

**NEBRASKA INVESTMENT COUNCIL  
MINUTES OF THE MEETING OF  
December 10, 2020**

A regular meeting of the Nebraska Investment Council convened at 8:31 a.m. at the 1526 Building Street in Lincoln, NE.

The Council members were notified of this meeting on September 19, 2019, Council meeting. Public notice was posted on the Nebraska Public Meeting Calendar on December 1, 2020, and published in the Lincoln Journal Star on November 29, 2020. 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 (participated by phone)  
Dr. Keith Olson (participated by phone 8:30 a.m. to 1:30 p.m.)  
Treasurer John Murante  
Ms. Cecelia M. Carter  
Mr. Randy Gerke (participated by phone)

**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. Chris Sanders, Nebraska Investment Council  
Mr. Jeremiah Garber, Nebraska Investment Council  
Ms. Joyce Schlautman, Nebraska Investment Council  
Ms. Aathi Rasiah, Nebraska Investment Council  
Mr. Christopher Heinrich, O'Neill Heinrich Damkroger Bergmeyer & Shultz  
Mr. Max Kotary, Aon  
Mr. Chae Hong, 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.

**COUNCIL MEMBER BUSINESS: 8:32 a.m. to 8:35 a.m.** Ms. Werner-Robertson welcomed everyone to the meeting. She thanked Mr. Walden-Newman and his staff on their hard work during the past year and thanked Aon for their work on behalf of the Council. Ms. Werner-Robertson stated the Nebraska Investment Council's development of a consistent long term investment strategy and staying the course will reduce the portfolio exposure to risk.

Mr. Walden-Newman informed the Council that Mr. Conley, Dr. Keith, and Mr. Kotary will be joining the meeting by phone. He also mentioned there was a last minute cancelation and Mr. Hong will also be joining the meeting by phone. Mr. Walden-Newman mentioned that everyone present will wear a mask and that NIC's staff will come in and out of the meeting room during the respective parts of the agenda. Mr. Walden-Newman introduced to the Council Aathi Rasiah as the new accountant.

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**APPROVAL OF THE MINUTES OF THE SEPTEMBER 10, 2020, MEETING: 8:35 a.m. to 8:36 a.m.** Dr. DeFusco moved that the November 30, 2020, draft of the minutes of the September 10, 2020, meeting be approved as written. Ms. Carter seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

The motion carried.

**CLOSED SESSION – LEGAL MATTERS: 8:36 a.m. to 9:29 a.m.** Dr. DeFusco moved that the Council enter into closed session. The subject matter of the closed session is to discuss 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.

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

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

The motion carried.

Ms. Werner-Robertson requested that the members of the Council, Mr. Walden-Newman, Mr. Jurich, Ms. Schlautman, and Mr. Heinrich be present and all others in attendance were excused.

At 9:26 a.m. Dr. DeFusco moved to return to open session. Mr. Conley seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

ABSENT NOT VOTING:    Dr. Olson

The motion carried.

At 9:26 a.m. the Council took a break and reconvened at 9:29 a.m.

**INVESTMENT PERFORMANCE REPORT: 9:29 a.m. to 10:07 a.m.** Mr. Walden-Newman introduced Mr. Kotary who attended the meeting by phone. Mr. Kotary reviewed the DB Plan Volatility vs Peer Public Funds to the Council commenting on the variances between the Plans target allocation. Mr. Kotary's presentation also included Third Quarter 2020 Performance Review reporting total assets under management totaled \$31.4 billion. He commented on the current market conditions, asset allocation, performance, and fund monitoring. A copy of his presentation was included in the meeting materials along with the Second Quarter Alternative Investment Performance Supplement and Third Quarter Fixed Income.

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**REAL ESTATE PORTFOLIO PERFORMANCE: 10:07 a.m. to 10:29 a.m.** Mr. Walden-Newman introduced Mr. Hong who attended the meeting by phone. Mr. Hong reviewed Third Quarter 2020 Real Estate Performance Review which was included in the meeting materials. Mr. Hong's presentation covered the market overview, real estate portfolio overview, and the portfolio diversification. He discussed the 2020 and 2021 performance and pacing for the Defined Benefits Plans, Cash Balance Benefit Plan, and the Endowment Plans.

The Council took a break at 10:29 a.m. and reconvened at 10:44 a.m.

**REAL ESTATE COMMITMENT: 10:44 a.m. to 11:33 a.m.** Ms. Winkler and Mr. Hong (via phone) reviewed a new fund being offered by Oaktree Real Estate Opportunities, a current Council investment manager. The new Fund, Oaktree Real Estate Opportunities Fund VIII (Fund VIII) is a closed-end real estate debt fund which focuses on targeting opportunistic returns primarily in the U.S. Ms. Winkler provided the background information. Ms. Winkler stated that the Council staff is recommending a \$56 million commitment to Oaktree Real Estate Opportunities Fund VIII which is to be allocated to the following plans: \$50 million of the Defined Benefit Plans and Cash Balance Benefit Plan and \$4 million to the General Endowment, and \$2 million to the Health Care Endowments subject to completion of legal review and satisfactory of terms. Mr. Hong indicated that Aon conducted a thorough qualitative and quantitative assessment of Fund VIII. Mr. Hong discussed the investment merits and concerns associated with Fund VIII and the firm. Mr. Hong stated that Aon supports Council's staff recommendation to make a \$56 million commitment to Oaktree Real Estate Opportunities Fund VIII subject to completion of a legal review and satisfactory agreement of terms. This recommendation is made in consideration of the Nebraska Investment Council's Annual Investment Plan, a total of \$150 million of non-core capital to be deployed to the Defined Benefit Plans, Cash Balance Benefit Plan, 50/50 Endowments, and the Health Care Endowments in 2020 and 2021. A copy of their presentation was included in the meeting materials.

**OAKTREE REAL ESTATE OPPORTUNITIES PRESENTATION:**

Ms. Winkler informed the Council that Mr. Michael Trefz, Managing Director, CFA will be joining the meeting by phone. Mr. Todd Liker, Co-Portfolio Manager and Mr. Michael Trefz provided an overview of Oaktree, investment philosophy, and real estate strategy. A copy of their presentation was included in the meeting materials.

Following their presentation and discussion by the Council, Dr. DeFusco moved that the Council commit \$56 million to Oaktree Real Estate Opportunities Fund VIII which is to be allocated to the following plans: \$50 million of the Defined Benefit Plans and Cash Balance Benefit Plan and \$4 million to the General Endowments, and \$2 million to the Health Care Endowment. Approval is 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:

Ms. Werner-Robertson  
Dr. DeFusco  
Mr. Dinkel  
Mr. Conley  
Dr. Olson

The motion carried.

**REAL ESTATE COMMITMENT: 11:33 a.m. to 12:11 p.m.** Ms. Winkler and Mr. Hong (via phone) presented to the Council a new investment manager, Kayne Anderson Real Estate Partners. Kayne Anderson Real Estate was established in 2007 and since then has raised five commingled closed-end opportunistic funds totaling \$4.3 billion. Fund VI's investment strategy will be primary investing in healthcare related real estate and student housing. Fund VI has a target fund size of \$2.0 billion with a net target IRR of 15%. Ms. Winkler stated that the Council staff is recommending a \$40 million commitment of the Defined Benefit Plans and Cash Balance Benefit Plan to Kayne Anderson Real Estate subject to completion of legal review and satisfactory of terms. Mr. Hong indicated that Aon conducted a thorough qualitative and quantitative assessment of Fund VI. Mr. Hong discussed the investment merits and concerns associated with Fund VI and the Firm. Mr. Hong stated that Aon supports Council's staff recommendation to make a \$40 million commitment to Kayne Anderson Real Estate Partners VI subject to completion of a legal review and satisfactory agreement of terms. This recommendation is made in consideration of the Nebraska Investment Council's Annual

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Investment Plan, a total of \$140 million of non-core capital to be deployed to the Defined Benefit Plans and Cash Balance Benefit Plan in 2020 and 2021. A copy of their presentation was included in the meeting materials.

**KAYNE ANDERSON REAL ESTATE PRESENTATION:**

Mr. Al Rabil, Co-founder, Managing Partner & CEO and Mr. Cade McNow, Senior Managing Director, Kayne Anderson Real Estate reviewed the Firm's platform, market trends and Fund VI's investment strategies. Their presentation was included in the meeting materials.

Following their presentation and discussion by the Council, Dr. DeFusco moved that the Council commit \$40 of the Defined Benefit Plans and Cash Balance Benefit Plan to Kayne Anderson Real Estate Fund VI, L.P. subject to completion of a legal review and satisfactory agreement of terms. Mr. Conley seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

**STATE FARM 529 SAVINGS PLAN: 12:33 p.m. to 12:35 p.m.** Ms. Winkler's presentation, which was included in the meeting materials, informed the Council that the Bank Savings option in the State Farm 529 Savings Plan is still managed by First National Bank. NIC staff recommended Union Bank & Trust (UBT) as the investment manager for the Bank Savings option, replacing First National Bank. Union Bank & Trust (UBT) is the investment manager for the Bank Savings option in the NEST Direct and NEST Advisor Plans.

Following the presentation and discussion by the Council, Dr. DeFusco moved that the Council approve Union Bank Trust as the investment manager for the Bank Savings option in the State Farm 529 Savings Plan, replacing the current manager First National Bank. Ms. Carter seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

**ENABLE PROGRAM MANAGER: 12:35 p.m. to 12:46 p.m.** Treasurer Murante informed the Council the current program manager, First National Bank of Omaha (FNBO) will be leaving the program management business when the contract expires in June 2021. Mr. Murante discussed the process of determining the new program manager for the Enable Savings Program. Treasurer Murante and Assistant State Treasurer Rachel Biar reviewed the bid process that can be submit through a Request for Proposals (RFP). After an extensive search and interview process, the advisory committee and Treasurer Murante submit for the Council's consideration, True Link to serve as the program manager. Treasurer Murante and Ms. Rachel Biar informed the Council that the State of Alabama will be creating their own stand-alone ABLE plan that will be transitioning in the first half of 2021. Their presentation was included in the meeting materials.

**TRUE LINK:**

Mr. John Schembari, Partner, Kutak Rock, LLP, presented an overview of True Link, the bank savings option, and cost. His presentation was included in the meeting materials.

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Following their presentation and discussion by the Council, Dr. DeFusco moved that the Council approve True Link to serve as the new Program Manager for Enable and the recommendations for the new bank savings option and to eliminate the checking account option. Mr. Dinkel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

**INVESTMENT POLICY AMENDMENT AND OPERATING INVESTMENT POOL UPDATE: 12:46 p.m. to 1:04 p.m.** Mr. Garber and Mr. Spitznagel reviewed the changes to the following policies, which was included in the meeting materials. Following their presentation and discussion by the Council, Dr. DeFusco moved that the Council adopt the recommended investment policy changes for the Agricultural Development Fund, Aeronautics Trust Fund, Operating Investment Pool (OIP), and Health Care Endowment Fund as items listed on these pages.

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

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

**OPERATING INVESTMENT POOL (OIP) UPDATE:**

Mr. Garber and Mr. Spitznagel reviewed to the Council the General and Reserve Fund Balance and the Operating Investment Pool Balance.

**STATE AND COUNTY EQUAL RETIREMENT BENEFIT FUNDS POLICY AMENDMENT: 1:04 p.m. to 1:08 p.m.** Mr. Walden-Newman's reviewed the changes in the policy, which was included in the meeting materials. Following Mr. Walden-Newman's presentation and discussion by the Council, Dr. DeFusco moved that the Council adopt the recommended changes to the State and County Equal Retirement Benefit Funds Policy as listed on these pages.

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

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

**AUDIT COMMITTEE REPORT: 1:08 p.m. to 1:54 p.m.** Dr. DeFusco and Mr. Conley, Audit Committee members, had met with Ms. Schlautman, Internal Auditor via conference on December 2, 2020. A copy of the Audit Committee Report was distributed to the Council is available on the Council's website.

Mr. Heinrich mentioned to the Council that he will present at a future Council meeting an Audit Committee Structure Plan.

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Mr. Olson disconnected at 1:30 p.m.

**FIXED INCOME REVIEW: 1:54 p.m. to 2:01 p.m.** Ms. Winkler and Mr. Sanders reviewed to the Council the Fixed Income blank sheet review and the review process.

**COUNCIL ADMINISTRATIVE REPORT: 2:01 p.m. to 2:14 p.m.** Mr. Walden-Newman mentioned that Dr. Olson will serve another term and will be re-appointed in February upon approval by Legislation. He also mentioned Defined Contribution Plan and Deferred Compensation Plan's new investment options are now available online starting this month in December. Mr. Walden-Newman mentioned there will be no new Legislation for this year. He mentioned Mr. Heinrich has been re-appointed for another year as Special Assistant Attorney General for the Nebraska Investment Council. Mr. Walden-Newman announced it's his sixth-year as the State Investment Officer and thanked the Council board members for the position. The board members thanked Mr. Walden-Newman on the work he has done for the Council.

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

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

**Securities Lending Report:** A copy of 3<sup>rd</sup> quarter report was included in the meeting materials.

**PUBLIC COMMENT ON THE AGENDA: 2:13 p.m. to 2:14 p.m.** Ms. Werner-Robertson asked if there was any public comment on the agenda. There was no public comment on the agenda.

**NEXT MEETING: 2:14 p.m. to 2:15 p.m.** Thursday, February 11, 2021 – 1526 K Street Building, Conference Room D, Lincoln, NE.

At 2:15 p.m. Dr. DeFusco moved to adjourn the meeting. Dr. Olson seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

  
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Jennifer Hatfield, Secretary