

**NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
February 13, 2020**

A regular meeting of the Nebraska Investment Council convened at 8:32 a.m. at the 1526 Building 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 January 10, 2020, and published in the Lincoln Journal Star on January 26, 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
Dr. Keith Olson
Mr. Tyson Larson, Deputy State Treasurer (left the meeting at 1:04 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. 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: 8:32 a.m. to 8:33 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 DECEMBER 12, 2019, MEETING: 8:33 a.m. to 8:34 a.m. Mr. Conley moved that the December 17, 2019, draft of the minutes of the December 12, 2019, meeting be approved as written. Mr. Dinkel 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.

COUNCIL MEMBER BUSINESS: 8:34 a.m. to 8:36 a.m. Ms. Werner-Robertson thanked Mr. Dinkel for another five year term. Ms. Werner-Robertson also mentioned that there will be a small discussion from Dodge & Cox and Aon on the coronavirus and what impact it will have on U.S. market. Ms. Werner-Robertson thanked Dodge & Cox and Aon for their opinions. She also mentioned the Investment Council will continue with the Council's investment strategies and follow the guidelines set out in the policies to avoid significant loss.

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DODGE & COX PRESENTATION: 8:36 a.m. to 9:32 a.m. Mr. Walden-Newman introduced Ms. Tara Shamia, Vice President and Mr. Steven Voorhis, Vice President, Research Director, Dodge & Cox, which is a current Council investment manager. Dodge & Cox is an active global equity manager for the Defined Benefits Plan, Cash Balance Benefit Plan, the General Endowments and the Health Care Endowment. Their presentation discussed the firm, assets under management, its team, performance and strategy. Copies of their presentations were included in the meeting materials. Dodge & Cox does not believe the coronavirus will have an impact on the global equity fund based on the information presented at this time.

REAL ESTATE PERFORMANCE REPORT REVIEW: 9:32 a.m. to 9:51 a.m. Mr. Hong reviewed Third Quarter 2019 Real Estate Performance Review included in the meeting materials, commenting on the economic and market environment. Mr. Hong reported Defined Benefits Plan and Cash Balance Benefit Plan assets over \$948.0 million and the allocation is at 6.3% within the policy range of 1.0%-11.00%. Currently, the Endowments is at 4.3% within the policy range of 5.0%; and OSERS is at 13.2% and the policy target of 7.5% by 2021. Overall performance are out performing in Defined Benefits Plan, Cash Balance Benefit Plan, General Endowment and Healthcare Plans. Mr. Hong felt the coronavirus would have no effect on the overall plans for Nebraska Investment Council.

REAL ESTATE COMMITMENT: 9:51 a.m. to 10:00 a.m. Ms. Winkler and Mr. Hong presentation was included in the meeting materials discussed a fund being offered by a current Council manger, Morgan Stanley. The Fund, Prime Property founded in 1931, is an open-end, diversified Core real estate fund that targets high quality, well-leased, income-producing properties located in select primary markets in the U.S. Ms. Winkler stated that Council staff is recommending Defined Benefit Plans, Cash Balance Benefit Plans, General Endowment, Health Care Endowment, and the Omaha School Employees Retirement System invest the proceeds from the full redemption of the UBS Trumbull Property Fund into the Morgan Stanley Prime Property Fund. Redemptions from the Trumbull Property Fund may be invested short-term in the Blackrock Aggregate Bond Index until the Prime Property Fund can call the capital. Mr. Hong discussed the investment merits and concerns associated with Prime Property Fund and the Firm. Mr. Hong indicated that Aon has conducted a thorough qualitative and quantitative assessment of Prime Property Fund and supports Council staff's recommendation.

The Council took a break and reconvened at 10:14 a.m.

REAL ESTATE COMMITMENT - CONTINUED: 10:14 a.m. to 11:07 a.m. Mr. Walden-Newman introduced Mr. Scott Brown, Global Head of Prime, Mr. Josh Myerberg, Deputy Portfolio Manager, and Ms. Megan Golder, Executive Director, Morgan Stanley. Their presentation gave an overview of the firm, organization, investment strategy, performance, and discussed the current fund offering. Their presentation was included in the meeting materials.

Following the presentation and discussion by the Council, Dr. DeFusco moved that the Nebraska Investment Council Defined Benefit Plans, Cash Balance Benefit Plans, General Endowment, Health Care Endowment, and the Omaha School Employees Retirement System invest the proceeds from the full redemption of the UBS Trumbull Property Fund into the Morgan Stanley Prime Property Fund. Redemptions from the Trumbull Property Fund may be invested short-term in the BlackRock Aggregate Bond Index until the Prime Property Fund can call the capital. Mr. Dinkel 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
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The motion carried.

TDOA PRESENTATION: 11:07 a.m. to 11:19 a.m. Mr. Garber advised the Council of the proposed changes to the Rule and Regulation pertaining to the Time Deposit Open Account Program. He also said staff recommended eliminating Time Deposit Open Account (TDOA) Investment Policy Statement from the Investment Council Policies. A copy of the presentation was included in the meeting materials.

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Following the presentation and discussion by the Council, Dr. DeFusco moved that the Nebraska Investment Council

adopt the proposed rule changes to Title 213-Nebraska Investment Council, Chapter 1 – Procedures for Distribution of Funds to Banks, Capital Stock Financial Institutions, and Qualifying Mutual Financial Institutions; and approve to eliminate the Time Deposit Open Account Program (TDOA Program) Investment Policy Statement. Mr. Conley 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

The motion carried.

INTERNAL AUDITOR PRESENTATION: 11:19 a.m. to 11:31 a.m. Ms. Schlautman reviewed the Time Deposit Open Account Program (TDOA) and provided examples of its audit process. A copy of the presentation was included in the meeting book.

LEGAL REPORT: 11:31 a.m. to 11:40 a.m. Mr. Heinrich reviewed the legal status of items pertaining to the December 12, 2019 Council meeting. He reported the College Savings Plan was signed January 6, 2020, and it will go into effect January 2021. He thanked Mr. Walden-Newman, Ms. Winkler, State Treasurer Murante and his staff for their hard work. He also reported that Wynnchurch V, L.P. legal documents are all signed and financials are complete. Mr. Heinrich thanked Aon for their due diligence. Mr. Heinrich followed up on a staff question regarding the Mass Mutual investments within the Deferred Compensation Plan and he reconfirmed the Council has authority. He reported Hamilton Lane's contract is signed and the SPC assets are transitioning over. He indicated that Aon will review Stonetree's operational due diligence in March.

NPERS & OSERS UPDATES: 11:40 a.m. to 11:59 a.m. Mr. Gerke informed the Council upcoming activities happening with Nebraska Public Employees Retirement Systems (NPERS). Mr. Gerke reported the following: 1) IRS compliance audit is required every ten years and it will start next week onsite. 2) Deferred Compensation Plan's online enrollment will hopefully increase in plan participation and the goal is to have it up and ready by May 2020. 3) Mr. Gerke and Ms. Winkler are working with Ameritas on the investment structure of the Defined Contribution Plan and Deferred Compensation Plan. This was approved in the September 19, 2019 Council Meeting and will be implemented in January 2021. 4) The upcoming experience study will be conducted by Cavanaugh Macdonald. It should be available late summer or early fall. 5) RFP for the actuarial audit is this year. It has been changed to every five years by the Government Financial Officers Association. Mr. Gerke reported NPERS pays out \$60 million monthly and of those participants 88.58% is spread out over all 93 counties in Nebraska.

Ms. Carter informed the Council of recent activities happening with Omaha School Employees' Retirement System (OSERS). The experience study will be available in May/June 2021. Ms. Carter reported OSERS pays out \$10.6 million monthly and of those participants 85% are in Nebraska.

Both Mr. Gerke and Ms. Carter talked about LB31 study involving the Omaha School Employees' Retirement System (OSERS) administration going into the Nebraska Public Employees Retirement Systems (NPERS) administration, this is due June 30, 2020.

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

WHAT DRIVES PERFORMANCE: 12:43 p.m. to 1:19 p.m. Mr. Kotary reviewed the Council the breakdown of the performance report. A copy of the presentation was included in the meeting materials.

Mr. Larson left the meeting at 1:04 p.m.

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COUNCIL ADMINISTRATIVE REPORT: 1:19 p.m. to 1:28 p.m.

SIO Report: Mr. Walden-Newman thanked Ms. Hatfield for filling in while the Business Manager position is vacant and Mr. Sanders for helping with transferring SPC to Hamilton Lane. He thanked Mr. Spitznagel for following proposed Securities and Exchange Commission expansion of the rule governing ownership of 144A securities. Mr. Walden-Newman thanked Mr. Dinkel for agreeing to another term. He reminded the Council that the SIO and Council Governance will take place at the June Council meeting. The Investment Consultant and legal counsel evaluation will occur at the July Council meeting.

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

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

PUBLIC COMMENT ON THE AGENDA: 1:28 p.m. to 1:29 p.m. Ms. Werner-Robertson asked if there was any public comment on the agenda. There was no public comment on the agenda.

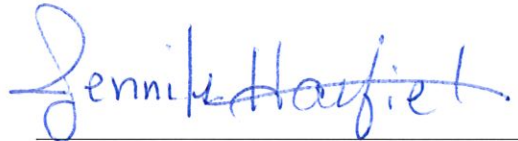
NEXT MEETING: 1:29 p.m. to 1:30 p.m. Thursday, March 12, 2020 – 1526 K Street Building, Conference Room D, Lincoln, NE.

At 1:30 p.m. Ms. Werner-Robertson moved to adjourn the meeting. Ms. Carter 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

The motion carried.



Jennifer Hatfield, Secretary