

GENERAL ENDOWMENT FUNDS INVESTMENT POLICY STATEMENT

PURPOSE

The purpose of this Investment Policy Statement (IPS) is to set forth the asset allocations, investment strategy, guidelines and responsibilities for the General Endowment Funds (the Funds). In order to optimize investment rates of return, reduce investment expense and expedite operational efficiencies, these Funds are combined for investment purposes but accounted for individually using plan accounting. The entities included are listed below.

ENTITIES

- Permanent School Fund
- Early Childhood Education Endowment Fund
- Nebraska Veterans' Aid Fund
- Cultural Preservation Endowment Fund
- Agricultural College Endowment Fund
- Permanent University Endowment Fund
- Nebraska Environmental Endowment Fund
- State College Endowment Fund
- Bessey Memorial Trust Fund
- Meadowlark Endowment Fund

STATUTORY REFERENCES

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| • Permanent School Fund | Neb. Const. art. VII, §§ 6,7,8,9
Neb. Rev. Stat. §§ 72-201.01, 72-202, 72-232.07,
72-240.26, 72-259 |
| • Early Childhood Education Endowment Fund | Neb. Const. art. VII, §§ 6, 7, 8, and 9 |
| • Nebraska Veterans' Aid Fund | Neb. Rev. Stat. §80-401 |
| • Cultural Preservation Endowment Fund | Neb. Rev. Stat. §§82-331 - 82-333 |
| • Agricultural College Endowment Fund | Neb. Const. art. VII, §§ 6, 7, 8,9
Neb. Rev. Stat. §§ 72-201.01, 72-202, 72-232.07,
72-240.26, 72-259, 85-122 - 85-123.01 |
| • Nebraska Environmental Endowment Fund | Neb. Rev. Stat. §§ 81-15, 174.01, 81-15, 175 |
| • Permanent University Endowment Fund | Neb. Const. art. VII, §§ 6, 7, 8,9
Neb. Rev. Stat. §§ 72-201.01, 72-202, 72-232.07,
72-240.26, 72-259, §§85-122 - 85-123.01 |
| • State College Endowment Fund | Neb. Const. art. VII, § 6, 7, 8, 9
Neb. Rev. Stat. §§72-201.01, 72-202, 72-232.07,
72-240.26, 72-259, 85-317 |

- Bessey Memorial Trust Fund 85-166 through 85-171
- Meadowlark Endowment Fund 85-2801 through 85-2805

INVESTMENT OBJECTIVES

Being endowments, there are two primary investment objectives. One is to provide funds for the current year's operations. A second objective is to grow the endowment to maintain purchasing power for future needs. Distributions are made quarterly, in arrears, for Permanent School Fund, Early Childhood Education Endowment Fund, Nebraska Veterans' Aid Fund, Agricultural College Endowment Fund, Permanent University Endowment Fund, State College Endowment Fund and Bessey Memorial Trust Fund. Distributions are made annually, in arrears, for the Meadowlark Endowment Fund. Cultural Preservation Endowment Fund and Nebraska Environmental Endowment Fund do not currently have distributions. Whereas the Council is responsible for the investments, distributions are determined by statute or in accordance with notifications by authorized officials of the Endowments.

ASSET ALLOCATION

In accordance with the investment objectives, the asset allocation adopted by the Nebraska Investment Council ("the Council") is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Acceptable Range</u>	<u>Benchmark</u>
U.S. Equities	17.0%	12.0% - 22.0%	DJ US Total Stock Market Index
International Equities	8.0%	3.0% - 13.0%	MSCI All Country World Index ex-U.S. IMI
Global Equities	15.0%	10.0% - 20.0%	MSCI All Country World IMI
Fixed Income			
Risk-reducing	35.0%	30.0%-40.0%	Bloomberg US Aggregate Bond Index
Return-seeking	15.0%	10.0%-20.0%	Blended benchmark*
Real Estate	5.0%		NFI-ODCE Index
Private Equity	5.0%		DJ US Total Stock Market Index + 3% net

* 50% Bloomberg US Credit Index, 30% ICE BofA ML 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.

Any uncalled private equity or real estate capital will be invested in the public U.S. equity markets.

The total portfolio will be benchmarked to a weighted average of the asset class benchmarks outlined above, based on the long-term target allocation. Interim targets may be used for Real Estate and Private Equity as long-term target allocations are phased-in. The difference between interim target weightings and long-term target weightings to Real Estate and Private Equity will be added to the long-term target weighting to U.S Equity for the purpose of calculating total portfolio benchmark returns.

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.

Private Equity Specifics

The endowments' private equity investments will be executed through fund of funds, which by their nature will provide diversification. While it is not expected that the fund-of-fund guidelines will align perfectly with the DB private equity portfolio guidelines (copied below), it is expected that the fund-of-funds will be vetted to ensure a reasonably high degree of consistency with this structure.

Sub Sector Allocations and Ranges

Buyouts/Corporate Finance	60 - 80%
Venture Capital	5 - 25%
Special Situations	15 - 35%

Investment Type

Allocation required across the spectrum of sub sectors.

Geography

Allocation required across the geographic spectrum. No more than 35% outside of the United States.

Manager Concentration

Allocation to a single manager is limited to 20% of the private equity portfolio.

Industry

No more than 30% of the private equity portfolio may be invested in any single industry.

Real Estate Specifics

Style Allocations

Core	50% - 80%
Value-Added	10% - 30%
Opportunistic	10% - 30%

Property Type

Allocation across the spectrum of property types:

Office	10-50%
Industrial	10-40%
Retail	10-40%
Multifamily (apartment)	10-40%
Lodging (hotel)	0-20%
Other	0-15%

Geography

Allocation across the geographic spectrum. No more than 25% of the real estate portfolio may be invested outside of the United States.

Within the United States:

West	NPI +/- 50%
East	NPI +/- 50%
Midwest	NPI +/- 50%
South	NPI +/- 50%

Individual Investment

Direct investment into properties is prohibited as are fund investments that have the sole purpose of acquiring or developing one property.

Manager Concentration

The net asset value exposure to a single real estate manager is limited to 20% of the real estate portfolio. Exposure to a single Core fund manager is limited to 35%. Fund-of-funds manager concentration is limited to 50% of the private market real estate portfolio.

RESPONSIBILITIES FOR THE GENERAL ENDOWMENTS

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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