

**NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
June 13, 2019**

A regular meeting of the Nebraska Investment Council convened at 8:29 a.m. at the La Vista Embassy Suites, in La Vista, NE.

The Council members were notified of this meeting at the September 20, 2018, Council meeting. Public notice was posted on the Nebraska Public Meeting Calendar on April 8, 2019, and published in the Lincoln Journal Star on June 2, 2019. Dr. DeFusco chaired the meeting and Ms. Hatfield recorded the minutes.

MEMBERS PRESENT:

Dr. Richard DeFusco
Mr. John Dinkel
Mr. John Conley
Mr. Keith Olson
Treasurer John Murante
Ms. Cecelia M. Carter

MEMBERS ABSENT:

Ms. Gail Werner-Robertson
Mr. Randy Gerke

NONMEMBERS IN ATTENDANCE:

Mr. Michael Walden-Newman, State Investment Officer
Mr. Max Kotary, Aon
Mr. Bruce Ingram, Aon
Mr. Mike Comstock, Aon
Mr. Christopher Heinrich, O’Neill Heinrich Damkroger Bergmeyer & Shultz
Ms. Jennifer Hatfield, Council Secretary
Ms. Kathy Dawes, Nebraska Investment Council
Mr. Joe Jurich, Nebraska Investment Council
Ms. JoLynn Winkler, Nebraska Investment Council
Mr. Joe Spitznagel, Nebraska Investment Council
Mr. Jeremiah Garber, Nebraska Investment Council
Mr. Chris Sanders, Nebraska Investment Council
Ms. Joyce Schlautman, Nebraska Investment Council
Mr. John Robinson III, Kiewit

ADVISE THE PUBLIC THAT THE OPEN MEETINGS LAWS APPLY: 8:29 a.m. to 8:30 a.m. Dr. DeFusco advised that the Nebraska Open Meetings Act applies and stated that a copy of the Open Meetings Act is located on the side table.

APPROVAL OF THE MINUTES OF THE MARCH 14, 2019, MEETING: 8:30 a.m. to 8:31 a.m. Mr. Conley moved that the March 20, 2019, draft of the minutes of the March 14, 2019, meeting be approved as written. Mr. Dinkel seconded the motion. Dr. DeFusco called for a roll call vote.

VOTING AYE: Dr. DeFusco
 Mr. Dinkel
 Mr. Conley
 Mr. Olson

ABSENT NOT VOTING: Ms. Werner-Robertson

The motion carried.

COUNCIL MEMBER BUSINESS: 8:31 a.m. to 8:32 a.m. Dr. DeFusco welcomed everyone to the meeting. Dr. DeFusco informed the Council that Ms. Werner-Robertson was unable to attend today’s meeting and requested that Dr. DeFusco chair the meeting.

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BANK LOANS – EDUCATION PRESENTATION: 8:32 a.m. to 9:50 a.m. Mr. Walden-Newman introduced from Franklin Templeton, Ms. Lynne Goodwin, Senior Vice President, Senior Institutional Relationship Manager, Ms. Reema Agarwal, Senior Vice President, and Mr. Chris Franta, Vice President, Director US Fixed Income Product Management. Their presentation which was included in the meeting materials presented an overview of bank loans, market trends, and indexing trends.

INVESTMENT PERFORMANCE REPORT: 9:50 a.m. to 10:24 a.m. Mr. Comstock and Mr. Kotary reviewed the 1st Quarter 2019 Performance Review Report and the 4th Quarter 2018 Alts Performance Review included in the meeting materials, commenting on the economic and market environment. They reported assets over \$27.0 billion.

The Council took a break and reconvened at 10:40 a.m.

PRIVATE EQUITY, NEW ENTERPRISE ASSOCIATES: 10:40 a.m. to 10:58 a.m. Mr. Jurich and Mr. Ingram reviewed a new fund being offered by New Enterprise Associates, a current Council investment manager. The new fund, New Enterprise Associates 17, LP (NEA 17) was first introduced to the Council at the March 14, 2019 Council meeting. Mr. Jurich provided background information on the Firm. Mr. Ingram indicated that Aon has conducted a thorough qualitative and quantitative assessment of NEA 17. Mr. Ingram discussed the investment merits and concerns associated with NEA 17 and the Firm. Mr. Ingram indicated that as part of the Council's 2019 private equity investment pacing of \$150 million for the Nebraska Investment Council's Defined Benefit/Cash Balance Benefit Plans, Aon supports the Council's staff's recommendation to make a \$50 million commitment to New Enterprise Associates 17, LP subject to completion of a legal review and satisfactory agreement of terms. This recommendation is based on our due diligence of this fund and is supported by our full due diligence report. Their presentation was included in the meeting materials.

Following the discussion by the Council, Mr. Conley moved that the Council commit \$50 million of the Defined Benefit Plans and Cash Balance Benefit Plans to New Enterprise Associates 17, LP subject to completion of a legal review and satisfactory agreement of terms. Mr. Olson seconded the motion. Dr. DeFusco called for a roll call vote.

VOTING AYE:	Mr. Dinkel Mr. Conley Mr. Olson Dr. DeFusco
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ABSENT NOT VOTING:	Ms. Werner-Robertson
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The motion carried.

PRIVATE EQUITY, HARBOURVEST PARTNERS: 10:58 a.m. to 11:11 a.m. Mr. Jurich and Mr. Ingram reviewed a new fund being offered by HarbourVest Partners, a current Council investment manager. The new Fund, Dover Street X, L.P. invests in mature private equity investments, including buyout, growth equity, venture capital, and other private market assets, with an emphasis on complex secondary transactions. Mr. Jurich provided the background information on the Firm. Mr. Ingram indicated that Aon has conducted a thorough qualitative and quantitative assessment of Dover Street X, L.P. Mr. Ingram discussed the investment merits and concerns associated with Dover Street X, L.P. and the Firm. Mr. Ingram indicated that as part of the Council's 2019 private equity investment pacing of \$150 million for the Nebraska Investment Council's Defined Benefit/Cash Balance Benefit Plans, Aon supports the Council's staff's recommendation to make a \$50 million commitment to Dover Street X, L.P. (Fund) subject to completion of a legal review and satisfactory agreement of terms. This recommendation is based on our due diligence of this fund and is supported by our full due diligence report. As part of its recommended 2019 private equity investment pacing of \$16 million for the Nebraska Investment Council's Endowment Plans, Aon supports Council's staff's recommendation to make a \$16 million commitment to Dover Street X, L.P. subject to completion of a legal review and satisfactory agreement of terms. This recommendation is based on our due diligence of Dover Street X, L.P. and is supported by our full due diligence report. Their presentation was included in the meeting materials.

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Following the discussion by the Council, Mr. Conley moved that the Council commit \$50 million of the Defined Benefit Plans and Cash Balance Benefit Plans and \$16 million of the General Endowment Funds and the Health Care Fund to Dover Street X, L.P. subject to completion of a legal review and satisfactory agreement of terms. Mr. Dinkel seconded the motion. Dr. DeFusco called for a roll call vote.

VOTING AYE: Mr. Conley
 Mr. Olson
 Dr. DeFusco
 Mr. Dinkel

ABSENT NOT VOTING: Ms. Werner-Robertson

The motion carried.

COLLEGE SAVINGS PROGRAM: 11:11 a.m. to 11:40 a.m. Treasurer Murante provided the background of the Nebraska Educational Savings Plan Trust. Mr. Murante thanked Mr. Walden-Newman and Ms. Winkler, Investment Council and Ms. Deborah Goodkin, Managing Director College Savings Plans, First National Bank Omaha for their time and hard work to the 529 College Savings Plan. Ms. Goodkin introduced Mr. Kurt Spieler, CFA, Vice President, Chief Investment Officer, First National Wealth Management, Ms. Dara Lubert, Senior Manager, Retirement and College Savings Product and Mr. Matt Sadowsky, Director, Annuities and Retirement Product, TD Ameritrade, Mr. Andres Gazzera, Senior Manager, Portfolio Construction and Manager Research, TD Ameritrade Investment Management and Ms. Rachel Biar, Program Director of the College Savings Plan of Nebraska. Ms. Lubert discussed the proposed changes to the TD Ameritrade 529 College Savings Plan:

- Reduce the overall costs
- Introduce Socially Aware investment options
- Simplify the Age-Based investment option by offering one risk model
- Include only passive underlying investments in the Age-Based and Static investment options

A copy of the presentation was included in the meeting materials. The changes to the TD Ameritrade 529 College Saving Plan will occur November 18, 2019. Following the discussion by the Council, Mr. Conley moved that the Council approve the changes to the Age-Based, Static and Individual options and fees as proposed on pages 5 through 9 of the TD Ameritrade 529 College Savings Plan presentation, presented at today's meeting. Mr. Dinkel seconded the motion. Dr. DeFusco called for a roll call vote.

VOTING AYE: Mr. Olson
 Dr. DeFusco
 Mr. Dinkel
 Mr. Conley

ABSENT NOT VOTING: Ms. Werner-Robertson

The motion carried.

Copies of pages 5 through 9 of the Changes to the TD Ameritrade 529 College Savings Plan presentation by TD Ameritrade are included in the attachments to the minutes.

AUDIT COMMITTEE REPORT: 11:40 a.m. to 11:49 a.m. Dr. DeFusco and Mr. Conley Audit Committee members, had met with Ms. Schlautman, Internal Auditor via conference call on May 21, 2019. A copy of the Audit Committee's Report which was distributed to the Council is available on the Council's website.

COUNCIL ADMINISTRATIVE REPORT: 11:49 a.m. to 12:03 p.m.

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SIO Report: Mr. Walden-Newman reported that he had recently attended the Omaha School Employees' Retirement System (OSERS) board meeting and feels that the Council has a good relationship with OSERS and its managers.

Action Plan: Invitations to the Council's Education Retreat July 11, 2019 have been sent out. The Retreat will be held at Quarry Oaks, near Ashland, NE.

Budget Report: A copy was included in the meeting materials.

Securities Lending Report: A copy of the report was included in the meeting materials.

Legislative Update: Mr. Walden-Newman indicated that Aon and Council staff would provide follow-up information at the Education Retreat on the recently passed legislation updating the investment options for the Defined Contributions Plan, Deferred Compensation Plan, and the State Patrol DROP Plan. Aon and Council staff have begun working on the changes to ensure that the investment options are in place by the January 1, 2021, effective date. Mr. Walden-Newman also stated that the Legislature recently passed Resolution 99, which recognized the Council and Council's staff's work. Dr. DeFusco congratulated the Council's staff on a job well done!

PUBLIC COMMENT ON THE AGENDA: 12:03 p.m. to 12:04 p.m. Dr. DeFusco asked if there was any public comment on the agenda. There was no public comment on the agenda.

NEXT MEETING: 12:04 p.m. to 12:05 p.m. Thursday, July 11, 2019 – NIC Education Retreat, Quarry Oaks Golf Course, Oaks II Conference Room, Ashland, NE.

COUNCIL GOVERNANCE AND STATE INVESTMENT OFFICER REVIEWS: At 12:05 p.m. Mr. Conley moved that the Council enter into closed session for the following:

The subject matters are as follows:

1. The evaluation of the job performance of the State Investment Officer.
2. The performance evaluation of the Nebraska Investment Council.

The reasons for the closed session are as follows:

- A. With respect to matter #1, to protect the reputation of the State Investment Officer.
- B. With the respect to matter #2, to protect the reputation of the members of the Nebraska Investment Council and its staff.

Mr. Dinkel seconded the motion. Dr. DeFusco called for a roll call.

VOTING AYE:	Dr. DeFusco Mr. Dinkel Mr. Conley Mr. Olson
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ABSENT NOT VOTING:	Ms. Werner-Robertson
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The motion carried.

Dr. DeFusco requested that only the voting and non-voting members of the Council and Mr. Heinrich be present and all others in attendance were excused.

At 1:52 p.m. Mr. Conley moved that the Council return to open session. Mr. Olson seconded the motion. Dr. DeFusco called for a roll call vote.

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VOTING AYE: Dr. DeFusco
Mr. Dinkel
Mr. Conley
Mr. Olson

ABSENT NOT VOTING: Ms. Werner-Robertson

The motion carried.

Mr. Conley moved that the annual salary of the State Investment Officer be increased by \$25,000 a year to \$280,364, effective July 1, 2019. Mr. Dinkel seconded the motion. Dr. DeFusco called for a roll vote.

VOTING AYE: Mr. Dinkel
Mr. Conley
Mr. Olson
Dr. DeFusco

ABSENT NOT VOTING: Ms. Werner-Robertson

The motion carried.

At 1:54 p.m. Mr. Dinkel moved to adjourn the meeting. Mr. Olson seconded the motion. Dr. DeFusco called for a roll call vote.

VOTING AYE: Mr. Conley
Mr. Olson
Dr. DeFusco
Mr. Dinkel

ABSENT NOT VOTING: Ms. Werner-Robertson

The motion carried.


Jennifer Hatfield, Secretary