

**NEBRASKA INVESTMENT COUNCIL  
MINUTES OF THE MEETING OF  
September 19, 2019**

A regular meeting of the Nebraska Investment Council convened at 8:31 a.m. at the La Vista Conference Center, in La Vista, NE.

The Council members were notified of this meeting on March 28, 2019, Council meeting. Public notice was posted on the Nebraska Public Meeting Calendar on July 19, 2019, and published in the Lincoln Journal Star on September 8, 2019. Ms. Werner-Robertson chaired the meeting and Ms. Hatfield recorded the minutes.

**MEMBERS PRESENT:**

Ms. Gail Werner-Robertson  
Dr. Richard DeFusco  
Mr. John Dinkel  
Mr. John Conley (departed at 11:53 a.m.)  
Mr. Keith Olson  
Mr. Tyson Larson, Deputy State Treasurer (appearing on behalf of Treasurer Murante) (departed at 1:02 p.m.)  
Mr. Randy Gerke  
Ms. Cecelia M. Carter

**NONMEMBERS IN ATTENDANCE:**

Mr. Michael Walden-Newman, State Investment Officer  
Ms. Jennifer Hatfield, Council Secretary  
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. Max Kotary, Aon  
Mr. Mike Comstock, Aon  
Ms. Laura Flaum, Aon  
Mr. Griffin Keenan, Aon  
Mr. John Robinson III, Kiewit

**ADVISE THE PUBLIC THAT THE OPEN MEETINGS LAWS APPLY: 8:31 a.m. to 8:32 a.m.** Ms. Werner-Robertson 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 JUNE 13, 2019, and JULY 11, 2019, MEETINGS: 8:32 a.m. to 8:33 a.m.** Mr. Conley moved that the June 19, 2019, draft of the minutes of the June 13, 2019, meeting and the July 23, 2019, draft of the minutes of the July 11, 2019, meeting minutes be approved as written. Mr. Dinkel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE: Mr. Dinkel  
Mr. Conley  
Mr. Olson  
Ms. Werner-Robertson

ABSTAINING: Dr. DeFusco

The motion carried.

**COUNCIL MEMBER BUSINESS: 8:33 a.m. to 8:35 a.m.** Ms. Werner-Robertson announced that Mr. Conley will be leaving early today, so the closed session will be moved up to have all members present.

**CLOSED SESSION TO DISCUSS MANAGER CONTRACTS AND OTHER LEGAL MATTERS: At 8:35 a.m.**

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Dr. DeFusco moved that the Council enter into closed session. The subject matter of the closed session is to discuss investment manager contracts, receipt of advice from legal counsel, and other legal matters. The reason for the closed session is to protect the public interest and to prevent the needless injury to the reputation of an individual.

Ms. Carter seconded the motion. Ms. Werner-Robertson called for a roll call.

VOTING AYE:	Mr. Conley Mr. Olson Ms. Werner-Robertson Dr. DeFusco Mr. Dinkel
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The motion carried.

Ms. Werner-Robertson requested that the members of the Council, Mr. Walden-Newman, Mr. Heinrich, and Aon Consultants; Mr. Kotary, Mr. Comstock, Ms. Flaum, and Mr. Kennan be present. All others in attendance were excused.

At 9:45 a.m. Dr. DeFusco moved that the Council return to open session. Mr. Dinkel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:	Mr. Olson Ms. Werner-Robertson Dr. DeFusco Mr. Dinkel Mr. Conley
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The motion carried.

**ACTION FROM CLOSED SESSION:** At 9:47 a.m. Dr. DeFusco moved that the Council delegate to the State Investment Officer full discretion and authority over the investment contracts involving SPC Capital Management, LLC, and Stonetree Capital Fund IV, LP, subject to any specific directives or guidance provided by the Council.

Mr. Conley seconded the motion. Ms. Werner-Robertson called for a roll call.

VOTING AYE:	Ms. Werner-Robertson Dr. DeFusco Mr. Dinkel Mr. Conley Mr. Olson
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The motion carried.

**DEFINED CONTRIBUTIONS AND DEFERRED COMPENSATION PLANS PROJECT: 9:50 a.m. to 10:08 a.m.** Ms. Werner-Robertson thanked Mr. Randy Gerke, Director, Nebraska Public Employees Retirement Systems (NPERS), Ms. JoLynn Winkler, Senior Portfolio Manager, Ms. Laura Flaum, Senior Consultant, Aon, Mr. Mike Comstock, Partner, Aon, and Mr. Max Kotary, Partner, Aon for preparations on the Defined Contribution Plans, Deferred Compensation Plans, and State Patrol DROP Plan line-up. Ms. Winkler provided background information, summary of proposed investment options and managers. Ms. Flaum reviewed the proposed investment structure which included the streamline simplified investment structure and mapping considerations. Mr. Comstock discussed the investment merits and concerns associated with BlackRock LifePath Index Funds, T. Rowe Price Global Growth Equity, and PIMCO Core Plus – Total Return Full Authority. Aon supports the Council staff's recommendation to approve the changes to the Defined Contribution and Deferred Compensation Plans. Their presentations were included in the meeting materials.

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The Council took a break and reconvened at 10:15 a.m.

**DC PLANS: LIFE CYCLE/TARGET DATE FUNDS - BLACKROCK: 10:15 a.m. to 10:41 a.m.** Ms. Diane Parish, Managing Director, BlackRock introduced Craig Voelker, Managing Director and Vinitha Kaushik, CFA, Director. Ms. Parish provided background information on the Firm. Mr. Voelker and Ms. Kaushik's presentation which was included in the meeting materials gave an overview of target date funds and trends.

**DC PLANS GLOBAL EQUITY – T. ROWE PRICE: 10:41 a.m. to 11:21 a.m.** Ms. Cinda Hughes, CFA, Institutional Client Service Executive introduced Victoria Fung, Senior Defined Contribution Specialist, and Jennifer O'Hara Martin, Vice President, Portfolio Specialist, Global Equities. Ms. Hughes provided the background information on the Firm. Ms. Fung and Ms. Martin's presentation which was included in the meeting materials gave an overview of the organization, structure, and trends.

**DC PLANS WRAP UP: 11:21 a.m. to 11:35 a.m.** After additional discussion by the Council, Dr. DeFusco moved that the Council approve the following changes to the Defined Contribution and Deferred Compensation Plans as shown on page 4 and 6 of the Aon's DC Plans Recommendations, presented at the September 19, 2019 meeting: 1) the proposed investment options including the investment managers and funds, 2) the mapping strategy from current investment options to new investment options, and 3) changing the default investment option to the Target Date Funds. Mr. Conley seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:	Mr. Olson Ms. Werner-Robertson Dr. DeFusco Mr. Dinkel Mr. Conley
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The motion carried.

**AUDIT COMMITTEE REPORT: 11:35 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 September 9, 2019. A copy of the Audit Committee's Report which was distributed to the Council is available on the Council's website.

**PRIVATE EQUITY FUND CLOSURE: 11:49 a.m. to 12:00 p.m.** Mr. Jurich, Senior Portfolio Manager discussed the closure of Accel-KKR Capital Partners III, L.P., a private equity fund. Accel-KKR III will have an estimated (unaudited) 25% Net IRR and 3.1x Multiple Of Cost. The final audited rates of returns will be available at a later date.

Mr. Conley left the meeting at 11:53 a.m.

The Council took a break at 12:00 p.m. and reconvened at 12:43 p.m.

**INVESTMENT PERFORMANCE REPORT: 12:43 p.m. to 1:24 p.m.** Mr. Comstock reviewed the 2<sup>nd</sup> Quarter 2019 Performance Report included in the meeting materials, commenting on the economic and market environment. Mr. Comstock's presentation also included performance review, fund monitoring, risk budgeting and fees. Mr. Comstock reported assets over \$28.2 billion. Mr. Kotary reviewed Aon's September 2019 Capital Market Assumptions based on data through June 30, 2019. For the current assets allocation Mr. Kotary said that Aon's model forecast an annualized return of 6.2% for Defined Benefit Plans and Cash Balance Benefit Plans and 6.1% for Health Care Endowment and 5.3% for 50/50 Endowments over a 10 year period. For the 30-year period, Aon's model forecast a 6.7% annualized return for the Defined Benefit Plans; the Cash Balance Benefit Plans and the Health Care Endowment; and 5.9% for 50/50 Endowments. Mr. Kotary stated that given the existing market conditions, meeting or exceeding the current 7.5% assumed rate of return for the Defined Benefit Plans and the Cash Balance Benefit Plans is still likely to prove challenging. Mr. Kotary indicated that based on Aon's Capital Market Assumptions and the Defined Benefit Plans and Cash Balance Benefit Plans' asset allocation targets, the Plans have a slightly better than 1 in 3 change of meeting or exceeding the assumed rate of return of 7.5% over the next 10-to-30 years. A copy of each Capital Market Assumptions presentation were included in the meeting minutes.

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Mr. Larson left the meeting at 1:02 p.m.

**COUNCIL ADMINISTRATIVE REPORT: 1:24 p.m. to 1:33 p.m.**

**SIO Report:** Mr. Walden-Newman mentioned the December 12, 2019 Council meeting will be held at the Cornhusker Hotel, Hawthorne Conference Room, in Lincoln, Nebraska. A presentation on the Budget Report will be presented during the December and June meetings. Aon's client conference will be held in Chicago next week, September 25-26, 2019.

**Action Plan:** A copy was included in the meeting materials.

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

**Proxy Voting:** A copy was included in the meeting materials

**Securities Lending Reports:** A copy of the 2<sup>nd</sup> quarter report and annual report were included in the meeting materials.

**2020 Council Meetings:** The Council's meeting dates for 2020, start time 8:30 a.m., are:

February 13, 2020	Lincoln
March 12, 2020	Lincoln
June 11, 2020	La Vista
July 9, 2020	Retreat/Ashland
September 10, 2020	La Vista
December 10, 2020	Lincoln

**PUBLIC COMMENT ON THE AGENDA: 1:33 p.m. to 1:34 p.m.** Ms. Werner-Robertson asked if there was any public comment on the agenda. There was no public comment on the agenda.

At 1:35 p.m. Dr. DeFusco moved to adjourn the meeting. Ms. Carter seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:                   Ms. Werner-Robertson  
  Dr. DeFusco  
  Mr. Dinkel  
  Mr. Olson

ABSENT NOT VOTING:        Mr. Conley

The motion carried.

  
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Jennifer Hatfield, Secretary

# Proposed Lineup – Manager Recommendations

Proposed Plan Options	Current Manager & Strategy	Proposed Manager & Strategy	New Investment Management Fee (bps)
<b>Tier I – Asset Allocation Funds</b>			
Target Date Funds	N/A	BlackRock LifePath Index	7 bps <sup>1</sup>
Investor Select Fund	Internally Managed	Internally Managed	34 bps
<b>Tier II – Passive Funds</b>			
US Bond Index Fund	BlackRock U.S. Debt Index	BlackRock U.S. Debt Index	2 bps <sup>1</sup>
US Total Stock Market Index Fund	BlackRock S&P 500 Index	BlackRock U.S. Equity Market Index	1.5 bps <sup>1</sup>
International Equity Index Fund	BlackRock All Country World ex-U.S. Index	BlackRock All Country World ex-U.S. IMI Index	6 bps <sup>2</sup>
<b>Tier III – Active Funds</b>			
Stable Value Fund	T. Rowe Price Stable Value	T. Rowe Price Stable Value	20 bps <sup>3</sup>
Global Equity Fund	N/A	T. Rowe Price Global Growth Equity	70 bps
US Core Plus Fixed Income Fund	N/A	PIMCO Total Return	46 bps

- BlackRock is proposing a fee decrease of 1 bps for the US Bond Index Fund, dropping from 3 bps to 2 bps
- The change in the passive U.S. Equity Fund strategy to a U.S. Total Stock Market Index Fund will result in no change in the investment management fee
- The change in the passive International Equity strategy to the ACW ex-U.S. IMI Fund will result in a fee savings of 4 bps

<sup>1</sup>Does not include Administrative Fees, which is capped at 1 bps.

<sup>2</sup>Does not include Administrative Fees, which is capped at 2 bps.

<sup>3</sup>Does not include wrap provider fee

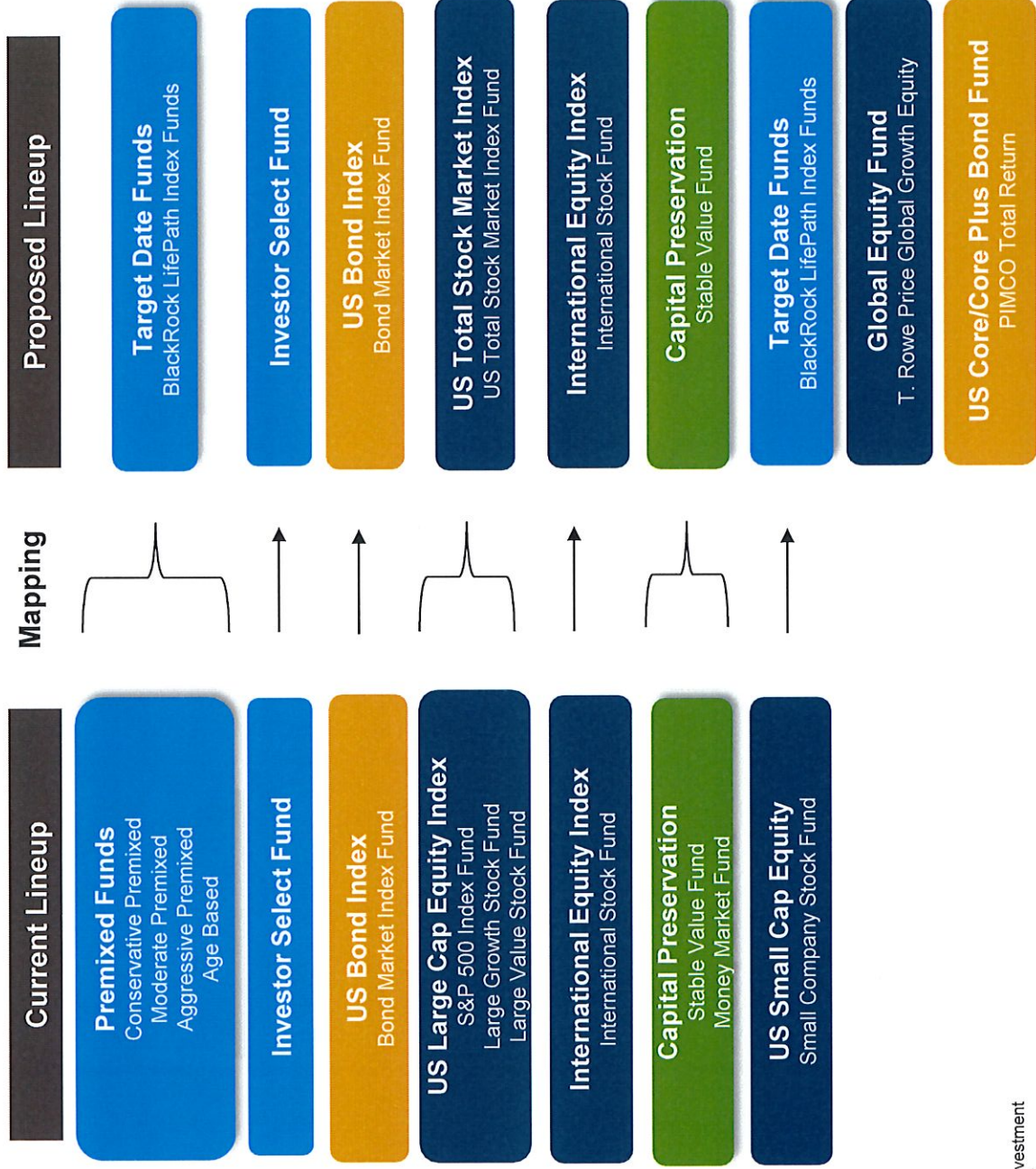
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# Mapping Suggestions



**Objective**

- Asset Allocation
- Capital Preservation
- Income
- Growth
- Retirement Income

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