

OPERATING INVESTMENT POOL INVESTMENT POLICY STATEMENT

STATUTORY REFERENCES

- Nebraska State Funds Investment Act Neb. Rev. Stat. §§ 72-1237 - 72-1260
- Nebraska Capital Expansion Act Neb. Rev. Stat. §§ 72-1261 - 72-1269

In addition, statutes relating to each of the various entities listed above give the Nebraska Investment Council (the Council) the authority to invest the funds of that entity.

INVESTMENT OBJECTIVES:

The primary objectives are as follows (in order of priority):

Safety. Investments will be undertaken in a manner that seeks to ensure preservation of capital.

Liquidity. The Operating Investment Pool (OIP) will remain sufficiently liquid to meet the daily cash flow needs of the State and other entities participating in the Pool.

Return on Investment. The objective is to attain a competitive income rate of return given the risk constraints and cash flow characteristics of the portfolio.

INVESTMENT STRATEGY

The OIP is to be managed primarily as a buy and hold ladder portfolio of high quality investment grade fixed income securities that also provide the necessary liquidity.

From time to time, it is possible that market conditions or other outside events that are out of the Internal Manager's control may cause the portfolio(s) to fall out of compliance with this policy. Should this occur, it is expected that the Internal Manager will provide written communication to the State Investment Officer (SIO) outlining a course of action as well as a time frame to bring the portfolio(s) back into compliance.

While the assets of the TDOA program are included in the OIP, it has a separate Investment Policy Statement because it has different statutory requirements and objectives.

ASSET ALLOCATION

Short-term Liquidity Portfolio – 15% target allocation of Total OIP Portfolio

Investment Constraints:

Allowable investments: U.S. Treasuries, U.S. Agency Notes & Debentures, Euro Time Deposits, Commercial Paper, and Government Money Market Funds, all with the highest quality rating by 2 nationally recognized statistical rating organizations (NRSRO).

Maturity:

Maximum maturity of one year.

Diversification (limits are in reference to the short-term liquidity portfolio)

Government Money Market Funds – maximum 100%, no more than 50% to any single Government Money Market Fund

Commercial Paper - 5% maximum per issuer

Intermediate/Government Corporate Portfolio – 85% target allocation of Total OIP Portfolio

Investment Constraints: Allowable investments: U.S. Treasuries and U.S. Agency Notes and Debentures, Euro Time Deposits and Government Money Market Funds, all with the highest quality rating by 2 nationally recognized rating service organizations (NRSRO). Corporate bonds, notes and debentures and Yankee bonds with a rating of A-/A3 or better by 2 NRSROs. Structured notes, reverse repos or any other strategies that introduce leverage are not allowed.

Maturity:

Maximum maturity of any single bond is 10 years from time of purchase.

Duration:

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

Diversification: (minimum and maximum limits refer to the Intermediate/Government Corporate Portfolio)

U.S. Treasuries	15% minimum
U.S. Agency Notes & Debentures	50% maximum in total, 20% maximum per agency issuer
Government Money Market Funds	5% maximum
Corporate Bonds	50% maximum for the total corporate sector
AAA and AA rated corporate issues	3% maximum per issuer
A rated corporate issues	30% maximum in total, 2% maximum per issuer
Industry	5% maximum per industry

If an issuer is downgraded below an A-/A3 rating by 2 NRSROs, the issue may be held at the discretion of the internal manager, subject to a maximum of 5% of the corporate portfolio in issues below A-/A3

Quality: All securities will be rated A-/A3 or better by at least two NRSROs at the time of purchase. At all times, the weighted average quality of the portfolio will be at least A.

PERFORMANCE BENCHMARKS

Total Portfolio	15% ICE BoAML 91-Day T-Bill Index + 85% Blend of Bank of America Index (60% Bank of America/ML 1-10 Year US Treasury & Agency Index; 40% Bank of America/ML 1-10 Year AAA-A Corporate Index)
Short-term Liquidity Fund	ICE BofAML 91-Day T-Bill Index
Intermediate Govt/Corp.	60% Bank of America (ML) 1 - 10 Year US Treasury & Agency Index; 40% Bank of America (ML) 1 - 10 Year AAA-A Corporate Index

RESPONSIBILITIES FOR THE OPERATING INVESTMENT POOL:

The Council:

- Determines the investment strategy for the OIP.
- Defines the investment constraints.
- Sets the performance benchmarks.

The State Investment Officer:

- Administers and supervises the Council-approved Investment Policy Statement for the OIP.
- Evaluates and reports on the assets and investment performance in the Pool.
- Maintains a current written Policy approved by the Council
- Establishes written procedures for implementation of the Policy.
- Obtains Council approved Policy exceptions as needed.

The Internal Manager:

- Manages the assigned assets within the OIP in accordance with the manager allocations and investment constraints set out above.
- Evaluates and reports on the assigned internal portfolios and the total OIP.

ADMINISTRATIVE AND GOVERNANCE POLICIES

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

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