

AGRICULTURAL DEVELOPMENT FUND

INVESTMENT POLICY STATEMENT

PURPOSE

The Agricultural Development Fund is an endowment for certain activities of the Nebraska Department of Agriculture (e.g. youth agriculture education in the classroom).

STATUTORY AND AGREEMENT REFERENCES

- Dept. of Agriculture Neb. Rev. Stat. §§ 2-2101 through 2-2107
- 1971 Agreement between USDA and the State of Nebraska
- 1973 Agreement between USDA and the State of Nebraska

The Agricultural Development fund contains grants from the United States Department of Agriculture, originally made in 1937.

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 quarterly 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 USDA and the State of Nebraska. Principal distributions may occur at times if additional money is needed for services. The USDA must approve the use of the income and principal from the fund. Principal may be recalled by the USDA.

INVESTMENT STRATEGY

This fund is to be managed primarily as a buy and hold portfolio of 100% fixed income securities backed by the full faith and credit of the U.S. Government. The focus is on income generation and not a total return strategy.

MANAGER ALLOCATIONS AND GUIDELINES

Investment Constraints:

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

Diversification Limits:

Maximum of 25% mortgage-backed securities.

Duration:

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

PERFORMANCE BENCHMARKS

Bloomberg Barclays Treasury Bond Index

RESPONSIBILITIES FOR THE AG DEVELOPMENT 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