

**NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
February 17, 2010**

A regular meeting of the Nebraska Investment Council convened at 9:00 a.m. at the Embassy Suites Hotel in Lincoln, NE.

Public notice was posted on the Nebraska Public Meeting Calendar on February 3, 2010, and published in the Lincoln Journal Star on February 7, 2010. Ms. Werner-Robertson chaired the meeting until departing at 11:58 a.m. and Mr. Maginn chaired the remainder of the meeting, and Ms. Dawes recorded the minutes.

MEMBERS PRESENT:

Ms. Gail Werner-Robertson, Chairwoman (departed at 11:58 a.m.)
Mr. John Maginn
Mr. John Dinkel
Mr. Norm Riffel (arrived at 9:04 a.m.)
Treasurer Shane Osborn (departed at 1:05 p.m.)
Ms. Phyllis Chambers

MEMBERS ABSENT:

Dr. Richard DeFusco

NONMEMBERS IN ATTENDANCE:

Mr. Jeff States, State Investment Officer
Ms. Kathy Dawes, Council Secretary
Mr. Christopher Heinrich, Harding & Shultz
Mr. Kevin Vandolder, Ennis Knupp + Associates
Mr. Chris Riley, Ennis Knupp + Associates
Mr. Joe Jurich, Nebraska Investment Council
Ms. JoLynn Winkler, Nebraska Investment Council
Mr. Rob Parkinson, Ennis Knupp + Associates
Mr. Eric Denny, Ennis Knupp + Associates
Ms. Rachel Biar, Director, College Savings Program
Mr. John Schembari, Kutak Rock
Mr. Gary Bush, AS State Budget Office

ADVISE THE PUBLIC THAT THE OPEN MEETINGS LAWS APPLY: 9:00 a.m. to 9:01 a.m. Ms. Werner-Robertson stated that a copy of the Open Meetings Act is located on the side table.

APPROVAL OF THE MINUTES OF THE NOVEMBER 16, 2009, AND JANUARY 11, 2010 MEETINGS: 9:01 a.m. to 9:02 a.m. Mr. Maginn moved that the November 20, 2009, draft of the November 16, 2009, and the January 19, 2010, draft of the January 11, 2010, meetings be approved. Mr. Dinkel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:	Mr. Maginn Mr. Dinkel Ms. Werner-Robertson
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ABSENT NOT VOTING:	Dr. DeFusco Mr. Riffel
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The motion carried.

COUNCIL MEMBER BUSINESS: 9:02 a.m. to 9:06 a.m. Ms. Werner-Robertson welcomed everyone and informed the Council that Dr. DeFusco was ill and would not be at today's meeting. Ms. Werner-Robertson also stated that because of another commitment, she would be leaving the meeting around noon today and that Mr. Maginn would serve as chair at that time. Treasurer Osborn stated that due to a prior commitment he would need to leave the meeting around 1:00 p.m. today. Ms. Werner-Robertson stated the following change to the agenda, that the presentation by Loomis & Sayles would be given after the Private Equity presentation by Ennis Knupp.

Ms. Werner-Robertson informed the Council that yesterday, Mr. States, Mr. Vandolder and she had met with the

**NEBRASKA INVESTMENT COUNCIL
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February 17, 2010**

Governor. Ms. Werner-Robertson reported that the Governor is thrilled that the Nebraska Investment Council has such qualified members and very foresighted members, allowing no conflicts to get in the way of their responsibilities. Ms. Werner-Robertson also thanked the Council for their time and willingness to serve.

Mr. Riffel arrived at 9:04 a.m.

APPROVAL OF SIO DISIGNATION OF DEPUTY STATE INVESTMENT OFFICER: 9:06 a.m. to 9:15 a.m. Mr. States discussed with the Council the memo included in the meeting book on the proposed reorganization of the office, which includes the creation of a Deputy State Investment Officer position. Mr. States requested Council approval for creation of the position and authorization to appoint Mr. Joseph P. Jurich to the position. Mr. States feels that Mr. Jurich has the necessary qualifications and skills needed to perform the job. Mr. States stated that Mr. Jurich has been very helpful familiarizing him with the NIC's duties and the SIO's responsibilities since starting with the office in November. Following discussion by the Council, Mr. Maginn made the following motion. Pursuant to Nebraska Revised Statute § 72-1241, I move to approve the designation by the State Investment Officer of Joseph P. Jurich to the position of Deputy State Investment Officer, who shall be charged with the duties and responsibilities prescribed by the State Investment Officer and shall be subject to the same restrictions as apply to the State Investment Officer. Mr. Dinkel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:	Mr. Maginn Mr. Dinkel Mr. Riffel Ms. Werner-Robertson
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ABSENT NOT VOTING:	Dr. DeFusco
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The motion carried.

GOVERNOR'S PAY FREEZE: 9:15 a.m. to 9:30 a.m. Mr. States reviewed with the Council the memo included in the meeting book from the Governor requesting Non-Code Agencies, Boards, and Commissions follow his order of a salary freeze for Code Agency directors and top management personnel. The freeze would be effective July 1, 2010, for one year. Mr. States recommends to the Council that the NIC voluntarily participate in the pay freeze, but only for the State Investment Officer's position; a pay freeze would not apply to any other NIC position. Ms. Werner-Robertson and Mr. Riffel thanked Mr. States for his willingness to freeze any possible increase he might receive in the next fiscal year. Following discussion by the Council, Mr. Riffel moved that the NIC voluntarily participate in the Governor's recommendation for a pay freeze, but only for the State Investment Officer's position; a pay freeze would not apply to any other NIC position. Mr. Maginn seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:	Mr. Dinkel Mr. Riffel Ms. Werner-Robertson Mr. Maginn
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ABSENT NOT VOTING:	Dr. DeFusco
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The motion carried.

ENNIS KNUPP BACK OFFICE SERVICES UPDATE: 9:30 a.m. to 9:35 a.m. Mr. States stated that the private equity and private real estate back office support provided by Ennis Knupp since March 2009, ended on January 31, 2010. The back office services are being brought back in-house and will be absorbed into one of the NIC's vacant positions. Mr. States also discussed what is being done to transition the back office services from Ennis Knupp to the NIC.

PRIVATE EQUITY TEAM UPATE BY ENNIS KNUPP: 9:35 a.m. to 9:45 a.m. Mr. Vandolder discussed the

**NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
February 17, 2010**

recent departure of Mr. Brett Nelson head of Ennis Knupp's Global Private Equity team. Mr. Vandolder indicated that until a replacement is found to lead the Global Private Equity team, Mr. Russ Ivinjack, Principal, will in the interim oversee the management of the Global Private Equity team, while Mr. Rob Parkinson who was recently promoted to Associate, will handle all day-to-day private equity responsibilities. Mr. Vandolder indicated that Ennis Knupp will be looking for senior leadership to oversee the Global Private Equity team. Mr. Maginn requested that the Council receive bios of the potential candidates.

PRIVATE EQUITY TEAM UPATE BY ENNIS KNUPP: 9:45 a.m. to 10:40 a.m. Mr. Parkinson and Mr. Denneny reviewed with the Council the 3rd quarter performance of the private equity portfolio. Their presentation gave an overview of the market, portfolio overview, objectives, and performance. A copy of the presentation was included in the meeting book.

LOOMIS SAYLES FIXED INCOME PORTFOLIO REVIEW: 10:40 a.m. to 10:45 a.m. Mr. Riley reviewed with the Council the memo included in the meeting book regarding changing the NIC's current mandate for the Loomis Sayles portfolio from the Loomis Sayles' High Yield Conservative, to the firm's flagship offering, Multi Sector Full Discretion strategy. Changing strategies will provide a better risk adjusted return for the total NIC fixed income asset allocation.

LOOMIS SAYLES PRESENTATION: 10:45 a.m. to 11:25 a.m. Mr. States introduced from Loomis Sayles, Mr. Matthew Eagan, Vice President, Portfolio Manager, Mr. Bob McManama, Vice President, Client Portfolio Manager, and Mr. Will Averill, Vice President, Institutional Sales. Their presentation which was included in the meeting book gave an update on the current portfolio and discussed the Multi Sector Full Discretion Fund. The Council asked questions about the change in strategy and the role of global bonds in the fixed income asset allocation.

Following discussion by the Council, Mr. Maginn moved to change from the Loomis Sayles High Yield Conservative strategy to the Multi Sector Full Discretion strategy. Mr. Riffel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:	Mr. Riffel Ms. Werner-Robertson Mr. Maginn Mr. Dinkel
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ABSENT NOT VOTING:	Dr. DeFusco
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The motion carried.

The Council decided to delay making a decision on overall asset allocation at this time. Additional time will be provided at future meetings to discuss asset allocation.

COLLEGE SAVINGS PLAN: 11:25 a.m. to 12:15 p.m. Treasurer Osborn updated the Council on the activities relating to the recently approved agreement with First National Bank (FNB) as the Program Manager for the College Savings Plan of Nebraska (CSPN) and indicated that representatives from FNB will be providing additional information on the proposed investment line-up. Mr. States introduced the following FNB representatives: Mr. John Allbery, Relationship Manager, Mr. Brian Moreland, Relationship Manager, Mr. Stacy Auman, Investment Officer, and Ms. Deborah Goodkin, Program Manager. Their presentation included the following: (1) FNB Investment selection and monitoring process; (2) Additional fund alternatives and final investment options recommendations; (3) First Focus Funds; (4) Overview of proposed mapping strategies; (5) Overview of investment allocations for Age-Based and Static Models, and Age-Bank Differences for more clarity; (6) Advisor fees changes; and (7) Summary of revised investment options. First National offered to create a super share class for the two First Focus Funds included in the fund line-up for the CSPN that would offer a significant fee break in the management fee when assets under management reach specific breakpoints. The Council requested FNB to put the proposal in writing. Additional discussion followed and it was decided to continue with the discussion at the March 17, 2010, meeting before making a decision on the investment options for both the CSPN Direct Plan and the CSPN Advisor Plan. Copies of College Savings Industry Advisor Plans-Class A Broker

**NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
February 17, 2010**

Loads and revised proposed mapping strategies for both the Direct and Advisor Plans were handed out. A copy of the presentation was included in the meeting book.

Ms. Werner-Robertson left the meeting at 11:58 a.m.

The Council took a break and reconvened at 12:40 p.m.

4TH QUARTER 2009 PERFORMANCE REPORT: 12:40 p.m. to 1:30 p.m. Mr. Vandolder stated Ennis Knupp has been working with Mr. States in developing a performance dashboard that will provide the Council with more meaningful information in monitoring the performance of the portfolios. The report included a market update, performance review, and watch list. Mr. Riley distributed copies of a revised asset allocation for CY09 Q4 Defined Benefit Plan. Mr. Riley also distributed a memo regarding upcoming changes in the BlackRock organization. A copy of the memo is included in the meeting book.

Treasurer Osborn left the meeting at 1:05 p.m.

NPERS Director's Report: 1:30 p.m. to 1:50 p.m. Ms Chambers reported that Judge Glenn Camerer has submitted his resignation to the PERB and that Judge Randall Rehmeier has been appointed to represent the Judges' and is awaiting confirmation. Ms. Chambers distributed copies of current legislation that could affect NPERS and discussed each with the Council.

A copy of the legislation is included in the attachments to the minutes.

PROPOSED POLICY ON PLACEMENT AGENTS: 1:50 p.m. to 2:00 p.m. The Council discussed the draft of the Third Party Representation Disclosure Policy included in the meeting book. The Council decided to continue with its discussion at the March 17, 2010 meeting before making a decision.

STATE INVESTMENT OFFICER'S REPORT: 2:00 p.m. to 2:22 p.m.

Legislative Update: Mr. States reviewed the legislation which directly affects the Nebraska Investment Council, which was included in the meeting book. Mr. States informed the Council that the NIC's Annual Report to the Legislature will be presented on Tuesday, March 23, 2010.

Abbott Capital Management Advisory Board meeting: Mr. States reported that he had recently attended the annual meeting in January.

PRISA Advisory Board Appointment: Mr. States reported that he has been appointed to the PRISA Advisory Board and will be attending their annual meeting in May.

University Fund N Update: Mr. States indicated that he had recently met with the University Foundation and will be meeting with them again in the near future. The Council reviewed the 3rd Quarter Performance Report for the University of Nebraska-Fund N, which was included in the meeting book. Mr. States reported that the Permanent Endowments Committee has been re-constituted and will meet again on March 5, 2010.

Agency Budget Update: Mr. States reviewed the Agency's January 31, 2010 Budget Report included in the meeting book and indicated that the Agency is under-budget for the month and fiscal YTD.

4th Quarter Asset Summary Report: Mr. States reviewed with the Council the 4th Quarter Asset Summary Report and reported current assets under management total over \$14 billion. A copy of the report was included in the meeting book.

IMA's executed since the last meeting: Mr. States indicated that documents for PRISA II and UBS were recently completed.

Meeting with the Governor: Mr. States also reported on the recent meeting with the Governor, which included the actuarial rate of return, manager relationship, and size of the Council. Mr. States indicated that the Governor was very complimentary of the Council for their service and commitment.

NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
February 17, 2010

Action Plan, conferences, and articles: The next Council meeting will be on March 17, 2010, at the Lincoln Embassy Suites.

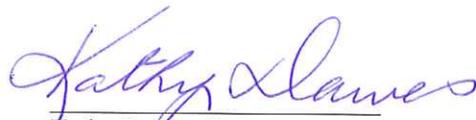
PUBLIC COMMENT ON THE AGENDA: 2:22 p.m. to 2:23 p.m. Mr. Maginn asked if there was any public comment on the agenda. There was no public comment on the agenda.

At 2:23 p.m. Mr. Dinkel moved to adjourn the meeting. Mr. Riffel seconded the motion. Mr. Maginn called for a roll call vote.

VOTING AYE: Mr. Maginn
 Mr. Dinkel
 Mr. Riffel

ABSENT NOT VOTING: Dr. DeFusco
 Ms. Werner-Robertson

The motion carried.


Kathy Dawes, Secretary