

**NEBRASKA INVESTMENT COUNCIL  
MINUTES OF THE MEETING OF  
July 16, 2013**

An Education and Policy Review Retreat of the Nebraska Investment Council convened on July 16, 2013, at 8:38 a.m. at the Quarry Oaks Golf Club, Ashland, NE.

Public notice was posted on the Nebraska Public Meeting Calendar on June 19, 2013, and published in the Lincoln Journal Star on July 7, 2013. Ms. Werner-Robertson chaired the meeting and Ms. Dawes recorded the minutes.

**MEMBERS PRESENT:**

Ms. Gail Werner-Robertson, Chairwoman  
Dr. Richard DeFusco  
Mr. John Maginn  
Mr. John Dinkel  
Mr. John Conley  
Treasurer Don Stenberg  
Ms. Phyllis Chambers

**NONMEMBERS IN ATTENDANCE:**

Mr. Jeff States, State Investment Officer  
Ms. Kathy Dawes, Council Secretary  
Mr. Christopher Heinrich, Harding & Shultz  
Mr. Max Kotary, Hewitt EnnisKnupp  
Ms. Nancy Williams, Hewitt EnnisKnupp  
Mr. Joe Jurich, Nebraska Investment Council  
Ms. JoLynn Winkler, Nebraska Investment Council  
Mr. Armand Yambao, Hewitt EnnisKnupp  
Mr. David Rose, Hewitt EnnisKnupp  
Ms. Shari Young, Hewitt EnnisKnupp  
Ms. Amy Hauke, Hewitt EnnisKnupp  
Senator Jeremy Nordquist, Legislature  
Mr. Gerry Oligmueller, Acting AS Director/State Budget Administrator  
Mr. Gary Bush, AS State Budget Office  
Ms. Kathy Tenopir, Legislative Fiscal Office  
Ms. Kate Allen, Nebraska Retirement Systems  
Ms. Janis Elliott, Public Employees Retirement Board  
Mr. Brian Conroy, PineBridge Investments

**ADVISE THE PUBLIC THAT THE OPEN MEETINGS LAWS APPLY: 8:39 a.m. to 8:40 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.

**WELCOME, INTRODUCTIONS, AND OPENING REMARKS: 8:40 a.m. to 8:45 a.m.** Ms. Werner-Robertson welcomed everyone to the meeting. Ms. Werner-Robertson thanked everyone for their time in attending this meeting.

Ms. Werner-Robertson thanked the staff for their time in preparing for the Retreat. Ms. Werner-Robertson stated that today's meeting would discuss:

- Rate of return we're charged with as set by the Public Employees Retirement Board
- Rate of Return by Asset Class
- How the retirement plans looks
- What is the "New Normal"

Ms. Werner-Robinson stated that Mr. States' annual review will be done at today's meeting.

**CURRENT OVERVIEW OF PROGRAM, ASSET ALLOCATION, AND INVESTMENT STRUCTURE:**

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**8:45 a.m. to 8:55 a.m.** Mr. States stated that an asset liability study (ALS) is conducted every three years in accordance with the Council's Policy on Board/SIO/Investment Service Providers/Staff Responsibilities and Relationships. Mr. States' presentation which was included in the meeting book reviewed the Council's Statement of Investment Policy and also the current actual asset allocation vs. policy asset allocation.

**ASSET LIABILITY STUDY FOR THE DB/CBB RETIREMENT PLANS, EFFECTS OF MODIFYING THE ASSET ALLOCATION, REVIEW TOTAL FUND RISK AND EXPECTATIONS: 8:55 a.m. to 9:55 a.m.** Mr. States introduced Mr. Armand Yambao, HEK Associate Partner. Mr. Yambao presentation which was included in the meeting book included the following:

- Asset/Liability Study Background
- Current Asset Liability Profile
- Asset Liability Projections

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

At 9:55 a.m. the Council took a break and reconvened at 10:15 a.m.

**THE 3-D HURRICANE AND NEW NORMAL: 10:15 a.m. to 11:15 a.m.** Mr. States introduced Mr. Rob Arnott, Founder and Chairman of Research Affiliates, a sub advisor to PIMCO and Ms. Julie Meggers, CFA, PIMCO Executive Vice President/Account Manager. Their presentation provided economic data and analysis of the economic outlook for the U.S. over the next several years and what this means for the performance of the financial markets. The presentation was included in the meeting book.

At 11:15 a.m. the Council took a break and reconvened at 11:30 a.m.

**ASSET ALLOCATION ANALYSIS/OTHER ASSET ALLOCATION POLICY SCENARIOS AND PEER PRACTICES: 11:30 a.m. to 11:45 a.m.** Mr. Kotary's presentation which was included in the meeting book discussed the following:

- HEK Capital Market Assumptions – What Are They?
- Capital Market Assumption philosophy
- HEK Capital Market Assumptions as of 2Q 2013
- Projected Returns
- Historical Returns of DB Plan
- Asset Allocation – NIC vs. Peer Funds
- Public Funds' 3-Year Allocation Expectations
- Average Actuarial Assumed Rate-of-Return on Investments

At 11:55 a.m. the Council took a break and reconvened at 12:15 p.m.

**POTENTIAL OPPORTUNITIES WITHIN THE INVESTMENT PORTFOLIO BY ASSET CLASS: 12:15 p.m. to 1:35 p.m.** Mr. States introduced from HEK, Mr. Max Kotary, Mr. David Rose, Ms. Shari Young, and Ms. Amy Hauke. Mr. Kotary presentation provided information on the potential opportunities within the investment portfolio for each of the major asset classes in which the retirement plans are invested and presented an analysis showing the benefits of using a cap-weighted exposure to Global Equity. Information related to fixed income and thoughts on managing exposure to duration risk were discussed. Ms. Young and Ms. Hauke members of HEK's private equity team discussed investing in Asia. Mr. Rose a member of HEK's real estate team provided information on the opportunities in real estate debt. A copy of the presentation was included in the meeting book.

**BAILLIE GIFFORD – OUTLOOK FOR EMERGING MARKETS: 1:35 p.m. to 2:20 p.m.** Mr. States introduced Mr. Tim Campbell, Client Service Director. Mr. Campbell presented Baillie Gifford's view on the outlook for emerging markets. A copy of the presentation was included in the meeting book.

At 2:20 p.m. the Council took a break and reconvened at 2:35 p.m.

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**UPDATE ON THE CVC CAPITAL PARTNERS VI PRIVATE EQUITY FUND COMMITMENT 2:35 p.m. to 2:50 p.m.** Mr. States informed the Council of changes to the commitment that the Council had made to CVC Capital Partners VI, L.P. at the May 14, 2013 Council meeting. The Council had approved a €20.0 million commitment. Due to oversubscription of the fund the NIC's commitment was reduced to €15.0 million. Mr. States indicated that HEK recommended accepting the reduced commitment which is in line with the pacing schedule, and staff closed on the commitment in the amount of €15.0 million.

**REQUEST APPROVAL FROM THE COUNCIL FOR THE SIO TO EXECUTE A MANAGEMENT SERVICES AGREEMENT WITH AMERITAS FOR DAILY PRICING AND TRADE EXECUTION FOR THE DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS: 2:50 p.m. to 3:15 p.m.** Mr. States introduced Ms. Nancy Reimer, Ameritas. Mr. States indicated that currently the daily pricing and trade execution is provided by State Street Bank. State Street Bank will no longer be providing this service because it is not a custody service. Mr. States discussed the cost for the service with Ameritas and indicated that Ameritas is subcontracting with Sun Guard for this service. Following discussion by the Council, Mr. Conley moved to authorize the State Investment Officer to execute a management services agreement with Ameritas for daily pricing and trade execution for the Defined Contribution and Deferred Compensation Plans and other related agreements. Dr. DeFusco seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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| VOTING AYE: | Dr. DeFusco<br>Mr. Maginn<br>Mr. Dinkel<br>Mr. Conley<br>Ms. Werner-Robertson |
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The motion carried.

**COUNCIL GOVERNANCE AND STATE INVESTMENT OFFICER REVIEW: 3:15 p.m. to 4:30 p.m.**  
At 3:15 p.m. Mr. Maginn moved that the Council enter into closed session for the following:

(1) The subject matter of the closed session is the self-assessment of the members of the Nebraska Investment Council. The reason for the closed session is to protect the reputation of the members of the Nebraska Investment Council.

(2) The subject matter of the closed session is the evaluation of the job performance of the State Investment Officer. The reason for the closed session is to protect the reputation of the State Investment Officer.

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

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| VOTING AYE: | Mr. Maginn<br>Mr. Dinkel<br>Mr. Conley<br>Ms. Werner-Robertson<br>Dr. DeFusco |
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The motion carried.

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

At 4:30 p.m. Mr. Maginn moved that the Council return to open session. Dr. DeFusco seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

The motion carried.

Mr. Maginn moved that the annual salary of the State Investment Officer be increased by 2.25%, effective July 1, 2013. Mr. Conley seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

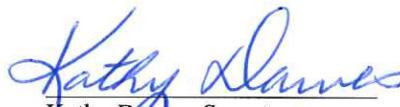
The motion carried.

**PUBLIC COMMENT ON THE AGENDA: 4:31 p.m. to 4:32 p.m.** Ms. Werner-Robertson asked if there was any public comment on the agenda. There was no public comment on the agenda.

At 4:33 p.m. Mr. Maginn 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. Maginn  
                                      Mr. Dinkel  
                                      Mr. Conley

The motion carried.

  
Kathy Dawes, Secretary