

**NEBRASKA INVESTMENT COUNCIL  
MINUTES OF THE MEETING OF  
March 22, 2018**

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 by letter dated March 9, 2018. Public notice was posted on the Nebraska Public Meeting Calendar on January 31, 2018, and published in the Lincoln Journal Star on March 11, 2018. Ms. Werner-Robertson chaired the meeting and Ms. Dawes recorded the minutes.

**MEMBERS PRESENT:**

Ms. Gail Werner-Robertson  
Dr. Richard DeFusco  
Mr. John Dinkel  
Mr. John Conley  
Mr. Keith Olson (left the meeting at 11:07 a.m.)  
Treasurer Don Stenberg  
Ms. Cecelia M. Carter  
Mr. Randy Gerke

**NONMEMBERS IN ATTENDANCE:**

Mr. Michael Walden-Newman, State Investment Officer  
Ms. Kathy Dawes, Council Secretary  
Mr. Christopher Heinrich, O'Neill Heinrich Damkroger Bergmeyer & Shultz  
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  
Ms. Jennifer Hatfield, Nebraska Investment Council  
Mr. Max Kotary, Aon Hewitt  
Mr. Mike Comstock, Aon Hewitt  
Mr. Bruce Ingram, Aon Hewitt  
Ms. Catherine Polleys, Aon Hewitt  
Mr. Chae Hong, Aon Hewitt  
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 8, 2018, MEETING: 8:33 a.m. to 8:35 a.m.** Mr. Conley moved that the February 12, 2018, draft of the minutes of the February 8, 2018, meeting be approved as written. Mr. Dinkel seconded the motion. Ms. Werner-Robinson called for a roll call vote.

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

The motion carried.

**COUNCIL MEMBER BUSINESS: 8:35 a.m. to 8:39 a.m.** Ms. Werner-Robertson welcomed everyone to the meeting and thanked them for their continued hard work and diligence. Ms. Werner-Robertson discussed the current market conditions. Mr. Walden-Newman indicated that there would be changes in the agenda with the Currency Hedging presentation by Wellington following agenda item #7 Real Estate Performance and Investment. This change is being made because representatives from Almanac are unable to be at today's meeting due to a severe snow storm on the east coast.

**NEBRASKA INVESTMENT COUNCIL  
MINUTES OF THE MEETING OF  
March 22, 2018**

**INVESTMENT PERFORMANCE REPORT BY AON HEWITT: 8:39 a.m. to 9:05 a.m.** Mr. Comstock reviewed the 4<sup>th</sup> Quarter 2017 Performance Review included in the meeting materials, commenting on the economic and market environment. Mr. Comstock reported that the 12/31/17 returns were very positive. Mr. Comstock reported assets under management of \$27.0 billion. Mr. Kotary's presentation included performance review, fund monitoring and fees.

**PRIVATE EQUITY BY AON HEWITT: 9:05 a.m. to 9:45 a.m.**

**Performance and Investment:** Mr. Ingram's presentation which was included in the meeting materials reviewed the CY17 Q3 private equity performance. Mr. Ingram gave an overview of the portfolio, discussed the DB/CBB and GE performance and pacing.

**Private Equity Commitment - Bridgepoint:** Mr. Jurich and Mr. Ingram reviewed a new fund being offered by Bridgepoint Capital Limited, ("Bridgepoint" or the "Firm") is a Pan-European middle-market buyout group. Bridgepoint is a current Council investment manager. The new Fund, Bridgepoint Europe VI, L.P. ("BE VI" or the "Fund"), makes control investments in established, middle-market European companies. Bridgepoint will invest in businesses valued up to €1 billion, with a core of €200 to €600 million. Mr. Jurich provided background information on the Firm. Mr. Ingram indicated that Aon Hewitt has conducted a thorough qualitative and quantitative assessment of Fund VI. Mr. Ingram discussed the investment merits and concerns associated with Fund VI and the Firm. Mr. Ingram indicated that as part of the Council's 2018 private equity investment pacing of \$150 million for the Defined Benefit/Cash Balance Benefit Plans, Aon Hewitt supports the Council's staff recommendation to make a €40 million commitment to Bridgepoint Europe VI, L.P., subject to completion of a legal review and satisfactory agreement of terms. Copies of their presentations were included in the meeting materials.

Following discussion by the Council, Dr. DeFusco moved that the Nebraska Investment Council commit €40 million of the Defined Benefit Plans and Cash Balance Benefit Plans to Bridgepoint Europe VI, 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. Conley Mr. Olson Ms. Werner-Robertson Dr. DeFusco
-------------	--

The motion carried.

**REAL ESTATE PERFORMANCE AND INVESTMENT: 9:45 a.m. to 10:20 a.m.** Ms. Catherine Polleys, Partner, Aon Hewitt, introduced Mr. Chae Hong who has joined the Council's relationship team. Mr. Hong has over 20 years real estate and money management experience and has been with Aon Hewitt for eight years and serves as the lead relationship manager for real estate investment consulting services for large and sophisticated public and corporate institutional investors. Mr. Hong oversees manager research and due diligence efforts for clients.

Ms. Polleys updated the Council on Aon's purchase of alternative investment advisor The Townsend Group. Ms. Polleys indicated that The Townsend Group was Aon's largest competitor of real estate. The Townsend Group will be renamed the Townsend and Aon Company and will include both real estate and private equity consulting.

The Council took a break and reconvened at 10:30 a.m.

**NEBRASKA INVESTMENT COUNCIL  
MINUTES OF THE MEETING OF  
March 22, 2018**

**REAL ESTATE COMMITMENTS: 10:30 a.m. to 11:20 a.m.** Ms. Winkler and Mr. Hong reviewed a new fund being offered by Torchlight Investors, a boutique real estate debt firm which primarily focuses on commercial real estate-related debt investments for institutional investors. Torchlight is a current Council investment manager. The new Fund, Torchlight Debt Opportunity Fund VI (“Fund VI”), is a closed-ended opportunity fund focused on high yield real estate debt investments in both the private and public markets. Torchlight is aiming to raise \$1.5 billion for the Fund which has a target of net IRR 12-15%. Ms. Winkler provided background information on Fund VI. Ms. Winkler stated that Council staff is recommending for the Defined Benefit Plans and Cash Balance Benefit Plans a \$40 million commitment to Torchlight VI, L.P. subject to completion of a legal review and satisfactory agreement of terms. Mr. Hong indicated that Aon Hewitt has 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 Hewitt supports Council’s staff recommendation to make a \$40 million commitment to Torchlight Debt Opportunity Fund VI Bridgepoint Europe VI, L.P., subject to completion of a legal review and satisfactory agreement of terms. This recommendation is made in consideration of the DB/CBB pacing model which calls for \$120 million to be committed to a Non-Core strategy in both 2018 and 2019. Copies of their presentations were included in the meeting materials.

Mr. Olson left the meeting at 11:07 a.m.

**Torchlight Investors Presentation:** Mr. Walden-Newman introduced Mr. Dan Heflin, Partner, CEO/Co-CIO and Mr. Michael Romo, Partner, Investor Relations and Business Development. Their presentation which was included in the meeting materials gave an overview of the firm, organization, investment strategy, and discussed the current fund offering, Torchlight Debt Opportunity Fund VI.

Following their presentation and discussion by the Council, Dr. DeFusco moved that the Nebraska Investment Council commit \$40 million of the Defined Benefit Plans and Cash Balance Benefit Plans to Torchlight Debt Opportunity Fund VI 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. Conley  
  Ms. Werner-Robertson  
  Dr. DeFusco  
  Mr. Dinkel

ABSENT NOT VOTING: Mr. Olson

The motion carried.

Ms. Winkler and Mr. Hong reviewed a new fund being offered by Almanac Realty Investors, a current Council investment manager. The fund Almanac Realty Securities VIII (“ARS VIII” or the “Fund”), will continue Almanac’s investment strategy of providing growth capital and organizational resources to private and public real estate operating companies looking to expand their company profile. The Fund will seek to achieve returns above 12%, net of all fees. Fund VIII has a fundraising target of \$2.0 billion and its first close was held on February 14, 2018. Ms. Winkler provided background information on Fund VIII. Ms. Winkler stated that Council staff is recommending for the Defined Benefit Plans and Cash Balance Benefit Plans a \$40 million commitment to Almanac Realty Securities VIII subject to completion of a legal review and satisfactory agreement of terms. Mr. Hong indicated that Aon Hewitt has 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 Hewitt supports the Council’s staff recommendation to make a \$40 million commitment to Almanac Realty Securities VIII, subject to completion of a legal review and satisfactory agreement of terms. This recommendation is made in consideration of the DB/CBB pacing model which calls for \$120 million to be committed to a Non-Core strategy in both 2018 and 2019. Copies of their presentations were included in the meeting materials.

**NEBRASKA INVESTMENT COUNCIL  
MINUTES OF THE MEETING OF  
March 22, 2018**

Following their presentation and discussion by the Council, Dr. DeFusco moved that the Nebraska Investment Council commit \$40 million of the Defined Benefit Plans and Cash Balance Benefit Plans to Almanac Realty Securities VIII, 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:                   Ms. Werner-Robertson  
  Dr. DeFusco  
  Mr. Dinkel  
  Mr. Conley

ABSENT NOT VOTING:        Mr. Olson

The motion carried.

**CURRENCY HEDGING-WELLINGTON MANAGEMENT: 11:20 a.m. to 12:20 p.m.:** Mr. Walden-Newman introduced from Wellington Management, Ms. Julie Rancourt, Relationship Manager and Mr. Jitu Naidu, Client Portfolio Manager. Their presentation which was included in the meeting materials discussed the use of hedging and the pros and cons of hedging.

The Council took a break and reconvened at 12:50 p.m.

**OPERATING INVESTMENT POOL (OIP)/EQUITY REVIEW UPDATE: BY JOE SPITZNAGEL AND JEREMIAH GARBER: 12:50 p.m. to 1:20 p.m.** Mr. Spitznagel and Mr. Garber's presentation which was included in the meeting materials discussed the following:

**OIP Report:**

- Monthly Net Cash Flows
- Operating Investment Pool Balance
- General and Reserve Fund Balances
- Operating Investment Pool Breakdown
- Internally Managed Portfolio – K9C9
- Returns as of 1/31/18
- Intermediate Gov/Corp Portfolios – K9C9
- Watchlist – K9C9

**INTERNAL AUDITOR REPORT BY JOYCE SCHLAUTMAN: 1:20 p.m. to 1:35 p.m.** Ms. Schlautman, Council Internal Auditor responsible for auditing investment activity and custody bank reports discussed her review of investment portfolio cash flows and provided examples of the review process. A copy of the presentation was included in the meeting book.

**COUNCIL ADMINISTRATIVE REPORT: 1:35 p.m. to 2:03 p.m.**  
**Action Plan:** A copy of the plan was included in the meeting materials.

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

**Annual Report:** Mr. Michael Walden-Newman indicated that he would be presenting the CY17 Nebraska Investment Council's Annual Report to the Legislative Retirement Committee on Friday, March 23, 2018. Mr. Walden-Newman asked Council members if they were fine with receiving electronic copies rather than hard copies of the Annual Report. He said he intended to ask the Retirement Committee the same thing. Council members said they would be fine with an electronic version if the Retirement Committee agreed. The Annual Report will also be posted to the Council's website shortly after the presentation.

**NEBRASKA INVESTMENT COUNCIL  
MINUTES OF THE MEETING OF  
March 22, 2018**

**Legislative Report:** Mr. Walden-Newman informed the Council that LB 700, which removes the obligation of the State Investment Officer and the Nebraska Investment Council to invest the funds in the University Trust Fund was merged into priority bill LB 1005 with NPERS.

**OTHER COUNCIL BUSINESS:** Mr. Walden-Newman informed the Council that there will be a discussion at the July Retreat on the General Endowments and the HealthCare Endowment. Council members should contact him if there are other topics they would like discussed at the Retreat. Council members requested that Mr. Walden-Newman provide them with information on conferences that they might be interested in attending.

**PUBLIC COMMENT ON THE AGENDA: 2:03 p.m. to 2:04 p.m.** Ms. Werner-Robertson asked if there was any public comment on the agenda. There was no public comment on the agenda.

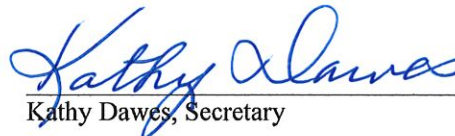
**NEXT MEETING: 2:04 p.m. to 2:05 p.m.** Thursday, May 24, 2018 – La Vista Embassy Suites, Wingtip Conference Room, La Vista, NE.

At 2:05 p.m. Mr. Dinkel moved to adjourn the meeting. Dr. DeFusco 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:	Mr. Olson
--------------------	-----------

The motion carried.

  
\_\_\_\_\_  
Kathy Dawes, Secretary