

# **AERONAUTICS TRUST FUND**

## **INVESTMENT POLICY STATEMENT**

### **PURPOSE**

The Aeronautics Trust Fund is an endowment for certain activities of the Nebraska Department of Transportation's Division of Aeronautics. Uses of the funds include, in order of priority, operations of the State-owned Airfields, the Navigational Aids Division and grants to eligible Nebraska airports.

### **STATUTORY AND AGREEMENT REFERENCES**

- Aeronautics Trust Fund Neb. Rev. Stat. § 3-156
- Medical Assistance Program part 155
- 1971 agreement between FAA and State of Nebraska

§ 3-156 requires that proceeds from the sale of public owned airfields be deposited in the Aeronautics Trust Funds. The fund is subject to FAA regulations part 155 and a 1971 agreement between the FAA and the State of Nebraska.

### **INVESTMENT OBJECTIVES**

- Principal preservation: Investments will be undertaken in a manner that seeks to preserve capital.
- Maximize income distribution.

Financial management for the fund consists of an investment strategy and a distribution strategy. The investment strategy will, in the long term, determine the total amount available for distribution. The distribution strategy determines the timing of the distributions. Income distributions occur on a monthly basis. The fund distributes income but not capital gains and losses. The Council is responsible for the investment strategy and distributions are made in accordance with the agreements between the FAA and the State of Nebraska. Principal could be recalled by the FAA. The FAA must approve the specific use of the income distributed.

### **INVESTMENT STRATEGY**

This fund is to be managed primarily as a buy and hold portfolio of 100% fixed income securities. The focus is on income generation and not a total return strategy.

### **ASSET ALLOCATION**

#### Investment Constraints:

Allowable investments: Fixed income securities that are backed by the full faith and credit of the U.S. Government & Government-Sponsored Agency securities.

#### Diversification Limits:

Minimum of 50% U.S. Treasuries  
Maximum of 25% mortgage-backed securities

Duration:

The effective duration of the portfolio will be maintained within +/- 10% of the benchmark.

**PERFORMANCE BENCHMARKS**

Bloomberg Treasury Bond Index

**RESPONSIBILITIES FOR THE AERONAUTICS FUND:**

The Council:

- Approves the Investment Policy Statement (IPS) for the funds. The IPS includes the asset allocation, relevant constraints and manager benchmarks.
- Approves exceptions to the IPS as requested by the SIO.

The State Investment Officer:

- Makes recommendations to the Council regarding components of the IPS, such as asset allocation, investment managers utilized, constraints and manager benchmarks.
- Implements the Council-approved IPS for the Funds.
- Evaluates and reports investment performance and other investment-related issues of the Funds.
- Maintains a current written IPS approved by the Council.
- Establishes written procedures for internal implementation of the IPS as needed.
- Obtain Council-approved IPS exceptions as needed.

**ADMINISTRATIVE AND GOVERNANCE POLICIES**

Council Administrative and Governance Policies are contained in two additional documents.

Approved July 23, 1998  
Revised September 21, 2011  
Revised February 8, 2018  
Revised December 10, 2020  
Revised August 25, 2021