The Ohio Bureau of Workers' Compensation

Investment Policy Statement

Adopted by the BWC Board of Directors: October 30, 2015

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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 ("BWC") State Insurance Fund and Specialty Funds ("the Funds"). The Workers' Compensation Board of Directors ("Board") adopts this policy in order to assist the Administrator, the Chief Financial Officer, the Chief Investment Officer ("CIO") and the BWC staff in meeting investment objectives and monitoring the performance of the investment of the net assets and reserves of the Funds as required by Ohio Revised Code ("O.R.C.") 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 4123.44, the voting members of the Board, the Administrator of the BWC, and the CIO of the BWC are trustees of the State Insurance Fund and fiduciaries of the Funds, which are held for the benefit of the injured workers and employers of Ohio.

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

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

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. BWC Staff Responsibilities

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

i. Consult with the Investment Consultant and receive approval from the Board regarding the appropriate strategic asset allocation and investment policy for the Funds and periodically review such policy in light of any changes in actuarial variables, market conditions, or other evolving relevant facts or situations.

ii. Recommend permissible asset classes for investment to the Board.

iii. Monitor and review the investment performance of the Funds on a periodic basis to determine achievement of goals and compliance with the guidelines set forth in this Investment Policy. Investment performance for managers of stocks and bonds will be computed monthly. Performance for real estate managers and other less liquid investments will be computed quarterly. Formal compliance reports for all managers will be compiled at least once a year or more often as deemed necessary.

iv. Provide a report of monthly market value changes by investment asset class.

v. Consult with and receive approval from the Board on the selection and termination of all Investment Consultants.

vi. Consult with and receive approval from the Board on the selection and termination of all Investment Managers and General Partners.

vii. Consult with and receive approval from the Board on the asset class to be managed, investment style, and scope of investment activities that may be allocated to each Investment Manager and General Partner.

viii. Implement the directives of the Board.

ix. Supervise the management of each Fund's assets in accordance with this Investment Policy and the objectives and guidelines set forth herein. Any notable exceptions to Investment Manager and General Partner portfolio guidelines will be reported to the Board on a timely basis. If there are no exceptions known to the BWC investment staff, the CIO shall so state to the Board on a monthly basis.

x. Consult with and receive approval from the Board regarding criteria and procedures to be utilized to select Investment Managers and General Partners.

xi. Inform and receive approval by the Board of any significant change in investment strategy of approved Investment Managers and General Partners.

xii. Report to the Board on at least an annual basis summary trade activity by brokerage firm and communicate any unusual trading activity, including unusual trade execution, to the Board in a timely manner, including any discussions with Investment Managers regarding such trading activity.

xiii. 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.

xiv. Consult with the Funds' Investment Managers and General Partners as necessary and appropriate to discuss account performance and other material information.

C. Investments Managers' Responsibilities

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

i. Be a bank, insurance company, investment management company, or investment advisor as defined by the Investment Advisors Act of 1940.

ii. Manage the plan assets under its care, custody and/or control in accordance with the Investment Policy set forth herein and in compliance with applicable Ohio statutory requirements.

iii. Exercise full investment discretion over the assets in their care within the guidelines set forth herein, their Investment Management Agreement and the specific portfolio guidelines contained therein.

iv. Acknowledge and agree in writing to their fiduciary responsibility to fully comply with relevant sections of the Investment Policy.

v. Provide to the BWC investment staff on at least a quarterly basis the status of each portfolio managed for the Funds and its performance for various time periods.

vi. Consult with the CIO and/or other BWC investment staff on at least an annual basis regarding the status of each portfolio managed for the Funds with respect to achieving portfolio goals and objectives as well as provide a market outlook, as deemed necessary, related to each portfolio.

vii. Provide the BWC investment staff with compliance reports as deemed appropriate and necessary.

viii. Subject to any exceptions expressly set forth herein, Investment Managers shall be directly responsible for executing trades related to the portfolios they manage for the Funds. Investment Managers shall be responsible for seeking the best execution of trades.

ix. 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.

x. Provide the BWC investment staff with firm's current Brokerage, Soft Dollar and Trade Execution Policy on an annual basis.

xi. Provide the BWC investment staff with a report on at least monthly basis on the trading activities of the Funds, including, but not limited to, the volume of trades and related commissions executed by each Broker.

xii. Provide the BWC investment staff with the firm's current Ethics Policy and annual confirmation of its compliance with said policy.

xiii. Provide the BWC investment staff with the firm's most recent Form ADV on an annual basis if such document is required to be filed by law.

xiv. Comply with the Campaign Contribution Policy as set forth in the Ohio Revised Code (O.R.C.) Section 3517 and provide written attestation of such compliance on an annual basis.

xv. Promptly inform the CIO of all changes of a material nature pertaining to the firm's organization and professional staff.

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

D. General Partners' Responsibilities

Each General Partner (including each real estate fund investment manager) shall:

i. Manage the plan assets under its care, custody and/or control in accordance with the Investment Policy set forth herein and in compliance with applicable Ohio statutory requirements.

ii. Exercise full investment discretion over the assets in their care within the guidelines set forth herein and contained within the specific portfolio guidelines of their Partnership/Fund and/or Subscription Agreement.

iii. Acknowledge and agree in writing to their fiduciary responsibilities to fully comply with relevant sections of the Investment Policy or to fully comply in accordance with their fiduciary responsibilities to the relevant partnership or fund.

iv. Provide to the BWC investment staff on at least a quarterly basis the status of each portfolio managed for the Funds and its performance for various time periods.

v. Consult with the CIO and/or other BWC investment staff on at least an annual basis regarding the status of each portfolio managed for the Funds with respect to achieving portfolio goals and objectives as well as provide a market outlook, as deemed necessary, related to each portfolio.

vi. Provide the BWC investment staff with compliance reports as deemed appropriate and necessary.

vii. Provide the BWC investment staff with quarterly financial statements and an audited annual financial statement for each partnership or fund to which the BWC has made a commitment.

viii. Provide the BWC investment staff with the firm's current Ethics Policy and annual confirmation of its compliance with said policy.

ix. Promptly provide the BWC investment staff with a detailed report of all capital calls and/or distributions for each partnership or fund.

x. Comply with the Campaign Contribution Policy as set forth in the Ohio Revised Code (O.R.C.) Section 3517 and provide written attestation of such compliance on an annual basis.

xi. Promptly inform the CIO 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, the CIO and BWC staff.

ii. Assist in the development and amendment of this Investment Policy.

iii. Assist in the establishment of strategic asset allocation targets.

iv. Assist in the development of performance measurement standards.

v. Report the quarterly investment performance results and quarterly risk characteristics of the Funds to the Board.

vi. Monitor and evaluate Investment Manager and General Partner performance on an ongoing basis.

vii. Conduct due diligence on the Funds' current and prospective Investment Managers and General Partners.

viii. Confirm a procedural due diligence search process to include criteria and procedures to be utilized for the selection of Investment Managers and General Partners.

ix. Provide the BWC investment staff with the firm's most recent Form ADV on an annual basis.

x. Provide any other advice or services that the Board or the Administrator and CIO determine from time to time is necessary, useful or appropriate to fulfill the objectives of this Investment Policy in accordance with the Investment Consulting Agreement.

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 five – seven 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 may be triggered.

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

1. When a rebalancing meeting/event is triggered, the CIO/investment staff will notify the Administrator that a rebalancing meeting/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 CIO will present a rebalancing recommendation to the Senior Officer Review Team, which consists of the BWC Administrator, the Chief Operating Officer, the Chief Fiscal & Planning Officer and the Director of Investments, for approval before any such asset rebalancing can be implemented and executed.

5. Rebalancing less liquid asset classes, such as real estate, should not be undertaken as automatically as transactions designed to rebalance the more liquid asset classes with ready public markets. Many factors need to be considered when contemplating transactions intended to restore desired asset class targets in less liquid assets, including:

   a. the availability of product to purchase

   b. existing queues for entering or exiting desirable investments

   c. the availability of investable cash

   d. natural wind downs of less liquid commitments in the near future

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

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

6. Finally, the CIO will provide a written summary of the fully executed rebalancing activity for any respective trust fund portfolio to the BWC Investment Committee at its next scheduled meeting.

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

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

C. General Guidelines

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

i. The following guidelines serve to diversify the organizational risk of Investment Management firms or General Partners providing services to the Funds and to minimize the dependence by the Funds on any one investment firm. The diversification guidelines are as follows:

- No one investment organization or General Partner, utilizing active management investment strategies, should manage more than 15% of the Funds' assets at the time it is funded by BWC.

- On a prospective basis, an investment organization which utilizes passive management investment strategies, may manage up to 50% of the Funds' assets at the time it is funded by BWC. This guideline has been established to allow the BWC to take advantage of the benefits of low fees resulting from the economies of scale that exist with passive management. The Board, Staff and the Consultant will closely monitor this organizational risk to ensure the security of Fund assets. The maximum allocation under this guideline will only be utilized in circumstances where the fee benefit is believed to outweigh the organizational risk to the Funds.

- The Funds' assets managed by any one firm, utilizing either active or passive management investment strategies, or General Partner should not exceed 20% of the total assets managed by the firm or General Partner for all clients in that asset class at the time it is funded by BWC. For purposes of this constraint, "asset class" shall be broadly defined to include all styles, sub-sectors, or specialty portfolios managed by a firm within a particular asset class such as bonds or stocks but shall exclude the real estate asset class which will be governed by its own specific diversification guidelines that follow.

- At the time of commitment, the amount of the Fund's capital commitment to any one Core or Core Plus real estate fund is limited as follows:

    a. If the net asset value (i.e., largely real estate asset value minus debt value) of a Core or open-end Core Plus real estate fund is less than $500 million, the Fund's capital commitment cannot exceed the lower of (i) 20% of such Core or Core Plus fund's net asset value and (ii) $75 million;

    b. If the net asset value of a Core or open-end Core Plus real estate fund is between $500 million and $1 billion, the Fund's capital commitment cannot exceed the lower of (i) 15% of such Core or Core Plus fund's net asset value and (ii) $100 million; and

    c. If the net asset value of a Core real estate fund is $1 billion or higher, the Fund's capital commitment cannot exceed the lower of (i) 10% of such Core fund's net asset value and (ii) $300 million.

d. If the net asset value of an open-end Core Plus real estate fund is $1 billion or higher, the Fund's capital commitment cannot exceed the lower of (i) 10% of such Core Plus fund's net asset value and (ii) $200 million.

e. The amount of the Fund's capital commitment to any one closed-end Core Plus real estate fund cannot exceed the lower of (i) 20% of the total capital commitments to such Core Plus fund and (ii) $75 million.

- The amount of the Fund's capital commitment to any one Value-Added real estate fund cannot exceed the lower of (i) 20% of the total capital commitments to such Value-Added fund and (ii) $75 million.

ii. **Fixed Income Investments**

The investment goal of the fixed income investments is to offer the Funds a broad exposure to the return opportunities and investment characteristics associated with the U.S. domestic fixed income market. Each Fund's fixed income portfolio shall be invested in a manner that takes into consideration the duration and yield curve characteristics of its liabilities in order to preserve the reserve, provide for stable premiums and grow net assets.

Passive fixed income investment mandates shall be managed to match the risk and return profile of an assigned fixed income benchmark resulting in performance with a reasonably low tracking error. Active managed fixed income investment mandates shall be managed to provide an enhanced return-to-risk profile and excess investment return performance relative to an assigned fixed income benchmark.

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

- Controlling/reducing risk and notable market value deterioration, independent of general interest rate increases, by eliminating/avoiding exposure to prominent declining credits.

- Emphasizing the careful selection of well-researched credit holdings sufficiently diversified by both issuers and industry/sector groups and in accordance with any relevant diversification guidelines imposed.

- Achieving acceptable risk-adjusted portfolio returns by outperforming the benchmark index by at least 0.25% (25 basis points) per annum net-of-fees over the trailing three-year period within acceptable returns tracking error and dispersion objectives.

- Outperforming the peer group manager total return median over the trailing three-year period net-of-fees.

iii. **U.S. Equity**

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

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

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

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

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

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

v. **Real Estate**

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

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

- Emphasizing the careful acquisition of high quality, well-leased commercial real estate properties sufficiently diversified by number, property type and geographical location and the subsequent effective professional management of such properties until such time as determination is made by the fund manager to dispose of such properties at acceptable market value.

- Achieving acceptable risk-adjusted portfolio returns by meeting or exceeding the benchmark index returns 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:

- 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.

- 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:

- 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.

- 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.

<u>Leverage in the Real Estate portfolio:</u> 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:

- 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.

- The leverage of any particular fund is not as important as the aggregate leverage of the real estate portfolio.

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

vi. **Cash Equivalents**

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

vii. **Securities Lending**

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

viii. **Derivatives**

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

The 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).

ix. **Commission Recapture / Directed Brokerage**

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

x. **Placement Agents**

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

xi. **General Prohibitions**

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

1. Short selling with the exception of selling futures contracts for risk-control purposes.

2. The use of all forms of leverage or the purchase of securities with borrowed money is prohibited, except that:

    a. The Board recognizes that financial futures are generally purchased on margin and this is permitted.

    b. Real estate funds generally employ leverage at the fund and/or property level, and this is approved within the guidelines described in Section IV.C.v.

3. Coins, artwork, horses, jewelry, gems, stamps, antiques, artifacts, collectibles, and memorabilia.

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

xii. **Exchange Traded Funds**

Investment managers are permitted to utilize publicly-traded Exchange Traded Funds (ETFs) for clearly defined purposes, such as cash equitization. In all cases, investment managers will advise the CIO of their intent to utilize ETFs prior to their purchase, the specific ETFs they intend to use, and the purposes they serve.

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

State Insurance Fund

Investment Category	Target Allocation	Permissible Range	Performance Benchmark
Active Long Duration Fixed Income – Credit Bonds	28%	22% - 34%	Barclays U.S. Long Credit Index
Indexed Long Duration Fixed Income – U.S. Government Bonds	4%	2% - 6%	Barclays U.S. Long Government Index
Active Core Plus U.S. Aggregate Fixed Income	15%	12% - 18%	Barclays U.S. Aggregate Index
Indexed Treasury Inflation Protected Securities	10%	7% - 13%	Barclays U.S. Treasury: U.S. TIPS Index
Cash and Cash Equivalents	1%	0% - 6%	3-Month U.S. Treasury Bills
Total Fixed Income	**58%**		
Core Real Estate Funds	7%	*5% - 9%*	NCREIF – ODCE Index
Core Plus Real Estate Funds	3%	*2% - 4%*	NCREIF – ODCE Index
Value-Added Real Estate Funds	2%	*1% - 3%*	NCREIF – ODCE Index
Total Real Estate	**12%**	**9% - 15%**	

Total Real Estate Permissible Range is the applicable range for any potential portfolio rebalancing action. Italicized portfolio allocation ranges shown for the three specific Real Estate mandates are guidelines only and do not separately prompt any portfolio rebalance action.

State Insurance Fund (Continued)

Investment Category	Target Allocation	Permissible Range	Performance Benchmark
Indexed Large-Cap U.S. Equity	12%	*9% - 15%*	Russell Top 200 Large Cap Index
Active Mid-Cap Value U.S. Equity	2%	*1.25% - 2.75%*	Russell Midcap Value Index
Active Mid-Cap Growth U.S. Equity	2%	*1.25% - 2.75%*	Russell Midcap Growth Index
Active Mid-Cap Core U.S. Equity	1.5%	*.75% - 2.25%*	Russell Midcap Index
Active Small-Cap Value U.S. Equity	.75%	*.5% - 1%*	Russell 2000 Value Index
Active Small-Cap Growth U.S. Equity	.75%	*.5% - 1%*	Russell 2000 Growth Index
Active All-Cap U.S. Equity (MWBE MoM)*	1%	*.5% - 1.5%*	Russell 3000 All Cap Index
Total U.S. Equity	**20%**	**15% - 25%**	
Indexed Non-U.S. Equity	10%	7% - 13%	MSCI All World ex-U.S. Index
Total Public Equity	**30%**		
			Fund Policy Performance Benchmark
Total State Insurance Fund	**100%**		A weighted index consisting of: 28% Barclays U.S. Long Credit Index 4% Barclays U.S. Long Govt Index 15% Barclays U.S. Aggregate Index 10% Barclays U.S. TIPS Index 1% 3-Month U.S. Treasury Bills 12% Russell Top 200 Large Cap Index 2% Russell Midcap Value Index 2% Russell Midcap Growth Index 1.5% Russell Midcap Index .75% Russell 2000 Value Index .75% Russell 2000 Growth Index 1% Russell 3000 All Cap Index 10% MSCI All World ex-U.S. Index 12% NCREIF – ODCE Index

Total U.S. Equity Permissible Range is the applicable range for prompting a portfolio rebalancing action. Italicized portfolio allocation ranges shown for each specific U.S. Equity mandate are guidelines only and do not separately prompt any portfolio rebalance action.

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

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 in 1993, has been operated on less than 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 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 II</u>

Investment Category	Target Allocation	Permissible Range	Performance Benchmark
Indexed U.S. Long Government/Credit Fixed Income	34%	30% - 38%	Barclays U.S. Long Government/Credit Index
Indexed Treasury Inflation Protected Securities	35%	31% - 39%	Barclays U.S. Treasury: U.S. TIPS Index
Cash and Cash Equivalents	1%	0 - 6%	3-Month U.S. Treasury Bills
Total Fixed Income	**70%**		
Indexed U.S. Equity	20%	17% - 23%	Russell 3000 Stock Index
Indexed Non-U.S. Equity	10%	7% - 13%	MSCI All World ex-U.S. Index
Total Public Equity	**30%**		
			Fund Policy Performance Benchmark
Total Disabled Workers' Relief Fund	**100%**		A weighted index consisting of: 34% Barclays U.S. Aggregate Index 35% Barclays U.S. TIPS Index 1% 3-Month U.S. Treasury Bills 20% Russell 3000 Stock Index 10% MSCI All World ex-US Index

The above table applies only to the DWRF II Fund and excludes DWRF I which has no significant invested assets.

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 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.

Coal Workers' Pneumoconiosis Fund

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

Public Work-Relief Employees' Fund

Investment Category	Target Allocation	Permissible Range	Performance Benchmark
Indexed Intermediate Duration Fixed Income	99%	94-100%	Barclays Intermediate U.S. Government / Credit Index
Cash and Cash Equivalents	1%	0 - 6%	3-Month U.S. Treasury Bills
Total Fixed Income	**100%**		
Total Public Equity	**0%**		Fund Policy Performance Benchmark
Total: Public Work-Relief Employees' Fund	**100%**		A weighted index consisting of: 99% Barclays 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 average duration of 9 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.

Marine Industry Fund

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

Self Insured Employers Guarantee Fund

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

VII. INVESTMENT POLICY STATEMENT REVIEW

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

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

VIII. FAIR CONSIDERATION / PUBLIC INTEREST POLICY

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

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

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

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

i. Process

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

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. <u>Qualified Ohio Investment Managers - Criteria</u>

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 U.S. Aggregate Index

The Barclays 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 U.S. Long Government Index

The Barclays U.S. Long Government Index consists of taxable fixed income securities that are publicly issued and U.S. dollar denominated. The index includes fixed coupon rate U.S. treasury securities, and U.S. federal agency securities. The index typically has a weighted average duration in excess of ten years which is considered to be long-term in duration.

III. Barclays U.S. Long Credit Index

The Barclays U.S. Long Credit Index consists of taxable fixed income securities that are publicly issued and U.S. dollar denominated. The index includes fixed coupon rate U.S. corporate securities, non-U.S. corporate securities, U.S. municipal securities, non-U.S. government securities (both sovereigns and regionals) and supranational organizations. Non-U.S. issuers represent a relatively small portion of the index. Each security in the index must have a final maturity of at least ten years. The index is a component of the broad Barclays 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.

IV. Barclays 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.

V. Barclays U.S. Treasury: U.S. TIPS Index

The Barclays 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.

VI. Barclays U.S. Intermediate Government/Credit Index

The Barclays 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 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.

VII. 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.

VIII. Russell Top 200 Large Cap Index

The Russell Top 200 Index is a market capitalization weighted index maintained by Russell Investment Group that includes approximately 200 of the largest U.S. eligible stocks by market cap. The index is a subset of the Russell 1000 Index and is constructed to provide a comprehensive and unbiased barometer for this very large market capitalization segment and is completely reconstituted annually to ensure new and growing equities are reflected. It is calculated on a total return basis with all dividends reinvested.

IX. Russell Midcap Index

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

X. Russell Midcap Value Index

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

XI. Russell Midcap Growth Index

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

XII. Russell 2000 Index

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

XIII. Russell 2000 Value Index

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

XIV. Russell 2000 Growth Index

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

XV. 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.

XVI. NCREIF – ODCE Index

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