

**EXCESS LIABILITY FUND  
INVESTMENT POLICY STATEMENT**

**PURPOSE**

The purpose of this Investment Policy Statement (IPS) is to set forth the asset allocation, investment strategy, manager allocation and benchmarks, guidelines and responsibilities for the Excess Liability Fund. In order to optimize investment rates of return, reduce investment expense and expedite operational efficiencies, this Fund is combined with the investment pools of other entities for investment purposes but accounted for separately using plan accounting.

**STATUTORY REFERENCES**

- Hospital-Medical Liability Act Neb. Rev. Stat. §§ 44-2801 - 44-2855

**INVESTMENT OBJECTIVES**

The Excess Liability Fund provides funding for any claims in the State's malpractice coverage program for health care providers in Nebraska. Insurance premiums charged to the providers are contributed to the Fund and claims are paid from the Fund. As a result, this Fund has two primary investment objectives. One is to provide funding for the current year's claims and also to maintain an adequate reserve for future claims. Whereas the Nebraska Investment Council (the Council) is responsible for the investments, distributions are determined by statute or in accordance with notifications by authorized officials of the Nebraska Department of Insurance. The Department of Insurance administers the State's malpractice insurance program.

**INVESTMENT STRATEGY**

The Council utilizes a fixed income-only approach. Within this approach, the investment strategy for the portfolio is separated into risk-reducing fixed income and return-seeking fixed income.

**ASSET ALLOCATION**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Acceptable Range</u>	<u>Benchmark</u>
Risk-reducing Fixed Income	70.0%	65.0%-75.0%	Bloomberg US Aggregate Bond Index
Return-seeking Fixed Income	30.0%	25.0%-35.0%	50% Bloomberg US Credit Index 30% ICE BofA MY HY Master II Index 20% JP Morgan EMBI Global Diversified Index

The allowable range for individual managers is  $\pm 3\%$  of the target allocation established by the Council.

The Excess Liability Fund is commingled with the fixed income assets of the endowment funds.

## **INVESTMENT MANAGER GUIDELINES**

The separate account investment portfolios are managed according to written investment guidelines that are approved by the State Investment Officer (SIO) and reported to the Council. These guidelines are intended to ensure that each manager operates in the manner and style consistent with the approach it represented and for which it was retained, and within acceptable risk parameters. The guidelines for each manager are included in their written, signed Investment Manager Agreement. While it is not expected that commingled fund guidelines will align perfectly with this investment policy, it is expected that commingled funds will be vetted to ensure a reasonably high degree of consistency with this investment policy before an investment is made.

## **RESPONSIBILITIES FOR THE EXCESS LIABILITY FUND**

The Council:

- Approves the IPS for the Portfolio. The IPS includes the investment objectives, asset allocation, investment strategy, and manager benchmarks.
- Approves exceptions to the IPS as requested by the SIO.
- Approves investment managers upon recommendation of the SIO.

The State Investment Officer:

- Makes recommendations to the Council regarding components of the IPS, such as asset allocation, investment managers utilized, and manager benchmarks.
- Implements the Council-approved IPS for the Portfolio.
- Rebalances the investments when necessary halfway back to target allocation and looks for efficient and opportunistic ways to get back to target.
- Evaluates and reports investment performance and other investment-related issues of the Portfolio.
- Maintains a current written IPS approved by the Council.
- Establishes written procedures for internal implementation of the IPS as needed.
- Obtains Council-approved IPS exceptions as needed.

## **ADMINISTRATIVE AND GOVERNANCE POLICIES**

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

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