

**NEBRASKA INVESTMENT COUNCIL  
MINUTES OF THE MEETING OF  
December 13, 2018**

A regular meeting of the Nebraska Investment Council convened at 8:31 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 November 16, 2018, and published in the Lincoln Journal Star on December 2, 2018. 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 9:29 a.m.)  
Mr. Keith Olson  
Treasurer Don Stenberg  
Ms. Cecelia M. Carter  
Mr. Randy Gerke

**NONMEMBERS IN ATTENDANCE:**

Mr. Michael Walden-Newman, State Investment Officer  
Mr. Christopher Heinrich, O'Neill Heinrich Damkroger Bergmeyer & Shultz  
Mr. Max Kotary, Aon Hewitt  
Mr. Bruce Ingram, Aon Hewitt  
Ms. Laura Flaum, Aon Hewitt  
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  
Senator John Murante, Nebraska State Treasurer-elect  
Mr. John Robinson III, Kiewit  
Mr. Ron Rolighed, Goldman Sachs

**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 SEPTEMBER 20, 2018, MEETING: 8:32 a.m. to 8:33 a.m.** Mr. Conley moved that the October 1, 2018, draft of the minutes of the September 20, 2018, meeting be approved as written. Dr. DeFusco seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

**COUNCIL MEMBER BUSINESS: 8:33 a.m. to 8:38 a.m.** Ms. Werner-Robertson welcomed everyone to the meeting and thanked Mr. Walden-Newman and his staff on their work preparing for today's meeting. Ms. Werner-

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Robertson discussed the current market conditions and the importance of the Council's development of a consistent long term investment strategy and staying the course. Ms. Werner-Robertson presented Treasurer Stenberg with a plaque and thanked him for his eight years of service as an ex-officio member of to the Council. Ms. Werner-Robertson informed the Council that Mr. Joe Spitznagel and Mr. Jeremiah Garber were recently recognized nationally for their work by Trusted Insight, a worldwide network of institutional investors. Mr. Spitznagel was named in November as one of the "Top 20 Public Pension Institutional Investors". Trusted Insight said these "senior investment professionals are front-runners in the public pension industry that are implementing innovative investment strategies to generate alpha and achieve long-term return goals at their respective institutions." Mr. Garber was named in December as one of the "Top 30 Institutional Investors in the Midwest." In this case, Trusted Insight spotlighted "professionals tasked with incorporating long-term investment strategies at sophisticated university endowments, private foundations, health care systems and public pensions" from Ohio to the Dakotas. Ms. Werner-Robertson welcomed Senator John Murante, incoming State Treasurer and looks forward to seeing him at the February meeting.

**INVESTMENT PERFORMANCE REPORT: 8:38 a.m. to 9:45 a.m.** Mr. Kotary reviewed the 3<sup>rd</sup> Quarter 2018 Performance Review included in the meeting materials, commenting on the economic and market environment. Mr. Kotary's presentation also included performance review, fund monitoring, risk budgeting and fees. Mr. Kotary reported assets over \$27.5 billion. Mr. Kotary reviewed the Alternative Investment Performance Supplement, as of June 30, 2018. A copy of the report was included in the meeting materials. Mr. Kotary distributed copies of Aon Hewitt's Performance Summary – Fourth Quarter Update. A copy of the report is available on the Council's website.

Mr. Conley left the meeting at 9:29 a.m.

**PRIVATE EQUITY COMMITMENTS: 9:45 a.m. to 10:04 a.m.** Mr. Ingram, Partner-Private Equity, Aon Hewitt and Mr. Jurich, Senior Portfolio Manager, Nebraska Investment Council, reviewed a new fund being offered by Genstar Capital Partners LLC. Genstar Capital Partners LLC is a current Council investment manager. The new fund Genstar Capital Partners IX, L.P. (Fund IX) will continue the Firm's growth-buyout investment strategy of making control investments in predominately mature North American middle market businesses. Mr. Ingram indicated that Aon Hewitt has conducted a thorough qualitative and quantitative assessment of Genstar Capital Partners IX, L.P. Mr. Ingram discussed the investment merits and concerns associated with the Firm and the Fund. Mr. Ingram indicated that as part of the Council's 2019 private equity investment pacing of \$150 million for the Defined Benefit/Cash Balance Benefit plans, Aon Hewitt supports the Council staff's recommendation to make a \$50 million commitment to Genstar Capital Partners IX, subject to completion of a legal review and satisfactory agreement of terms.

Following the discussion by the Council, Dr. DeFusco moved that the Council commit \$50 million of the Defined Benefit Plans and Cash Balance Benefit Plans to Genstar Capital Partners IX, L.P. 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:	Mr. Dinkel Mr. Olson Ms. Werner-Robertson Dr. DeFusco
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ABSENT NOT VOTING:	Mr. Conley
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The motion carried.

The Council took a break and reconvened at 10:22 a.m.

**STONETREE CAPITAL ADVISORS & SPC CAPITAL MANAGEMENT PRESENTATION: 10:22 a.m. to 11:04 a.m.** Mr. Patrick Casey, Managing Member, Stonetree Capital Advisors & SPC Capital Management discussed in-depth the funds that are managed for the Omaha Schools Employees' Retirement System (OSERS). Stonetree Capital

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Advisors is a private equity fund of funds manager. Mr. Casey's presentation included an overview of the Firm, investment performance, and active portfolio holdings. A copy of Mr. Casey's presentation was included in the meeting materials.

**NEST/ENABLE SAVINGS PLANS' ANNUAL REPORTS: 11:04 a.m. to 11:36 a.m.** Treasurer Stenberg provided an overview of the Nebraska Educational Savings Plan Trust, which includes the NEST Direct, NEST Advisor, TD Ameritrade 529, and Start Farm College Savings Plans. Treasurer Stenberg reported a very successful year for the program. The program with assets totaling \$4.89 billion has grown to 263,052 accounts. Nebraska's participation rate increased from 15.70% in 2017 to 16.68% in 2018. For the Enable Savings Plan, assets totaled \$6,053,260, with 1,119 accounts and the Enable Alabama Savings Plan, assets totaled \$507,291, with 138 accounts. Treasurer Stenberg reported representatives from First National Bank Omaha (FNBO) and State Farm will be presenting their annual reports at today's meeting.

**STATE FARM COLLEGE SAVINGS PLAN:** Ms. Rachel Biar, College Savings Plan Program Director, informed the Council that Mr. Corey Schieler, State Farm Mutual Funds Director would be joining the meeting via teleconference. Ms. Deanna Hamilton, 529 Plan Relationship Manager, State Farm Investment Planning Services presentation which was included in the meeting materials, gave an overview of the program; historical information; and performance review for the period ending July 31, 2018.

**NEST AND ENABLE SAVINGS PLANS:** Ms. Deborah Goodkin, Managing Director College Savings Plans, First National Bank Omaha and Mr. Stacy Auman, CFA, Director, Investment Management, First National Bank Omaha, and Ms. Rachel Biar, Program Director of the College Savings Plan of Nebraska. Ms. Goodkin thanked Treasurer Stenberg for his hard work and dedication to the 529 College Savings Plans. Ms. Goodkin informed the Council that TD Ameritrade will no longer be part of the NEST savings plans and that the plan will be going away in the next six months. Ms. Goodkin provided program statistics and performance by investment options. Mr. Auman reported that as of September 30, 2018, the NEST Direct, NEST Advisor and TD Ameritrade 529 College Savings Plans assets totaled over \$5.0 billion. Ms. Goodkin reported on the Enable Savings Plan and Enable Savings Plan Alabama with assets totaling over \$6.4 million. A copy of the NEST 2018 Annual Report and Enable Savings Plan with Enable Savings Plan Alabama 2018 Annual Reports were included in the meeting materials.

The Council took a break and reconvened at 11:46 a.m.

**OPERATING INVESTMENT POOL & HEALTH CARE ENDOWMENT FUND POLICIES: 11:46 a.m. to 11:55 a.m.** Mr. Spitznagel presentation which was included in the meeting materials discussed the staff's recommendation to change the benchmark for the Operating Investment Pool and the Health Care Endowment Fund. Mr. Spitznagel indicated that Bloomberg has been updating its portfolio analytics system over the past few years. The Bloomberg Finance analytics system can be used as a replacement to the Council's current analytics system BondEdge with no added costs. In order to keep the service free the Council will need to move the benchmarks over to a Bloomberg Barclays Index.

Following the discussion by the Council, Dr. DeFusco moved that the Council adopt the recommended benchmark changes for the Operating Investment Pool and the Health Care Endowment Fund. 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
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ABSENT NOT VOTING:	Mr. Conley
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The motion carried.

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**AUDIT COMMITTEE REPORT: 11:55 a.m. to 12:04 p.m.** Dr. DeFusco and Mr. Conley, Audit Committee members, had met with Ms. Schlautman, Internal Auditor via conference call on November 29, 2018. A copy of the Audit Committee's Report which was distributed to the Council is available on the Council's website.

**COUNCIL ADMINISTRATIVE REPORT: 12:04 p.m. to 12:15 p.m.**

**SIO Report:** Mr. Walden-Newman informed the Council that the Governor has re-appointed Ms. Werner-Robertson for another five year term, contingent upon approval by the Legislature. Mr. Walden-Newman informed the Council that staff job descriptions have been completed and that he will be working on preparing a State Investment Officer's job description. Mr. Walden-Newman informed the Council of education conference opportunities, including Aon's Client Conference which will be held in September 2019; Council members interested in attending should let him know. Draft legislation so far includes a revised statutory list of required Defined Contribution Plan categories, and a bill to extend the due date for Council and NPERS annual reports to the Retirement Committee. Mr. Walden-Newman indicated that the State Auditors are wrapping up the CAFR work and are working on the Schools, Judges, and Patrol audits.

**Action Plan:** Mr. Walden-Newman reviewed the Action Plan 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 Report:** A copy of the report was included in the meeting materials.

The Council took a break at 12:15 p.m. and reconvened at 1:00 p.m.

**PUBLIC COMMENT ON THE AGENDA: 1:00 p.m. to 1:03 p.m.** Ms. Werner-Robertson asked if there was any public comment on the agenda. There was no public comment on the agenda.

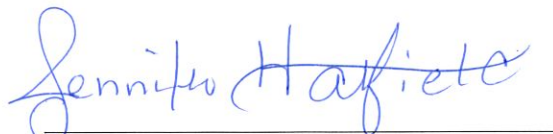
**NEXT MEETING: 1:03 p.m. to 1:05 p.m.** Thursday, February 14, 2019 – 1526 K Street Building, Conference Room D, Lincoln, NE.

At 1:05 p.m. Dr. DeFusco moved to adjourn the meeting. Mr. Dinkel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

  
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Jennifer Hatfield, Secretary