

NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
September 9, 2021
Draft dated 9/14/2021

A regular meeting of the Nebraska Investment Council convened at 8:30 a.m. at the La Vista Conference Center, Gatsby Room, in La Vista, 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 August 22, 2021, Dr. DeFusco chaired the meeting, Mr. Walkowiak recorded votes on action items and prepared the minutes.

COUNCIL BOARD MEMBERS PRESENT:

Dr. Richard DeFusco
Mr. John Dinkel
Mr. John Conley
Dr. Keith Olson
Treasurer John Murante
Mr. Randy Gerke
Ms. Cecelia Carter

COUNCIL BOARD MEMBER ABSENT

Ms. Gail Werner -Robertson

OTHERS IN ATTENDANCE:

Mr. Michael Walden-Newman, State Investment Officer
Mr. Justin Walkowiak, 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 & Schultz
Mr. Max Kotary, Aon
Mr. Mike Comstock, Aon
Mr. Joe Grandis, Aon
Mr. Jack Dowd, Aon
Mr. Chae Hong, Aon

ADVISE THE PUBLIC THAT THE OPEN MEETINGS LAWS APPLY: 8:34 a.m. to 8:36 a.m. Dr. DeFusco 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 JUNE 10, MEETING: 8:36 a.m. to 8: 37 a.m. Ms. Carter moved that the June 18, 2021 draft of the minutes of the June 10, 2021 meeting be approved as written. Mr. Conley seconded the motion. Dr. DeFusco called for a roll call vote.

VOTING AYE: Dr. DeFusco
 Mr. Dinkel
 Mr. Conley
 Dr. Olson

The motion carried.

APPROVAL OF THE MINUTES OF THE JULY 8, MEETING: 8:37 a.m. to 8:38 a.m. Mr. Dinkel moved that the July 12, 2021, draft of the minutes of the July 8, 2021 meeting be approved as written. Mr. Conley seconded the motion. Dr. DeFusco called for a roll call vote.

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VOTING AYE: Mr. Dinkel
Mr. Conley
Dr. Olson

Dr. DeFusco abstained from voting.

The motion carried.

CHAIR'S COMMENT: 8:38 a.m. to 8:40 a.m. Dr. DeFusco welcomed attendees. He explained that Council Chair Gail Werner-Robertson had a conflict with today's meeting date, and that she asked him to chair the meeting.

INVESTMENT PERFORMANCE REPORT: 8:40 a.m. to 9:05 a.m. Mr. Kotary and Mr. Comstock reviewed the 2nd Quarter 2021 Performance Review Report commenting on current market conditions, asset allocation, performance and fund monitoring. Total assets under management were \$37.5 billion. The 2nd Quarter 2021 Performance Review and the 1st Quarter 2021 Alternatives Performance Report were included in the meeting materials. Notable was the Private Equity component of the Defined Benefit Plan and the Cash Balance Plan as it outperformed the policy benchmark for the quarter.

CAPITAL MARKET ASSUMPTIONS: 9:05 a.m. to 9:33 a.m. Mr. Kotary and Mr. Comstock reviewed the 2021 Capital Market Assumptions included in the meeting materials which covered asset class returns, volatility, and correlation assumptions in the long term based on 10-year and 30-year forward looking projection periods. Mr. Kotary noted the capital market assumptions and defined benefit plans' asset allocation targets, the NPERS defined benefit / cash balance benefit plans all have a roughly 1 in 3 chance of meeting or exceeding the assumed rate of return of 7.3% over the next 10-to-30 years. Mr. Kotary also noted that OSERS chances of meeting or exceeding its assumed rate of 7.5% are slightly lower.

FIXED INCOME REVIEW: 9:33 a.m. to 10:29 a.m. Break from 10:29 a.m. to 10:40 a.m. Reconvened at 10:40 a.m. to 11:54 a.m. Mr. Kotary, Mr. Grandis, Ms. Winkler and Mr. Sanders presented the Proposed Structure and Managers for the fixed income portfolios resulting from the blank sheet review begun in October 2019. This and an Addendum with manager detail were included in the meeting materials. The materials built on the proposal and materials discussed at the March 11 and June 10 Council meetings, and included more specifics including proposed manager names. Discussion followed. Mr. Conley requested more information about Baird Advisors, including number of and experience with similarly situated institutional clients. Council staff and Aon will respond as soon as possible. Council staff and Aon will submit the proposal to the Council board for final approval at the December 9 Council board meeting.

The Council board took a break at 11:54 a.m. and reconvened at 12:32 p.m.

REAL ESTATE PORTFOLIO: 12:32 p.m. to 1:02 p.m. Mr. Hong and Mr. Dowd presented an update on the 1st Quarter Real Estate Market for 2021, Mr. Hong commented that in the near-term commercial real estate has appeared to stabilize following market dislocation in the second and third quarters of 2020. Mr. Hong said in the long term the Council portfolios continue to perform in-line with ODCE.

Discussion also took place on continued progress aligning the OSERS real estate portfolio with the other Plans. Following a recommendation from Council staff and Aon, Ms. Carter moved that the Council redeem all assets invested in the JP Morgan Strategic Property Fund with the proceeds to be reinvested in the Clarion Lion Properties Fund, with an additional 15 million to be invested in the PGIM PRISA Fund. Mr. Gerke seconded the motion. Dr. DeFusco called for a roll call vote.

VOTING AYE: Mr. Conley
Dr. Olson
Dr. DeFusco
Mr. Dinkel

The motion carried.

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AUDIT COMMITTEE REPORT: 1:02 p.m. to 1:15 p.m. Dr. DeFusco and Mr. Conley presented the Audit Committee quarterly report, joined by Ms. Schlautman.

EQUITY REVIEW UPDATE: 1:15 p.m. to 1:24 p.m. Mr. Jurich, Mr. Sanders and Mr. Garber provided an update on the Equity blank sheet review project.

ADMINISTRATIVE REPORT: 1:24 p.m. to 1:40 p.m. Mr. Walden-Newman presented the Administrative Report. Mr. Walden-Newman discussed the Action Plan for June 2021 to December 2022, noting it now includes a section listing contract approved in the prior quarter. He discussed the Budget Status report, and the Securities Lending quarterly and annual reports.

Mr. Walden-Newman also recommended a change to the Council Procedures section of the Council Governance Policy that states Council meetings are conducted according the Open Meetings Act to add: "Public notice and other information required under the Act will appear on the Council's website." Mr. Conley so moved. Dr. Olson seconded the motion. Dr. DeFusco called for a roll call vote.

VOTING AYE: Dr. Olson
 Dr. DeFusco
 Mr. Dinkel
 Mr. Conley

The motion carried.

Finally, Mr. Walden-Newman said that he and Dr. DeFusco had finalized plans for the Council internship program. He hoped to interview candidates this month to begin soon after.

PUBLIC COMMENT ON THE AGENDA: 1:40 p.m. Dr. DeFusco asked if there were any public comments on the agenda. There were no comments on the agenda.

NEXT MEETING: 1:41 p.m. Thursday, December 9, 2021, 8:30 a.m. 1526 K Street, 4th Floor Conference Room D, Lincoln, NE.

At 1:42 p.m. Mr. Conley moved to adjourn the meeting. Dr. Olson seconded the motion. Dr. DeFusco called for a roll call vote.

VOTING AYE: Dr. DeFusco
 Mr. Dinkel
 Mr. Conley
 Dr. Olson

The motion carried.

DRAFT date September 14, 2021

Justin M. Walkowiak

