

**NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
March 11, 2021**

A regular meeting of the Nebraska Investment Council convened at 8:32 a.m. at the 1526 Building Street in Lincoln, NE. On February 19, 2021, Council and staff members were given the option to participate via Zoom or by telephone.

The Council members were notified of this meeting on September 10, 2020, Council meeting. Public notice was posted on the Nebraska Public Meeting Calendar on February 18, 2021, and published in the Lincoln Journal Star on February 28, 2021. Ms. Werner-Robertson chaired the meeting and Ms. Hatfield recorded the minutes.

MEMBERS PRESENT:

Ms. Gail Werner-Robertson
Dr. Richard DeFusco
Mr. John Dinkel

MEMBERS PARTICIPATING BY VIDEO OR PHONE:

Mr. John Conley
Dr. Keith Olson (disconnected at 12:00 p.m.)
Treasurer John Murante
Ms. Cecelia M. Carter
Mr. Randy Gerke (disconnected at 10:20 a.m.)

NONMEMBERS IN ATTENDANCE:

Mr. Michael Walden-Newman, State Investment Officer
Ms. Jennifer Hatfield, Council Secretary

NONMEMBERS PARTICIPATING BY VIDEO OR PHONE:

Mr. Joe Jurich, Nebraska Investment Council
Ms. JoLynn Winkler, 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. John Sullivan, Aon
Mr. Bruce Ingram, Aon
Ms. Katherine Montague, 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 FEBRUARY 11, 2021, MEETING: 8:33 a.m. to 8:34 a.m. Ms. Carter moved that the February 19, 2021, draft of the minutes of the February 11, 2021, 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.

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COUNCIL MEMBER BUSINESS: 8:34 a.m. to 8:38 a.m. Ms. Werner-Robertson welcomed everyone to the meeting. Ms. Werner-Robertson discussed the market volatility and the need to look at the long term investments. Ms. Werner-Robertson thanked Mr. Walden-Newman, staff, Aon for their continued hard work and diligence.

NIC ADMINISTRATIVE REPORT: 8:38 a.m. to 8:46 a.m. Mr. Walden-Newman informed the Council that Dr. Olson was confirmed by the Legislature on March 3, 2021. Mr. Walden-Newman indicated that he would be presenting the CY20 Nebraska Investment Council Annual Report to the Legislative Retirement Committee on Thursday, April 8, 2021. Mr. Walden-Newman mentioned the July 8, 2021 Council Retreat will be held at the La Vista Embassy Suites.

Legislative Report: Mr. Walden-Newman mentioned there is no Council legislation this year but plans to seek an amendment in statutes to refine the definition of income next year. Ms. Carter and Mr. Gerke informed the Council that LB 147, which transfers the management of OSERS to PERB is still in transition. The Legislative date for this to occur is September 1, 2024.

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 was included in the meeting materials.

INVESTMENT PERFORMANCE REPORT: 8:46 a.m. to 9:18 a.m. Mr. Comstock reviewed the Fourth Quarter 2020 Performance Review Report commenting on the current market conditions, asset allocation, performance and fund monitoring. Total assets under management were \$33.9 billion. The Fourth Quarter 2020 Performance Review and the Third Quarter 2020 Alts Performance Review was included in the meeting materials.

AUDIT COMMITTEE POLICY UPDATE: 9:18 a.m. to 9:41 a.m. Mr. Walden-Newman introduced to the Council Mr. Heinrich. Mr. Heinrich reported the status of the following agreements: Oaktree Real Estate Opportunities Fund VIII is finalized; Kayne Anderson Real Estate Partners VI, L.P. will be completed at the end of March 2021; and Genstar Capital Partners X, L.P. should have a quick turnaround. Mr. Heinrich gave an overall summary of the changes made to the Committees of the Council a subsection of the Governance Policy. Ms. Werner-Robertson thanked Mr. Heinrich for his hard work on this. A copy of the Committees of the Council was included in the meeting materials.

Following the presentation and discussion by the Council, Dr. DeFusco moved that the Council approve the amendment to Committees of the Council subsection of the Governance Policies as presented to the Council on March 11, 2021. Mr. Conley 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.

ASSET-LIABILITY STUDY KICK-OFF: 9:41 a.m. to 10:27 a.m. Mr. Kotary indicated that the last Asset Liability Study was completed in 2016 and asked Council members what changes can be made to improve the current structure. Mr. Sullivan provided an overall structure of the components that are placed in the study. Mr. Sullivan mentioned the finalized results will be presented to the Council at the Board's Retreat in July. A copy of the presentation was included in the meeting materials.

Mr. Gerke disconnected at 10:20 a.m.

The Council took a break and reconvened at 10:41 a.m.

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PRIVATE EQUITY PACING AND PERFORMANCE: 10:41 a.m. to 10:54 a.m. Mr. Ingram reviewed the projected tactical plan for 2021 DB/CBB Plans. The tactical plan was broken down by strategy with an investment pace for the DB/CBB Plans of \$150 million as the level of investments for 2021. Mr. Ingram noted that the Endowment Plan was slightly above target for private equity exposure in 2020. Mr. Ingram mentioned the next investment is in 2021 and then continue with its every-other year pace. His presentation was included in the meeting materials.

PRIVATE EQUITY COMMITMENT: 10:54 a.m. to 11:11 a.m. Mr. Jurich and Mr. Ingram reviewed a new fund being offered by Genstar Capital Partners LLC, a current Council investment manager. The new fund, Genstar Capital Partners X, L.P. 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 has conducted a thorough qualitative and quantitative assessment of Genstar Capital Partners X, 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 2021 private equity investment pacing of \$150 million for the Defined Benefit/Cash Balance Benefit plans, Aon supports the Council staff's recommendation to make a \$50 million commitment to Genstar Capital Partners X, L.P. subject to completion of a legal review and satisfactory agreement of terms. This recommendation is based on Aon's due diligence of Genstar Capital Partners X, L.P. and is supported by our full due diligence report. A copy of their presentation was included in the meeting materials.

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 X, 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:

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

The motion carried.

CO-INVESTMENT EDUCATION: 11:11 a.m. to 11:49 a.m. Mr. Ingram introduced Ms. Kathy Montague a Senior Consultant at Aon. Their presentation was included in the meeting materials covered the following on private equity co-investments:

- Co-Investment investing varies by investor size
- Benefits and risks associated with types of investing
- How co-investments are managed in a portfolio

PRIVATE EQUITY POLICY: 11:49 a.m. to 11:52 a.m. Mr. Ingram reviewed the concentration limits in the private equity portfolio and there is no change to the policy.

The Council took a break at 11:52 a.m. and reconvened at 12:12 p.m.

Mr. Olson disconnected at 12:00 p.m.

FIXED INCOME REVIEW: 12:12 p.m. to 12:56 p.m. Ms. Winkler and Mr. Sanders provided the background and summary of the proposed fixed income structure. Mr. Kotary discussed the proposed changes:

- Enhance risk-control and monitoring/enable better performance measurement
- Actively managed 100% vs mix of active and passive
- Multi-sector/multi-asset credit mandates
- Opportunistic/Illiquid allocation part of the fixed income component

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There will be another discussion about the Fixed Income structure at the Board's Retreat in July.

AUDIT COMMITTEE REPORT: 12:56 p.m. to 1:09 p.m. Dr. DeFusco and Mr. Conley (via conference call) Audit Committee members, had met with Ms. Schlautman, Internal Auditor, Mr. Garber, Portfolio Manager, and Mr. Spitznagel, Portfolio Manager on March 2, 2021. A copy of the Audit Committee's Report which was distributed to the Council is available on the Council's website.

INTERNAL AUDITOR PRESENTATION: 1:09 p.m. to 1:25 p.m. Ms. Schlautman Internal Auditor discussed her review of the Securities Lending Program and provided examples of the review process. A copy of the presentation was included in the meeting materials.

OTHER BUSINESS: 1:25 p.m. to 1:32 p.m. Mr. Walden-Newman mentioned to the Council, for the next meeting in June a proposal to delete Commission Recapture from the Investment Policy, the program is no longer in use.

PUBLIC COMMENT ON THE AGENDA: 1:32 p.m. to 1:33 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: 1:33 p.m. to 1:34 p.m. Thursday, June 10, 2021 – La Vista Embassy Suites, Fedora II Conference Room, La Vista, NE.

At 1:34 p.m. Dr. DeFusco moved to adjourn the meeting Mr. Conley seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

ABSENT NOT VOTING: Dr. Olson

The motion carried.



Jennifer Hatfield, Secretary