.

Asset Class	Target Allocation (%)	Target Ranges (%)	Performance Benchmark
Total Equity	20		
US Equity	13	10 - 16	Russell 3000 Stock Index
Non-US Equity	7	5 - 9	MSCI World ex-USA Index
Total Fixed Income	80		
Cash Equivalents	1	0 - 6	BofA 3-Month US Treasury Bill Index
TIPS	40	36 - 44	Bloomberg US Treasury: US TIPS Index
Investment Grade Bonds	39	35 - 43	Bloomberg US Aggregate 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 average duration of 10 years. Premiums are set each year at a level that is expected to cover the cost of claims that occur during the policy year to which those premiums apply, regardless of how far into the future those claim payments may occur. 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 for 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.

Asset Class	Target Allocation (%)	Target Ranges (%)	Performance Benchmark
Total Fixed Income	100		
Cash Equivalents	1	0 - 6	BofA 3-Month US Treasury Bill Index
Intermediate Duration Fixed Income	99	94 - 100	Bloomberg Intermediate US Government / Credit Index

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 average duration of 9 years. Premiums are set each year at a level that is expected to cover the cost of claims that occur during the policy year to which those premiums apply, regardless of how far into the future those claim payments may occur. 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.

Asset Class	Target Allocation (%)	Target Ranges (%)	Performance Benchmark
Total Fixed Income	100		
Cash Equivalents	1	0 - 6	BofA 3-Month US Treasury Bill Index
Intermediate Duration Fixed Income	99	94 - 100	Bloomberg Intermediate US Government / Credit Index

F. Self-Insuring Employers’ Guarantee Fund (SIEGF)

The Self-Insuring Employers’ Guarantee Fund (“SIEGF”) 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 for each of the major asset classes. The table below highlights the general asset classes approved for investment and the strategic target weights.

Asset Class	Target Allocation (%)	Target Ranges (%)	Performance Benchmark
Total Fixed Income	100		
Cash Equivalents	100	n/a	BofA 3-Month US Treasury Bill Index

Appendix C

Real Estate Guidelines

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

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

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

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

1. Emphasizing the careful acquisition of typically high quality, commercial real estate properties that have the potential for modest valuation or leasing income increases through the subsequent effective professional management of such properties until such time as determination is made by the fund manager to dispose of such properties at acceptable market value.
2. Achieving acceptable risk-adjusted portfolio returns by exceeding the benchmark index return gross of management fees by at least 50 basis points per annum over the trailing three-year period within acceptable tracking error.

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

1. Emphasizing the careful acquisition of commercial real estate properties sufficiently diversified by number at sufficiently low and attractive prices that have the potential for increases in tenant occupancy rates and leasing income attained from capital improvements and effective property management to provide the fund targeted expected rates of return for investors over the projected holding period.
2. Achieving acceptable risk-adjusted portfolio returns by exceeding the benchmark index return gross of management fees by at least 200 basis points per annum over the trailing three-year period within acceptable tracking error.

Appendix C Real Estate Guidelines (con't)

Leverage in the Real Estate portfolio: Real Estate Fund managers typically will borrow money to supplement the equity capital provided by their investors; these borrowings are obligations of the real estate fund and not of the BWC. As a percentage of the market value of the properties held by the fund, these borrowings typically will fall in a range of 15% - 40% for Core real estate funds, 30% - 60% for open-end Core Plus real estate funds, 0% - 60% for closed-end Core Plus real estate funds and 0% - 70% for closed-end Value-Added real estate funds.

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

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

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