

NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
September 7, 2023
Draft dated 9/8/23

A regular meeting of the Nebraska Investment Council convened at 8:30 a.m. at the Tiburon Golf Club & Banquet Facility, in Omaha, Nebraska.

The Council Board members were notified of this meeting at the September 8, 2022 Council meeting. Public notice was posted on the Investment Council website on December 16, 2022. The meeting agenda and other materials were posted on the Investment Council website on September 1, 2023. Ms. Werner-Robertson chaired the meeting, Mr. Walkowiak prepared the minutes.

COUNCIL BOARD MEMBERS PRESENT:

- Ms. Gail Werner-Robertson, Chair
- Dr. Richard DeFusco
- Mr. John Dinkel
- Dr. Keith Olson
- Mr. Tom Henning
- Treasurer John Murante
- Mr. Shane Rhian, Administrator - OSERS

COUNCIL BOARD MEMBERS ABSENT:

- Mr. Randy Gerke, Director - NPERs

OTHERS IN ATTENDANCE:

- Mr. Michael Walden-Newman, State Investment Officer
- Mr. Justin Walkowiak, Council Secretary
- Ms. JoLynn Winkler, Nebraska Investment Council
- Mr. Chris Sanders, Nebraska Investment Council
- Mr. Joe Spitznagel, Nebraska Investment Council
- Mr. Jeremiah Garber, Nebraska Investment Council
- Ms. Joyce Schlautman, Nebraska Investment Council
- Ms. Aathi Rasiah, Nebraska Investment Council
- Mr. Chris Heinrich, O'Neill Heinrich Damkroger Bergmeyer Schultz
- Mr. Max Kotary, Aon

ADVISE THE PUBLIC THAT THE OPEN MEETINGS LAWS APPLY: 8:30 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 at the entrance with a public copy of the meeting materials.

CHAIR'S COMMENT: 8:31 a.m. Ms. Werner-Robertson welcomed attendees, she thanked Dr. DeFusco and Gary Hudepohl for all their hard work with the candidates for the SIO search.

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APPROVAL OF THE MINUTES OF THE July 13, MEETING: 8:32 a.m. Mr. Henning moved to approve the minutes of the July 13, 2023, meeting. Dr. DeFusco seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

The motion carried.

CLOSED SESSION: SIO SEARCH 8:34. Dr. DeFusco moved to enter closed session pursuant to Neb. Rev. Stat. Section 84-1410. The subject matter of the closed session is to receive information from the SIO Search Committee regarding potential SIO candidates. The reason for the closed session is to maintain the confidentiality of the names of the applicants and related information. Mr. Henning seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

The motion carried.

MOTION TO RETURN TO OPEN SESSION: 9:26 a.m. Dr. DeFusco moved to return to open session. Mr. Dinkel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

The motion carried.

Dr. Olson moved that the Nebraska Investment Council authorize the SIO Search Committee to determine the final SIO candidates, and to schedule interviews with the finalists at special meeting of the Council. Mr. Henning seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

The motion carried.

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CUSTODIAN BANK CONTRACT: 9:36 a.m. Mr. Walden-Newman reviewed the Custodian Bank RFP and the recommendations brought before the Council that were presented at the July 13 meeting. Discussion followed the presentation.

Dr. DeFusco moved that the Nebraska Investment Council (the Council) directs the State Investment Officer together with the Nebraska State Treasurer to hire Northern Trust as the custodian bank for State of Nebraska assets held in custody by the Nebraska State Treasurer and managed by the Council. Approval is subject to completion of a legal review and satisfactory agreement of terms. Additionally, the Council directs the State Investment Officer to hire Northern Trust as its securities lending agent for State of Nebraska assets managed by the Council. Approval is subject to completion of a legal review and satisfactory agreement of terms. Dr. Olson seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

The motion carried.

REVIEW OF PASSIVE EXPOSURES: 9:37 a.m. to 10:09 a.m. The Council concluded their review of passive exposures, including fiduciary responsibility, risk management, process, and cost of splitting the State's passive exposure between two providers.

Following the discussion Dr. DeFusco moved that the Nebraska Investment Council hire Northern Trust Asset Management to manage 17.75 percentage points of the current 24 percent U.S. Equity target allocation of the Defined Benefit, Cash Balance Benefit and Omaha School Employees Retirement System plans, subject to completion of a legal review and satisfactory agreement of terms. Mr. Dinkel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

The motion carried.

The Council Board took a break at 10:11 a.m. and reconvened at 10:29 a.m.

INVESTMENT PERFORMANCE REPORT: 10:29 a.m. to 10:51 a.m. Mr. Kotary reviewed the 2nd Quarter 2023 performance report commenting on current market conditions, asset allocation, performance, and fund monitoring. Total assets under management were \$38.1 billion. The 2nd Quarter 2023 performance review and the alternatives performance report were included in the meeting materials. Discussion followed the presentation

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CAPITAL MARKET ASSUMPTIONS: 10:51 a.m. to 11:06 a.m. Mr. Kotary reviewed the 2023 Capital Market Assumptions report commenting on asset class returns, volatility, and correlation assumptions in the long term based on 10-year and 30-year forward looking projection periods. Presentation materials were included in the meeting materials. Discussion followed the presentation

OIP ADMINISTRATIVE UPDATE: 11:07 a.m. to 11:26 a.m. Mr. Spitznagel and Mr. Garber updated the Council on OIP investments, and operations, including segregation of duties, processes, risk management and technology. Discussion followed the presentation

The Council Board took a break at 11:26 a.m. and reconvened at 11:50 a.m.

PROXY VOTING: 11:50 a.m. to 11:55 a.m. The Council concluded its discussion of hiring a third-party proxy service as decided at the June 8 meeting. Mr. Walden-Newman informed Board members that he had signed contracts with Glass Lewis and Black Rock to implement direct proxy voting by the Council based on Council-approved criteria.

Dr. DeFusco moved that the Nebraska Investment Council replace the existing Proxy Voting Policy with the Proxy Voting Policy discussed at the meeting today. The State Investment Officer shall update the Council's policies and website accordingly.

Dr. DeFusco also moved to approve the Glass Lewis Corporate Governance Focused Policy as the proxy voting policy to be used by the Council's investment managers. Dr. Olson seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

The motion carried.

AUDIT COMMITTEE REPORT: 11:56 a.m. to 12:08 p.m. Dr. DeFusco presented the Audit Committee quarterly report, joined by Mr. Henning, and Ms. Schlautman. The Council was updated on all the Audits issued, in progress, and set to begin. There were no other outstanding issues to report. Presentation materials were included in the meeting materials. Discussion followed the presentation.

ADMINISTRATIVE REPORT: 12:08 p.m. to 12:19 p.m. Mr. Walden-Newman presented the administrative report. In the report he discussed the action plan, quarterly and Annual Securities Lending Report, budget status report, meeting schedule for the upcoming year, and the Annual Proxy Voting Report. Presentation materials were included in the meeting materials. Discussion followed the presentation.

NEXT MEETINGS: 12:19 p.m. Friday, September 22, 2023, La Vista Conference Center, La Vista, NE
Thursday, December 7, 2023, 8:30 a.m. Cornhusker Marriott Hotel, Lincoln, NE.

PUBLIC COMMENT ON THE AGENDA: 12:19 p.m. Ms. Werner-Robertson asked if there were any public comments on the agenda. There were no comments on the agenda.

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At 12:20 p.m. Dr. DeFusco moved to adjourn the meeting. Mr. Henning seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

The motion carried.

Draft date September 8, 2023



Justin Walkowiak