SOFT DOLLAR/BROKERAGE POLICY

The Council recognizes that commissions are costs that reduce the assets of the various investment programs. As such, commissions paid to brokerage firms need to be managed and monitored so that excessive rates are not paid for execution and/or other services. Since most of the assets are managed by external investment managers, the Council must exercise its fiduciary responsibilities along with incorporating the trading practices of its investment managers.

Commissions paid for transacting in equity securities may bundle the costs of executing the trade, typically small, along with investment and market research and other services a brokerage firm may provide to an investment manager. These are known as "soft dollar" arrangements. This bundling of the cost of providing research and other services along with trading costs has developed into an industry-wide practice.

The Council requires all investment managers to seek best execution on all trades in the various portfolios. However, the Council acknowledges that certain investment managers may trade for soft dollars in managing the Nebraska portfolios. In those transactions that are soft dollar trades, the Council requires that those commission rates be reasonable and appropriate and be in accordance with Section 28(e) of the Securities Exchange Act of 1934.

In order to monitor the commission paid by its investment managers, the State Investment Officer will be provided a schedule of all commissions paid by each separate account equity manager on a quarterly basis. This schedule will identify all brokerage firms with whom the manager traded, the average cents per share paid to each broker, and the total commissions paid to each firm.

Adopted May 24, 2005