

TIME DEPOSIT OPEN ACCOUNT (TDOA) INVESTMENT POLICY STATEMENT

PURPOSE

The TDOA program was established in 1978 by the Nebraska Capital Expansion Act to provide a source of capital for local lending institutions without subjecting state funds to risk of loss. This purpose does not relate to the usual investment objectives such as maximizing return and minimizing risk. Moreover, the Act sets restrictions on investment returns. Therefore, the usual approach of maximizing total fund return with some objective benchmark is inappropriate.

In 1983 the Investment Council enacted formal Rules and Regulations covering certain aspects of the program, including the interest rate formula. Although the Council can change Rules and Regulations, by adopting the second objective, it has chosen to not modify the long standing precedent.

The TDOA investments are part of the Operating Investment Pool in which the various state agencies participate.

ENTITIES

- Undivided share of state operating cash

STATUTORY AND INDENTURE REFERENCES

- Nebraska Capital Expansion Act Neb. Rev. Stat. §§72-1261 through 72-1269

INVESTMENT OBJECTIVES

- Operate within statutory requirements
- Operate within existing rules and regulations
- Minimize losses due to insolvency

INVESTMENT STRATEGY

- Use existing interest rate formula
- Accept pledged securities and selected letters of credit as collateral

The Council retains the authority to set the Investment Strategy. The Council charges the State Investment Officer with maintaining the actual program that is reasonably close to the specified strategy. The definition of “reasonably close” is at the discretion of the State Investment Officer.

Statute requires the Investment Council to deposit up to \$1,000,000 in any bank in Nebraska requesting such deposit. The Council has discretion only in setting the interest rate and in determining what types of collateral to accept. The existing interest rate formula is specified in a formally adopted Rule and Regulation. Other categories of collateral are not accepted because the Council has determined they do not provide adequate protection.

MANAGER ALLOCATIONS AND GUIDELINES

Manager	Allocation	Guideline
Internal	100%	Use existing rate formula Accept pledged securities as collateral Letter of credit

PERFORMANCE BENCHMARK

- Net losses resulting from defaults
- Compliance checklist

The Council retains the authority to set the Performance Benchmarks.

Since investment earnings are restricted by statute, the usual measures of investment performance are not applicable. The management of collateral risk can be quantified by net losses resulting from defaults. Otherwise, program performance consists only of compliance with the administrative requirements of statutes and regulations.

As of June 30, 2005