

NEBRASKA INVESTMENT COUNCIL

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It is the mission of the Nebraska Investment Council to prudently manage the funds entrusted to us by the people of the State of Nebraska. We deliver investment management services to provide direct financial benefit exclusively to the owners of these funds. We are committed to thorough, sound, and informed analysis in order to achieve superior returns while maintaining prudent levels of risk.

TO: Patrick J. O'Donnell, Clerk of the Legislature
FROM: Michael W. Walden-Newman, State Investment Officer
DATE: July 8, 2016

Michael

SUBJ: NEB. REV. STAT. § 72-240.26 REPORTING

Neb. Rev. Stat. § 72-240.26 requires the Investment Council to report on a cost-benefit analysis of proposed land sales by the Board of Educational Lands and Funds considering "the land being sold versus the anticipated investment potential of proceeds resulting from the sale."

For Fiscal Year 2016 (July 1, 2015 - June 30, 2016) the Council considered one sale totaling \$40,500. The following information was provided to the Board:

Proposed Sale Price: \$40,500
Current annual income: \$1,330.24
Current yield (income/sale price): 3.3%

The Nebraska Investment Council projects a total rate of return for the Permanent School Fund within the General Endowment portfolio of 5.5 percent annually over the next ten-year period. The projected total return on \$40,500 would be about \$2,230 per year.

The yield on the Permanent School Fund was just under 3.4 percent for the fiscal year ending June 30, 2015. The projected yield on \$40,500 would have been about \$1,375.

"Total return" is comprised of interest, dividends and realized and unrealized capital gains and losses. "Yield" is spendable investment income comprised of dividends and interest. Realized capital gains are reinvestment in the Fund.