In accordance with OSBA policy 3510 – Financial Investments for PACE, this guideline governs the investment of OSBA's Property and Casualty Coverage for Education (PACE) Portfolio.

OBJECTIVES:

The primary objective as per OSBA policy 3500, is to assure there is property and liability insurance available to OSBA members. Three other objectives, as per policy 3510 are 1) retain liquidity investment to meet projected or unexpected cash needs; 2) attain the best possible total return (income and market appreciation) while minimizing risk (risk is defined as a significant loss of principal); and 3) to avoid significant portfolio drawdowns.

To achieve these objectives, the Portfolio will be invested across a diverse set of asset classes to achieve an optimum rate of return (defined as income plus realized and unrealized capital gains and losses) while minimizing overall Portfolio level risks. The targeted long-term rate of return should average between 4% and 5% on an annual basis. While the performance of financial markets varies, and this return target may not be achieved every year; it is the expectation that over a market cycle this level of return will be attained to meet the objectives.

CUSTODIAL OFFICER:

OSBA's executive director, or their designee, is designated as the custodial officer and has the authority to invest funds as outlined in this guideline.

The executive director shall contract with an outside investment agency for the purpose of managing operating reserve funds and the PACE Trustees shall determine their level of involvement in the process for contracting with an outside investment agency.

ROLES AND RESPONSIBILITIES:

PACE Trustees:

Trustees have fiduciary oversight of the PACE Portfolio. The Trustees are responsible for assuring appropriate policies and guidelines governing the management of the portfolio are in place and they are effectively implemented.

OSBA Executive Director:

The executive director, or their designee, is designated as the custodial officer and is responsible for the oversight and management of the portfolio's assets, which includes the authority to invest funds as outlined in this guideline and the establishment of investment policies and guidelines, such as:

1. Establishing reasonable and consistent investment objectives, policies, and guidelines that shall direct the investment of PACE assets.
2. Determining the Portfolio's risk tolerance and time horizon and communicating these to the appropriate parties.
3. Evaluating the performance of the Investment Manager(s) to assure adherence to policy guidelines and monitor investment objective progress.
4. Developing and enacting proper control procedures.

5. Recommending proposed changes and revisions to this guideline.

Contracted Investment Manager:
The investment manager(s) shall provide day-to-day investment management services for the portfolio and, within the parameters of this guideline, have discretion to: Purchase, sell, or hold the specific securities that will be used to meet the portfolio's investment objectives; manage the asset allocation, determine the investment strategy, and implement security selection decisions; and select appropriate investments in the specific asset classes. Other duties of the Investment Manager(s) may include but are not limited to:

1. Portfolio rebalancing.
2. Asset allocation guidance and modeling.
3. Portfolio strategy implementation (inclusive of sub-advisor selection and ongoing oversight).
4. Tactical asset allocation within asset classes and across asset classes.
5. Review, at least annually, this guideline and asset allocation with PACE Trustees and recommend revisions when appropriate.
6. The Trust Board shall receive written and/or oral presentations from the contracted investment manager at each regular Trust Meeting. These updates will include, at a minimum, information on investment allocations, performance results, and other related portfolio activities.

PARAMETERS FOR INVESTING

Asset Allocation

The strategic asset allocation is based upon applicable investment time horizon and the limits of appropriate and acceptable risk. The framework recognizes that in such a design, asset classes and investment strategies are selected primarily due to the role they play in the Portfolio. The following asset classes will be used to meet the PACE investment goals:

1. Return Seeking Assets: Domestic (US) Equities; Global and International (non-US); Equities; Listed Marketable Real Assets as defined by Global REITs, Global Listed Infrastructure, and listed Commodity futures; and return oriented fixed income/bonds including High Yield, Emerging Market Debt, and floating rate bank loans.
2. Risk Reducing Fixed Income/Bonds: Primarily core Investment grade U.S. and Non-US bonds. Core Bonds includes investments in Corporate Debt, US Treasuries, Mortgage Backed Securities, and Asset Backed Securities of investment grade quality.
3. Private Fixed Income: Primarily debt securities made by non-bank lenders that are not publicly traded and typically provide floating rate income.
4. Cash: Defined as money market instruments or T-bills.

The following broad asset allocation parameters have been identified as appropriate: This formula may be altered to either reduce market risk or optimize opportunities to capitalize on expected market movement.

Asset Class	Minimum	Target	Maximum
Return-Seeking Assets	20%	40%	50%
Risk Reducing Fixed Income	40%	50%	80%
Private Fixed Income	0%	10%	15%
Cash	0%	0%	5%

Securities Guidelines

The following asset classes have been deemed appropriate for investment in the Portfolio.

1. Domestic/Global
   a. Invests in a diversified Portfolio that includes US and non-US stocks, fixed income (used for opportunistic purposes) commodities, global real estate securities, global listed infrastructure securities, and cash.
   b. The following guidelines apply to the sub-asset classes within the Portfolio.
   c. Public Equities (US, Non-US, Global)
   d. Equity holding in any one company should not exceed more than 5% of the market value of the overall equity Portfolio.
   e. The manager shall emphasize quality in security selection and shall avoid risk of large loss through diversification.
   f. Allocation to any one economic sector should not be excessive and should be consistent relative to a broadly diversified equity market and to managers following similar style disciplines. Equity sector and industry exposures will typically fall within +/- 15% of the MSCI All County World Index.
   g. Holdings of individual securities shall be large enough for easy liquidation.
   h. Allocation to any specific countries shall not be excessive relative to a broadly diversified international equity manager peer group. Regional equity exposures (US, Emerging Markets, UK, Japan, Europe x UK, and Asia x Japan) is limited to +/- 15% relative to the MSCI All Country World Index. Country exposure is limited to +/- 15% relative to the MSCI All Country World Index.
   i. Holdings of individual securities shall be large enough for easy liquidation.
   j. The manager may enter into foreign exchange contracts on currency, provided that use of such contracts is limited to hedging currency exposure through the course of normal international market investing.
2. Marketable Real Assets (listed real estate, listed commodities, and listed infrastructure)
   a. Holdings defined as real assets shall not make up more than 10% of the Portfolio.
   b. Real assets are defined as listed equites securities that specialize in infrastructure or Real estate investment trusts as well as commodity contracts.
   c. Holdings in any one company or specific investment shall not exceed more than 5% of the market value of the given Portfolio or account.
   d. Commodity exposures must be through the use of daily cleared exchanged listed commodity contracts. Physical holdings of commodities is prohibited.
3. Growth Oriented Fixed Income
   a. Bond holdings defined as return oriented fixed income shall not make up more than 10% of the Portfolio.
   b. As part of the Growth component of the total Portfolio, fixed income assets will emphasize fixed income sectors that can provide higher yield and return opportunities. Examples include high yield and emerging market debt, may also include floating rate debt such as bank loans and other asset backed securities.
   c. The exposure of the Portfolio to any one issuer, shall not exceed 5% of the market value of the fixed income Portfolio.
   d. Holdings of individual issues shall be large enough for easy liquidation.
   e. The weighted average maturity of this segment of the Portfolio shall not exceed ten (10) years.
4. Risk reducing Core Fixed Income (US and Global Fixed Income)

   a. Bond holdings defined as risk reducing core fixed income will emphasize fixed income sectors that provide a focus on current income and strong diversification characteristics to other return-oriented asset classes. Examples include U.S. treasuries, U.S. government agency bonds, mortgage backed securities, commercial mortgage backed securities, asset backed securities, corporate bonds, and non-U.S. government and corporate bonds.
   b. The exposure of the Portfolio to any one issuer, other than securities of the U.S. government or agencies, shall not exceed 5% of the market value of the fixed income Portfolio.
   c. The exposure to non-U.S. bonds is limited to 15% of the Portfolio.
   d. Corporate bonds shall include obligations of U.S. and non-U.S. corporations. To the extent possible, the corporate bond section of the total Fund shall be diversified by sector.
   e. The average credit quality of the Portfolio shall be A or higher.
   f. The weighted average maturity of the Portfolio shall not exceed ten (10) years.
   g. Holdings of individual issues shall be large enough for easy liquidation.
5. Private Fixed Income
      a. Floating rate notes that are non-daily marked-to-market. Investments in private debt will primarily be through a fund of funds structure with a maximum fund commitment term of 8 years.
      b. The majority of investments shall be invested in U.S. markets. Up to 30% exposure to non-U.S. debt is allowed.
      c. Investments shall be diversified across major sector types.
6. Cash and Cash Equivalents
   a. Cash and cash equivalent reserves should consist of cash instruments having a quality rating of A-2, P-2 or higher. Eurodollar Certificates of Deposit, time deposits, repurchase agreements are also acceptable investment vehicles.
   b. Any idle cash shall be invested in an interest-bearing vehicle, such as a money market instrument, in a timely manner.
6. OSBA may invest in pooled funds managed by professional investment managers. Any funds selected, or managers retained, shall operate within this guideline; however, fund guidelines as outlined in prospectus documents supersede security restrictions or guidelines detailed in this guideline as long as those investments are made via a fund and not direct holdings in the portfolio.

Prohibited Transactions and Investments:

1. No assets shall be invested in non-negotiable and non-marketable issues.
2. No assets shall be invested in physical commodities. Commodity futures are permitted.
3. The use of derivative contracts such as futures, options, and swaps are not allowed unless utilized in a commingled fund for hedging and exposure management purposes only.
4. Speculation is not permitted.
5. The use of leverage is not permitted in the Portfolio.
6. There shall be no purchases or sales of assets between the funds and the Investment Manager(s) or any affiliate.
7. There shall be no purchases, sales, or other transactions in connection with which the Investment Manager(s) or any affiliate receives any payment or its own account, whether as underwriter, investment banker, or broker.
8. Investments in non-daily liquid funds is not allowed unless in a fund of fund structure with a maximum commitment period of 8 years.
9. Private capital such as equity and direct real estate is not allowed; private fixed income is

allowed via a fund of funds structure.
10. Investments in hedge fund vehicles are not allowed.

PAYOUT GUIDELINES:
Withdrawal of funds shall be at the written discretion of the Executive Director or designee following OSBA policy based upon funds needed for claims payout. The portfolio shall maintain sufficient liquidity to meet any and all claims.

PERFORMANCE MEASUREMENTS:

The performance of the portfolio will be measured quarterly on a relative basis, net of investment management fees with a goal of outperforming over a full market cycle. The following benchmarks may be used for comparison purposes.

Asset Class	Benchmark
Global Equities	MSCI ACWI Index
US Equities	S&P 500 Index
High Yield Fixed Income	BofAML Developed Markets Global High Yield Constrained Index
Emerging Market Debt Fixed Income	JP Morgan EMBI Global Diversified Index
Listed Real Estate Securities	FTSE EPRA/NAREIT Developed Real Estate Index
Commodities	Bloomberg Commodity Index
Cash	Barclays US 1-3 Month T-Bill
Core Fixed Income	Bloomberg Barclays US Aggregate Bond Index
Private Fixed Income	Cliffwater Direct Lending Index

REPORTING:
The Investment Manager(s) shall report the following to OSBA and the PACE Trustees on a regular basis.
1. Comparison of investment results with appropriate benchmarks, as well as market index returns in both equity and debt markets.
2. Investment adherence to this Investment Guideline.
3. Information regarding material changes in the Investment Managers' organization (or sub-advisors), and other pertinent information potentially effecting performance of PACE's investments.
4. Upon request, the Investment Manager will present to the PACE Trustees and the OSBA Board of Directors a progress report of the funds.

INVESTMENT PRACTICES:
1. Investment Authority: Is vested with OSBA's executive director and/or their designee.
2. Custody/Safekeeping of Assets: OSBA will not normally take delivery of the investment securities purchased. Instead, the association will utilize a Custodian, which can provide a timely confirmation of all sales and purchases.
3. Proxy Voting: The Investment Manager(s) are responsible for voting proxies on the Portfolio's behalf. Investment Manager(s) with proxy voting responsibility are required to provide OSBA with annual detailed reports of proxy voting.