OMAHA SCHOOL EMPLOYEES' RETIREMENT SYSTEM
INVESTMENT POLICY STATEMENT

PURPOSE

Legislative Bill 447, signed into law by the governor on March 30, 2016, transitioned the duty and authority to invest the assets of the Omaha School Employees' Retirement System (OSERS) to the Nebraska Investment Council (Council) and the State Investment Officer (SIO) effective January 1, 2017. Ultimately, the investment objectives, asset allocation, investment strategy, and responsibilities for the assets of the OSERS defined benefit plan will be set forth in the Council's Investment Policy Statement (IPS) for Defined Benefit Plans. This document will serve as the IPS for the OSERS investment portfolio during the transition period.

STATUTORY REFERENCES

- Legislative Bill 447 (104th Legislature - 2nd Session)
- State Funds Investment Act Neb. Rev. Stat. §§72-1237 - 72-1260

INVESTMENT OBJECTIVES

The fundamental objective of the OSERS investment portfolio is to be able to pay the promised retirement benefits to the Omaha school employees covered by the Plan. Funds available for retirement benefits consist of external contributions and their investment returns. All assets must be used for the exclusive benefit of the plan members. The time horizon of the liabilities is long-term, and thus the asset allocation and implementation strategy for the investment of the assets on behalf of the Plan is long- term. The objective for the rate of return from the investment of the assets is to maximize the investment return on the assets within acceptable levels of risk.

The performance objective is to earn a net-of-fees rate of return in excess of the policy portfolio, over measurable periods of time. The policy portfolio, which is the passive representation of the Portfolio's asset allocation, provides a critical performance evaluation tool for the investment process.

ASSET ALLOCATION

The post January 1, 2017, asset allocation policy adopted by the Council for the OSERS portfolio is:

Asset Class	Target Allocation	Acceptable Range	Benchmark
U.S. Equities	27.0%	22.0% - 32.0%	DJ US Total Stock Market Index
International Equities	13.5%	6.5% - 16.5%	MSCI All Country World Index ex-U.S. IMI
Global Equities	19.0%	14.0% - 24.0%	MSCI All Country World IMI
Fixed Income	30.0%	25.0% - 35.0%	Bloomberg Barclays Universal Index
Real Estate	7.5%		NFI-ODCE Index

Private Equity	5.0%	DJ US Total Stock Market Index + 3% net

The allowable range for individual managers is ±3% of the target allocation established by the Council.

The portfolio is being transitioned towards these targets. Any asset transitions required to align the portfolio with these targets is being carried out thoughtfully and prudently, with an emphasis on minimizing transactions costs. As such, it will take some time to fully align the portfolio with these target allocations.

RESPONSIBILITIES FOR THE OSERS DEFINED BENEFIT PLAN

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 by 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 to the target allocation and looks for efficient and opportunistic ways to get back to target.
- Evaluates and report 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.
- Oversee the transition of the investment portfolio from its legacy structure to a new structure, as needed.

ADMINISTRATIVE AND GOVERNANCE POLICIES

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

Approved November 21, 2016
Revised February 8, 2018