

**NEBRASKA INVESTMENT COUNCIL  
MINUTES OF THE MEETING OF  
May 24, 2018**

A regular meeting of the Nebraska Investment Council convened at 8:30 a.m. at the La Vista Embassy Suites, in La Vista, NE.

The Council members were notified of this meeting by letter dated May 14, 2018. Public notice was posted on the Nebraska Public Meeting Calendar on May 5, 2018, and published in the Lincoln Journal Star on May 13, 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  
Treasurer Don Stenberg (departed at 11:55 a.m.)  
Ms. Cecelia M. Carter

**MEMBERS ABSENT:**

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  
Mr. Max Kotary, Aon Hewitt  
Ms. Laura Flaum, Aon Hewitt  
Ms. Betsie Kempf, Aon Hewitt  
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. John Robinson III, Kiewit

**ADVISE THE PUBLIC THAT THE OPEN MEETINGS LAWS APPLY: 8:30 a.m. to 8:31 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 22, 2018 MEETING: 8:31 a.m. to 8:32 a.m.** Mr. Conley moved that the March 30, 2018, draft of the minutes of the March 22, 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: 8:32 a.m. to 8:40 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-Robertson indicated that because the accounting for the performance report was not totally complete the CY18 Q1 Performance Report was left off the agenda. Mr. Walden-Newman stated that Aon will give a brief quarterly overview and that the CY18 Q1 Performance Report will be distributed to the Council as soon as it's available and will be posted on the Council's website.

Mr. Kotary and Ms. Flaum reported that the markets were relatively flat during the first quarter of 2018, but that the second quarter of 2018 looks to be more favorable.

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**OSERS ILLIQUID PORTFOLIO AND COORDINATION WITH NPERS PORTFOLIO BY AON: 8:40 a.m. to 9:15 a.m.** Mr. Kotary, Partner and Ms. Flaum, Senior Investment Consultant provided an update on the Omaha School Employees Retirement System (OSERS) portfolio's transition process and on the forecasted run-off periods of OSERS' legacy illiquid allocations. A copy of the presentation was included in the meeting materials.

**OSERS UPDATE: 9:15 a.m. to 9:35 a.m.** Ms. Carter discussed the processes of the OSERS' Plan before and after the Council was given the authority to invest the assets of the Plan on January 1, 2017. Ms. Carter discussed LB1005, which among other things changed the definitions in the Class V School Employees Retirement Act to reflect new actuarial assumptions regarding mortality tables and interest rates. Ms. Carter indicated that she will provide Mr. Walden-Newman with a copy of the recently released January 1, 2018 actuarial evaluation and that the report is also available on OSERS' website.

**COLLEGE SAVINGS PLAN FEE REDUCTION: 9:35 a.m. to 9:40 a.m.** Treasurer Stenberg informed the Council that due to an increase in assets since the inception of the College Savings Plan (CSP); the annual fees for both the Trustee and Program Manager will be reduced. The reduced fees will be effective on July 20, 2018. Treasurer Stenberg informed the Council that he will be leaving the meeting shortly to attend a CSP event in Kearney.

The Council took a break and reconvened at 10:00 a.m.

**PRIVATE CREDIT: 10:00 a.m. to 11:35 a.m.** Mr. Jurich, Deputy State Investment Officer and Mr. Sanders, Securities Analyst gave an update on the Private Credit Blank Sheet review project they are leading. Council staff is proposing to restructure the Council's current public fixed income portfolio to include a 5% allocation to private credit. Mr. Kotary, Partner and Ms. Kempf, Associate Partner, Aon gave an overview of direct lending. They provided comparisons of direct lending versus bank loans and high yield loans, and discussed the pros and cons of this strategy. A copy of the presentation was included in the meeting materials. Mr. Jurich and Mr. Sanders reviewed the process that's been done since the beginning of the project in August 2017, which included meetings with top managers and Aon staff. Council discussion continued and requested that staff bring a direct lending manager to present at a future Council meeting.

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

Treasurer Stenberg left the meeting at 11:55 a.m.

**OIP POLICY CHANGE: 12:00 p.m. to 12:05 p.m.** Mr. Garber, OIP Portfolio Manager informed the Council that the current benchmark for the Short-Term Liquidity Fund within the Operating Investment Pool (OIP), the Citigroup 30-Day CD Index has been discontinued. Council staff after researching and consulting with Aon is recommending to replace the current benchmark for the Short-Term Liquidity Fund with the Intercontinental Exchange Bank of America Merrill Lynch (ICE BofAML 91-Day T-Bill Index). The index is available at no cost to the Council. Staff is also requesting that the Council approve the updated Operating Investment Pool Statement of Investment Policy included in the meeting materials with the approved benchmark change. Following discussion by the Council, Dr. DeFusco moved to adopt staff's recommendation to replace the current benchmark for the Short-Term Liquidity Fund within the Operating Investment Pool, the Citigroup 30-Day CD Index, with the Intercontinental Exchange Bank of America Merrill Lynch (ICE BofAML 91-Day T-Bill Index); and approve the updated Operating Investment Pool Statement of Investment Policy included in the meeting materials with the approved benchmark change. Mr. Conley 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.

**AUDIT COMMITTEE REPORT: 12:05 p.m. to 12:15 p.m.** Dr. DeFusco and Mr. Conley, Audit Committee members, had met with Ms. Schlautman, Internal Auditor via conference call on May 21, 2018. A copy of the Audit Committee Report which was distributed to the Council is included in the attachments to the minutes and will be posted on the Council's website.

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**EDUCATION SESSION – ROLE OF LEGAL COUNSEL: 12:15 p.m. to 12:45 p.m.** Mr. Heinrich discussed his role as the Council’s legal counsel, which includes: advise the Council and the State Investment Officer on the law; assist management on legal risk; and negotiate and draft legal documents. A copy of the presentation was included in the meeting materials.

**COUNCIL ADMINISTRATIVE REPORT: 12:45 p.m. to 12:50 p.m.**

**SIO Report:** Mr. Walden-Newman informed the Council that LB700, which was merged into priority bill LB1005 with NPERS passed during the last legislative session. LB1005 among other things removes the obligation of the State Investment Officer and the Nebraska Investment Council to invest the funds in the University Trust Fund. Mr. Walden-Newman provided information on the July 19, 2018, Council Retreat to be held at Quarry Oaks. The Retreat will include presentations by global equity managers and a general endowments discussion. Ms. Liz Hruska, Legislative Fiscal Analyst, will discuss the HealthCare Trust. The evaluations of the State Investment Officer and the Council will also be held.

**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 of the report was included in the meeting materials.

**PUBLIC COMMENT ON THE AGENDA: 12:50 p.m. to 12:51 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: 12:51 p.m. to 12:52 p.m.** NIC Education Retreat July 19, 2018, Quarry Oaks Golf Course, Oaks II Conference Room, Ashland, NE

**CLOSED SESSION TO DISCUSS CONTRACT MATTERS:** At 12:52 p.m. Dr. DeFusco moved that the Council enter into closed session for the following: The subject matter is the evaluation of the legal counsel’s contract. The reason for the closed session is to protect the reputation of the legal counsel.

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

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

Ms. Werner-Robertson requested that only the voting and non-voting members of the Council and Mr. Walden-Newman be present and all others in attendance were excused.

At 1:15 p.m. Dr. DeFusco moved that the Council return to open session. Mr. Conley seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

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At 1:16 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:

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

The motion carried.

  
Kathy Dawes, Secretary