

**NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
February 14, 2019**

A regular meeting of the Nebraska Investment Council convened at 8:30 a.m. at the 1526 Building in Lincoln, NE.

The Council members were notified of this meeting at the September 20, 2018, Council meeting. Public notice was posted on the Nebraska Public Meeting Calendar on January 15, 2019, and published in the Lincoln Journal Star on January 27, 2019. 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 John Murante (arrived at 8:32 a.m.)
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
Ms. Joyce Schlautman, Nebraska Investment Council
Mr. Max Kotary, Aon Hewitt
Mr. Bruce Ingram, Aon Hewitt
Mr. John Robinson III, Kiewit
Mr. Neil Sullivan, AS Budget

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 DECEMBER 13, 2018 MEETING: 8:31 a.m. to 8:33 a.m. Mr. Conley moved that the December 19, 2018, draft of the minutes of the December 13, 2018, meeting be approved as written. Dr. DeFusco 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: 8:33 a.m. to 8:35 a.m. Ms. Werner-Robertson welcomed everyone to the meeting. Ms. Werner-Robertson informed the Council that her confirmation hearing before the Legislative Retirement Committee was recently held. She thanked Mr. Walden-Newman for helping her through the confirmation process; and looks forward to working with everyone.

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CLOSED SESSION – DISCUSS LEGAL MATERS: 8:35 a.m. to 9:08 a.m.

Dr. Defusco moved to enter closed session. The subject matter of the closed session is the discussion of confidential legal matters and to receive legal advice from counsel. The reason for the closed session is to maintain the confidentiality of such communications and advice.

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

The motion carried.

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

At 9:08 a.m. Dr. DeFusco moved that the Council return to open session. Mr. Olson 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

The motion carried.

STATE TREASURER JOHN MURANTE – 2019 INITIATIVES: 9:08 a.m. to 9:25 a.m.

Mr. Walden-Newman welcomed Mr. John Murante, newly elected State Treasurer. Treasurer Murante stated that he had just returned from the National Association of State Treasurers (NAST) conference. NAST assists state treasurers in promoting and strengthening policies and serves as an educational association not only for state treasurers, but for other officials who perform state treasury functions. Treasurer Murante invited Council members and the State Investment Officer to participate in future NAST conferences. Ms. Werner-Robertson stated that the Council encourages the State Investment Officer to attend. Treasurer Murante discussed several legislative bills introduced relating to the Nebraska Educational Savings Trust (NEST). LB470 Would provide a tax deduction for nonparticipant contributions and remove a tax deduction limit relating to a 529 account. LB544 would adopt the Meadowlark Scholarship Act, which would create a one hundred dollar 529 account for every child born in the State of Nebraska. LB547 would create the College Savings Plan Matching Grant Program, which would provide low income Nebraskans with state grants equal to contributions they make to a 529 account. LB610 would create The College Savings Tax Credit Act, which will encourage employers across the state to create college savings benefits for their employees. Employers would receive a tax credit of 25% of what they contribute to their employee's 529 accounts, up to \$2,000. LB545 would offer employer incentives, ensuring that employers who contribute to their employees' 529 account would not be charged state income tax and that a taxpayer may designate any amount of a their state income tax refund as a contribution to a 529 account. LB688 would allow contributions to a 529 account from a state income tax refund. Treasurer Murante indicated that public hearings have been held on these bills.

PRIVATE EQUITY PORTFOLIO: 9:25 a.m. to 10:15 a.m.

Private Equity Pacing and Performance: Mr. Bruce Ingram, Partner, Aon Hewitt reviewed with the Council a projected tactical plan for 2019 for the DB/CBB plans. The tactical plan was broken down by strategy with an investment pace for the DB/CBB of \$150 million in 2019. Mr. Ingram noted that since the Endowment Plan was slightly above target for private equity exposure in 2018, no additional investments were made during 2018. The program will make an investment in 2019 and then continue with its every-other-year pace.

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Private Equity Performance:

Mr. Ingram reviewed with the Council the CY18 Q3 Private Equity Performance Report. The report which was included in the meeting materials reviewed the asset allocation by strategy for the Defined Benefit/Cash Balance Benefit (DB/CBB) and the General Endowments (GE) plans. Mr. Ingram stated that both the DB/CBB portfolio and the GE portfolio have reached their targeted private equity allocation of 5%.

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

ETHICS AND CONFLICT OF INTEREST POLICY REVIEW: 10:30 a.m. to 11:15 a.m.

As a follow-up to the Council's discussion at the September 20, 2018, Council meeting, Mr. Heinrich's presentation reviewed best practices of advisory boards and a review of the Council's Code of Ethics and Policy on Conflicts of Interest included in the current Nebraska Investment Council Governance Policies. Following discussion by the Council several changes to the current policy were proposed and will be presented at the March 14, 2019, Council meeting for Council action. A copy of the presentation was included in the meeting materials.

The Council took a break for a Council group photo and reconvened at 11:30 a.m.

THE UPSIDE OF 2018: CASH FLOW BENEFIT: 11:30 a.m. to 11:45 a.m. Mr. Jurich discussed with the Council the processes and controls in place used by the Council to manage cash flows. A copy of the presentation is available on the Council's website.

COUNCIL ADMINISTRATIVE REPORT: 11:45 a.m. to 12:05 p.m.

Legislative Update: Mr. Walden-Newman informed the Council that he plans to appear in person at the Council's appropriation hearing on March 15, 2019.

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

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

Office Update: Mr. Walden-Newman and the Council discussed the recently released CAFR.

The Council took a break reconvened at 12:30 p.m.

FIXED INCOME STRUCTURE STUDY: 12:30 p.m. to 1:03 p.m. Ms. Winkler and Mr. Kotary gave a preview of the Fixed Income Blank Sheet review being done by the Council. Ms. Winkler will be the Council's lead for this project. Mr. Kotary gave an overview of the Council's past allocations to fixed income and discussed some of the issues that will be considered in the review:

- Is the return-seeking fixed income allocation the "right" allocation?
- Is the risk-reducing allocation conservative enough?
- Do we have the right managers?
- Are we using the right benchmarks?

A copy of the presentation was included in the meeting materials.

PUBLIC COMMENT ON THE AGENDA: 1:03 p.m. to 1:0 p.m. Ms. Werner-Robertson asked if there was any public comment on the agenda. There was no public comment on the agenda.

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NEXT MEETING: 1:04 p.m. to 1:05 p.m. Thursday, March 14, 2019 – 1526 K Street Building, Conference Room D, Lincoln, NE

At 1:05 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. Olson
 Ms. Werner-Robertson
 Dr. DeFusco
 Mr. Dinkel
 Mr. Conley

The motion carried.



Kathy Dawes, Secretary