

**NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
June 10, 2021
DRAFT dated June 18, 2021**

A regular meeting of the Nebraska Investment Council convened at 8:30 a.m. at the LaVista Conference Center, Fedora Room II, in LaVista, Nebraska.

The Council board members were notified of this meeting on September 10, 2020, Council meeting. Public notice was posted on the Nebraska Public Meeting Calendar on June 3, 2021, and published in the Lincoln Journal Star on May 30, 2021. Ms. Werner-Robertson chaired the meeting, Ms. Hatfield recorded votes on action items and Mr. Walden-Newman prepared the minutes.

COUNCIL BOARD MEMBERS PRESENT:

Ms. Gail Werner-Robertson
Dr. Richard DeFusco
Mr. John Dinkel
Mr. John Conley
Dr. Keith Olson
Treasurer John Murante
Mr. Randy Gerke
Ms. Cecelia M. Carter

OTHERS IN ATTENDANCE:

Mr. Michael Walden-Newman, State Investment Officer
Ms. Jennifer Hatfield, Council Secretary
Ms. JoLynn Winkler, Nebraska Investment Council
Mr. Joe Jurich, 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. Mike Comstock, Aon
Mr. Bruce Ingram, Aon
Mr. Chae Hong, Aon
Ms. Betsie Kempf, Aon
Ms. Rachel Biar, State Treasurer's Office
Ms. Diane Stewart, State Treasurer's Office
Ms. Alexis Pappas, Kutak Rock
Mr. Jay Steinacher, Union Bank

ADVISE THE PUBLIC THAT THE OPEN MEETINGS LAWS APPLY: 8:30 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 MARCH 11, MEETING: 8:33 a.m. to 8:34 a.m. Mr. Conley moved that the March 22, 2021, draft of the minutes of the March 11, 2021 meeting be approved as written. Ms. Carter 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

The motion carried.

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COUNCIL BOARD MEMBER BUSINESS: 8:34 a.m. to 8:36 a.m. Ms. Werner-Robertson welcomed everyone to the meeting. She thanked the Council staff and board for successfully managing Council business during this past Covid year. She expressed pleasure that everyone was back in person at this meeting and that staff are back full-time in the office. Mr. Walden-Newman noted that Jennifer Hatfield is leaving the Investment Council on June 11. The Council board members thanked her for her service.

CLOSED SESSION TO REVIEW SIO PERFORMANCE: 8:36 to 9:28 A.M. Dr. DeFusco moved that the Council board enter closed session. The subject matter of the closed session is to discuss the evaluation of the job performance of the State Investment Officer. The reason for the closed session is 1) to protect the reputation of the State Investment Officer.

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

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

The motion carried.

Ms. Werner-Robertson requested that Chris Heinrich be present and all others in attendance were excused.

At 9:28 Dr. DeFusco moved that the Council board return to open session. Ms. Carter 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.

ACTION FROM CLOSED SESSION: 9:28 a.m. to 9:30 a.m. Dr. DeFusco moved that the annual salary of the State Investment Officer be increased 2% effective July 1, 2021. Mr. Dinkel 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.

INVESTMENT PERFORMANCE REPORT 9:35 a.m. to 9:55 a.m. Mr. Kotary and Mr. Comstock reviewed the 1st Quarter 2021 Performance Review Report commenting on current market conditions, asset allocation, performance and fund monitoring. Total assets under management were \$34.8 billion. The 1st Quarter 2021 Performance Review and the 4th Quarter 2020 Alternatives Performance Report were included in the meeting materials. Notable was fund performance for the Defined Benefit and Cash Balance Benefit Plans was 37% for the one-year trailing period.

REAL ESTATE PACING AND PERFORMANCE: 9:55 a.m. to 10:19 a.m. Mr. Hong reviewed the performance of the real estate portfolios. He noted the real estate investment pacing is on target for 2021 into 2022. He noted the Omaha

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School Employees' Retirement System Plan (OSERS) Plan had transitioned in its real estate portfolio to the point where it has capacity for new investments.

REAL ESTATE COMMITMENT: 10:19 a.m. to 10:23 a.m. Mr. Hong was joined by Ms. Winkler to present for Council board approval a \$10 million commitment of the OSERS to Kayne Anderson Real Estate Partners Fund VI. Ms. Winkler reminded the board that it approved a commitment to this fund for the Defined Benefit Plans and Cash Balance Benefit Plans in December 2020. Mr. Hong discussed the investment merits and Aon's support of the investment.

Following the presentation and discussion Mr. DeFusco moved that Nebraska Investment Council commit \$10 million of the Omaha School Employees' Retirement Plan to Kayne Anderson Real Estate Partners Fund VI, L.P. subject to completion of legal review and satisfactory agreement of terms. Ms. Carter 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.

PRIVATE EQUITY COMMITMENT: 10:23 a.m. to 10:37 a.m. Mr. Jurich and Mr. Ingram reviewed a proposed investment for the Endowments in Constitution Capital's Ironsides Co-Investment Fund VI. Mr. Jurich referred to the March 2021 Council board meeting education on co-investments. He also reminded Council board members that they had approved in 2016 a \$20 million commitment for the Endowments in Constitution's Ironsides Partnership Fund IV, L.P. Mr. Ingram discussed Aon's favorable view of the proposed investment.

Following the presentation and discussion Mr. DeFusco moved that the Nebraska Investment Council commit \$15 million of the General Endowment Funds and \$5 million of the Health Care Fund to Ironsides Co-Investment VI, L.P. subject to completion of 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

The motion carried.

The Council board took a break at 10:37 a.m. and reconvened at 10:59 a.m.

TD AMERITRADE 529 COLLEGE SAVINGS PLAN TRANSITION: 10:59 a.m. to 11:13 a.m. State Treasurer Murante was joined by Ms. Biar and Ms. Stewart from his office. The Treasurer asked the Council board to approve a rebranding of the TD Ameritrade 529 College savings. He stated that the current investment options would remain, and there would be reduced fees. After discussion, Mr. DeFusco moved that the Nebraska Investment Council approve the termination of the marketing and consulting services agreement with TD Ameritrade and the rebranding of the TD Ameritrade 529 College Savings Plan, with the same investment options that are currently offered, but with the elimination of the TD Ameritrade sub-administration fee and the TDAIM portfolio management fee. Approval includes the authority for the State Investment Officer to enter into necessary legal agreements to facilitate the changes, subject to completion of legal review and satisfactory agreement of terms. Mr. Conley seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE: Mr. Dinkel
 Mr. Conley

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Dr. Olson
Dr. DeFusco
Ms. Werner-Robertson

The motion carried.

ENABLE SAVINGS PLAN PROGRAM MANAGER 11:14 a.m. to 11:29 a.m. State Treasurer Murante explained that although the Council board in December 2020 approved True Link as program manager for the Enable Saving Plan, True Link has since exited the Enable program management business. He asked Council board approval to hire Ascensus to help with program management, under a plan that would reduce costs. Following the presentation and discussion Mr. DeFusco moved that the Nebraska Investment Council approve Ascensus as the new service provider for the Enable Savings Plan, with program manager responsibilities split between Ascensus and the Treasurer's Office and a reduction in the program management fee to 40 basis points. Approval includes the authority for the State Investment Officer to enter into necessary legal agreements, subject to completion of legal review and satisfactory agreement of terms. Mr. Conley seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:

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

COMMISSION RECAPTURE POLICY TERMINATION: 11:29 a.m. to 11:36 a.m. Mr. Walden-Newman reminded the Council Board that he had stated at the March Council board meeting staff's desire to remove mention of commission recapture in the Council's investment policies because the program is no longer in use. Mr. Jurich presented material documenting inactivity in recent years, as well as Aon's support of the program's end. Following discussion, Mr. DeFusco moved that the Nebraska Investment Council terminate the Council's commission recapture program and remove the Commission Recapture section in its entirety from the Council's Administrative Polices. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:

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

EQUITY REVIEW UPDATE: 11:36 a.m. to 11:43 a.m. Mr. Jurich provided a progress report on the blank sheet review of the equity portfolios. He said he is working with Mr. Garber and Mr. Sanders on the project, and they will provide updates at future Council board meetings. The current timeline is to bring final recommendations to the June 2022 Council board meeting.

The Council took a break at 11:43 a.m. and reconvened at 12:23 p.m.

FIXED INCOME STRUCTURE: 12:23 p.m. to 1:40 p.m. Ms. Winkler, Mr. Sanders and Mr. Kotary reviewed progress to date on the blank sheet review of fixed income portfolios underway since 2019. Specifically, they presented materials on two items board members questioned at the March board meeting: active vs. passive fixed income and private credit. Discussion followed on asset vs. passive fixed income. Board members leaned toward keeping a passive component in the fixed income portfolio. Ms. Kempf presented materials on illiquid credit, which the Council board had last considered in 2018. Council board members still had enough concerns about private credit that Mr. Walden-Newman said staff would remove it from further consideration at this time. Staff and Aon will send final recommendations from the fixed income blank sheet review to the board in the coming weeks for formal board consideration at its September meeting.

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AUDIT COMMITTEE REPORT: 1:40 p.m. to 1:46 p.m. Dr. DeFusco and Mr. Conley presented the Audit Committee quarterly report, joined by Ms. Schlautman.

ADMINISTRATIVE REPORT: 1:46 p.m. to 2:17 p.m. Mr. Walden-Newman again thanked Ms. Hatfield for her service. He reported he hopes to have a new business manager on board by the end of August.

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

Securities Lending Report: A copy was included in the meeting materials.

Budget Report: A copy was included in the meeting materials. Mr. Walden-Newman stated the current biennium ends on June 30, and the Council should end the biennium almost 10% under budget—primarily because of position vacancies over the past 18 months.

Manager Contracts: Mr. Walden-Newman reported that certain work papers used by auditors state that the SIO reports at each Council board meeting any contracts signed since the prior meeting. He said that while that is mostly the case, it has not been a consistent practice. He said Council staff has implemented a process of recording contract legal work timelines in a database and he presented board members a report of contract legal activity from 2019 through present. He said this report will be kept current and included in future Council board meeting quarterly reports.

OIP Report: Mr. Spitznagel and Mr. Garber discussed the Operating Investment Pool. They reported on the flow of federal Covid aid funds. Council board members, Aon and staff discussed the OIP's underperformance relative to the benchmark. Board and staff agreed it would be beneficial to better understand the State's plans for unusual distributions of federal aid such as Covid relief to manage the short-term liquidity and intermediate/government corporate portfolios. State Treasurer Murante offered to facilitate a meeting with his office, state budget officials and Council staff.

July Retreat: Mr. Walden-Newman said the July Retreat would include an in-depth discussion of the Asset/Liability Study Aon is preparing. He said he is very happy to announce that Howard Marks, founder of Oaktree Capital Management will present at the meeting, too. The Council board will also meet for their annual self-evaluation and planning session.

PUBLIC COMMENT ON THE AGENDA: 2:18 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: 2:19 p.m. Thursday, July 8, 2021, 8:30 a.m. LaVista Conference Center, Gatsby Room.

At 2:20 p.m. Dr. DeFusco moved to adjourn the meeting. Mr. Dinkel seconded. Ms. Werner-Robertson called for a roll call vote.

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



Michael W. Walden-Newman