

NEBRASKA INVESTMENT COUNCIL GOVERNANCE POLICY

The Nebraska Investment Council (the Council) acknowledges the importance of prudent governance of its proceedings. Accordingly, this Policy has been approved by the Council regarding related issues.

ADVOCACY

Section § 72-1239.01 of the State Funds Investment Act states “No assets of the retirement systems or the Nebraska educational savings plan trust shall be invested or reinvested if the sole or primary investment objective is for economic development or social purposes or objectives.” Therefore, the Council’s activity as advocates for economic or social issues will be minimal, and always in accordance with the above statute.

COMMITTEES OF THE COUNCIL

The Council has established a standing audit committee which meets at least quarterly to review the following items:

- The Agency’s internal procedures and compliance thereto.
- The adequacy of controls, particularly with regard to the movement of money.
- Compliance with State statutes and Council policies.
- That all external manager fees paid by the Council are accurate and in accordance with fee schedules.
- The reconciliations of all account balances as reported by the manager and by the custodian.
- The State’s audit report of the Agency and related findings.

Members of the audit committee, as well as the Chair of the committee, are named by the Chair of the Council. At least annually the committee will meet with the internal auditor of the Agency regarding internal risk controls and compliance. The Chair of the audit committee will report to the full Council a summary of its findings at the first Council meeting of each fiscal year.

The Council may establish ad hoc committees of the Council to address specific matters and issues as needed. Ad hoc committees will be disbanded once they have satisfied their mandate.

AGENDAS, MEETING MATERIALS, AND TELECONFERENCING

Meeting agendas will be established by the State Investment Officer, in consultation with the Chair. The agenda and related materials for Council meetings will generally be distributed to Council members at least seven calendar days in advance of the meeting. Council meetings will be conducted in accordance with the Nebraska Open Meetings Act, Neb. Rev. Stat. §§ 84-1407 to 84-1414 (see attached Appendix A).

It is important to note that the Attorney General of Nebraska has issued an opinion that the Nebraska Public Meetings Statutes authorize the use of teleconferencing for emergency meetings only. Emergency meetings must satisfy two criteria: the nature of the emergency must be unforeseen and it must require immediate action. In the event of an emergency meeting, voting members participating by telephone conference may vote on an action item. In the event of a

regularly scheduled non-emergency meeting at which a quorum is physically present, a member may listen and speak by telephone conference but not vote nor count toward the quorum.

PROXY VOTING

Unless otherwise approved by the Council, the voting of proxies is delegated to the investment managers in accordance with the Council's Proxy Voting Policy (see attached Appendix B).

SECURITIES LITIGATION (INCLUDES CLASS ACTIONS, BANKRUPTCIES, AND DIRECT LEGAL ACTION)

The Council recognizes that potential recoveries from class actions are important, and will respond in accordance with its approved Class Action Policy (see Appendix C). Staff will monitor the class action process on a monthly basis to ensure that each phase of the class action process is completed for any and all class actions.

Bankruptcies are generally handled by the corresponding investment manager because they involve an investment decision. The manager must decide whether to participate in a bankruptcy workout or sell the security and forgo any claims. For securities not sold, the investment manager will handle the proof of claim process. If the bankrupt security is held in a commingled fund, the Council's share in any recovery is based on the Council ownership interest at the time of re-investment of recoveries, and not the record date of the bankruptcy.

Actions taken by the Council on direct litigation are to be prudent, on behalf of plan participants, and in concert with advise of legal counsel.

Adopted November 14, 2005