

# STATE AND COUNTY RETIREMENT SYSTEMS - DEFINED CONTRIBUTION AND STATE DEFERRED COMPENSATION PLAN INVESTMENT POLICY STATEMENT

## ENTITIES

State and County Retirement Systems–Defined Contribution and State Deferred Compensation Plan

- State Employees Retirement System of the State of Nebraska/Retirement System for Nebraska Counties and the State Deferred Compensation Plan
- “Old” Deferred Compensation Plan (Hartford)

*The Nebraska Investment Council (the Council) became responsible for investing the deferred compensation assets in July of 1996 and the retirement system assets on January 1, 1997. The “Old” Deferred Compensation Plan is the bundled plan managed by Hartford Insurance. Effective October 1, 1997 no further contribution have been allowed to this plan.*

## STATUTORY REFERENCES

- State Employees Retirement Act                      Neb. Rev. Stat. §§ 84-1301 to 84-1332
- County Employees Retirement Act                Neb. Rev. Stat. §§ 23-2301 to 23-2332
- State Deferred Compensation Plan                Neb. Rev. Stat. §§ 84-1504 to 84-1510

## FUND OBJECTIVES

To enable Participants to construct most reasonable retirement planning strategies.

The Council retains the authority to set Fund Objectives.

*With a defined contribution plan, a retirement planning strategy consists of a contribution strategy and an investment strategy. The Investment Council has limited responsibilities. It recommends to the PERB the array of investment funds in which participants invest their contributions. It selects the Managers for these funds. Each participant determines his or her own contribution strategy and the investment strategy for contributions. Because different people have good reasons for choosing different retirement planning strategies, the Council’s objective is to allow the Participants to achieve as wide a range of strategies as possible. Obviously, poorly performing Managers are not consistent with enabling Participants to achieve their plans.*

## INVESTMENT STRATEGY

<u>Account</u>	<u>Allocation</u>	<u>Style</u>
Employee Contributions	approx. 40% of contributions	participant directed
Employer Contributions	approx. 60% of contributions	participant directed

*For Employee and Employer contributions, Participants choose from 13 funds, as displayed under “Manager Allocations and Guidelines”. Some of the funds are required by statute; others are the result of joint decisions by the Investment Council and the Retirement Board.*

## **MANAGER ALLOCATIONS AND GUIDELINES**

<b><u>Manager</u></b>	<b><u>Allocation</u></b>	<b><u>Guideline</u></b>
S&P 500 Stock Index Fund BlackRock	not applicable	S&P 500 Index
Large Co. Growth Fund BlackRock	not applicable	Russell 1000 Growth Index
Large Co. Value Fund BlackRock	not applicable	Russell 1000 Value Index
Small Co. Stock Fund Dimensional Fund Advisors	not applicable	Russell 2000 Stock Index
International Stock BlackRock	not applicable	passive ACWI ex-U.S. Index
Bond Market Index Fund BlackRock	not applicable	Barclays Aggregate Index
Money Market Fund SSgA	not applicable	90 day avg. maturity, a1/p1
Stable Value T Rowe Price	not applicable	traditional and synthetic GICs
Conservative Premixed Fund Manager Blend	not applicable	Conservative asset blend of stocks, bonds & mmk. Currently, 25%, 60%, & 15% respectively.
Moderate Premixed Fund Manager Blend	not applicable	Moderate asset blend of stocks, and bonds. Currently, 50% & 50% respectively.
Aggressive Premixed Fund Manager Blend	not applicable	Aggressive asset blend of stocks & bonds. Currently, 75% & 25% respectively.
Investor Select Fund Manager Blend	not applicable	Asset blend of stocks, bonds, and real estate. Currently, 65%, 30%, and 5% respectively.
Age-Based Fund Manager Blend	not applicable	Participants will be invested in either the conservative, moderate, or aggressive premixed fund based on age to retirement.

The Council retains the authority to modify the allocations and guidelines set forth above. The Council charges the Investment Officer with maintaining actual allocations that are reasonably close to the specified allocations. The definition of “reasonably close” is at the discretion of the Investment Officer. The Council charges the Investment Officer and the Consultant with obtaining the Manager’s agreement to detailed guidelines which reflect the broad guidelines set forth alone.

*Hartford Insurance determines the fund offerings, the selection of Managers, and Manager guidelines for the “Old” Deferred Compensation Plan. Since the Council has no control over the assets, they are not included here.*

## PERFORMANCE BENCHMARKS

Strategy Performance: not applicable

Strategy performance measures how well the chosen strategy satisfies the Fund Objectives. Because the Council does not choose the strategy for the Employee and Employer contributions, Strategy Performance is not applicable to these assets.

Implementation Performance:

Contributions: Manager performance only

The Council does not determine allocation among the Managers for Employee & Employer contributions. Therefore, only Manager performance can be measured.

Further differentiation of Implementation Performance

For the premixed funds, Implementation Performance results from tolerated drift from target asset allocations and from Manager performance. For all other funds, only Manager performance can be measured.

Rebalancing Performance measures the impact of drift away from target asset allocations. (Premixed funds only)

Rebalancing Performance is the aggregation of each asset class benchmark return, weighted by the actual allocations among asset classes, versus the Strategy Return which is based on target allocations. This measure is positive if the program is over-weighted to the better performing markets (therefore under-weighted to the poorer performing markets). This measure is negative if the program is over-weighted to the poorer performing markets (therefore under-weighted to the better performing markets).

Manager Performance is the actual return for each manager versus its specific benchmark.

<u>Manager</u>	<u>Benchmark</u>
S&P 500 Stock Index Fund BlackRock	S&P 500 Index
Large Company Growth Fund BlackRock	Russell 1000 Growth Index
Large Company Value Fund BlackRock	Russell 1000 Value Index
Russell 2000 Value Fund (Investor Select only) BlackRock	Russell 2000 Value Stock Index
Small Company Stock Fund Dimensional Fund Advisors	Russell 2000 Stock Index
Small Company Value Stock Fund (Investor Select only) Dimensional Fund Advisors	Russell 2000 Value Stock Index
International Stock Fund BlackRock	passive ACWI ex-U.S. Index
U.S. Equity Market Index (Investor Select only) BlackRock	DJ U.S. Total Stock Market Index
Global Equity Fund (Investor Select only) MFS	MSCI All-Country World Index

<u>Manager</u>	<u>Benchmark</u>
Bond Market Index Fund BlackRock	Barclays Aggregate Index
Bond Market Index Fund (Investor Select only) BlackRock	Barclays Aggregate Index
Total Return Bond Fund (Investor Select only) PIMCO	Barclays U.S. Universal Bond Index
Core Plus Total Return Fund (Investor Select only) BlackRock	Barclays U.S. Universal Bond Index
Stable Value Fund T. Rowe Price	Hueler Index
Money Market Fund SSGA	90 day T bill + 15 bps
Real Estate Securities Fund (Investor Select only) Goldman Sachs	DJ U.S. Select RE Securities Index
Mid-Cap Growth Fund (Investor Select only) Turner	Russell 2000 Growth Index

The Council retains the authority to set the Manager benchmarks.

Manager performance can be aggregated for Employee contributions and Employer contributions. The aggregation is on a weighted basis so that larger Managers affect the measure more than smaller Managers do.

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