

**NEBRASKA INVESTMENT COUNCIL  
MINUTES OF THE MEETING OF  
March 25, 2014**

A regular meeting of the Nebraska Investment Council convened at 8:33 a.m. at the 1526 Building in Lincoln, NE.

Public notice was posted on the Nebraska Public Meeting Calendar on March 11, 2014, and published in the Lincoln Journal Star on March 16, 2014. Ms. Werner-Robertson chaired the meeting and Ms. Dawes recorded the minutes.

**MEMBERS PRESENT:**

Ms. Gail Werner-Robertson  
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. Joe Jurich, Nebraska Investment Council  
Ms. JoLynn Winkler, Nebraska Investment Council  
Mr. Joe Spitznagel, Nebraska Investment Council  
Ms. Joyce Schlautman, Nebraska Investment Council  
Ms. Angela Dasher, Nebraska Investment Council  
Mr. Max Kotary, Hewitt EnnisKnupp  
Mr. Mike Comstock, Hewitt EnnisKnupp  
Ms. Cate Polleys, Hewitt EnnisKnupp  
Mr. David Rose, Hewitt EnnisKnupp  
Mr. Timothy Engler, Harding & Shultz

**ADVISE THE PUBLIC THAT THE OPEN MEETINGS LAWS APPLY: 8:34 a.m. to 8:35 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 FEBRUARY 25, 2014 MEETING: 8:35 a.m. to 8:37 a.m.** Mr. Maginn moved that the March 11, 2014, draft of the minutes of the February 25, 2014, meeting be approved as written. Mr. Conley seconded the motion. Ms. Werner-Robinson called for a roll call vote.

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

**COUNCIL MEMBER BUSINESS: 8:37 a.m. to 8:40 a.m.** Ms. Werner-Robertson welcomed everyone to the meeting. Ms. Werner-Robertson stated the following change to the agenda, that agenda item #14, Robb Evans & Assoc. (Receiver for WG Trading) vs. NIC would be moved up to after the Real Estate presentation. Mr. States introduced a new staff addition to the Nebraska Investment Council, Ms. Joyce Schlautman. Ms. Schlautman started with the office on March 10, 2014, as the agency's Internal Auditor. Previously Ms. Schlautman worked for the Foundation for the Lincoln Public Schools and the State's Auditor of Public Accounts. Mr. States informed the Council that yesterday he and Ms. Chambers each presented their agency's Annual Report to the Legislative Retirement Committee.

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**REAL ESTATE: 8:40 a.m. to 10:50 a.m.**

**Real Estate Market Trends by Region/Property Type:** Mr. States introduced Mr. Michael Gately, Managing Director, Research, Cornerstone Real Estate Advisers, LLC. Mr. Gately's presentation which was included in the meeting book discussed regional market trends.

**Portfolio, Performance and Pacing:** Ms. Polleys and Mr. Rose's presentation, which was included in the meeting book reviewed the 3rd quarter 2013 real estate performance and gave a preliminary review of the 4<sup>th</sup> quarter. Ms. Polleys discussed deployment of the additional 2.5% real estate allocation for the DB/CBB Plans, which was approved at the November 18, 2013, Council meeting. The Council decided to continue with this discussion at the May 20<sup>th</sup> Council meeting or at the July 15<sup>th</sup> Council Retreat.

**Real Estate Secondary Commitment Recommendation:** Ms. Polleys and Mr. Rose reviewed a new fund being offered by Landmark Real Estate Partners, a current NIC investment manager. The new Fund, Landmark Real Estate Partners VII, L.P. (Fund VII), is a closed-end private equity fund-of-funds, which focuses on acquiring existing real estate partnerships in the secondary market. Fund VII is similar to Fund VI, which the NIC is currently invested in. Ms. Polleys and Mr. Rose indicated that Hewitt EnnisKnupp has conducted a thorough qualitative and quantitative assessment of the Fund. They discussed the investment merits and concerns associated with the Fund and the Firm. Ms. Polleys indicated that both NIC Staff and Hewitt EnnisKnupp recommend that the Council commit \$50 million to Landmark Real Estate Partners VII, L.P. A copy of their presentation was included in the meeting book.

**Landmark Real Estate Fund VII, L.P.:** Mr. States introduced from Landmark Partners, Mr. James J. Sunday, Partner and Mr. Timothy L. Haviland, Managing Partner. Their presentation which was included in the meeting book provided an overview of the firm, market opportunity, investment strategy, Landmark Real Estate Fund VII and the management team.

Following the presentation by Landmark Partners, Mr. Conley moved to commit \$50 million from the Defined Benefit Plans and Cash Balance Benefit Plan to Landmark Real Estate Partners VII, L.P., pending legal review of the investment documents by the Council's attorney. Mr. Maginn seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

The Council took a break and reconvened at 11:06 a.m.

**ROBB EVANS & ASSOC. (RECEIVER FOR WG TRADING CO.) V. NIC: 11:06 a.m. to 11:45 a.m.** At 11:06 a.m. Dr. DeFusco made the following motion: I move to enter into closed session. The subject matter of the closed session is the receipt of legal advice from counsel related to the lawsuit filed by the Receiver of WG Trading Company against the Nebraska Investment Council. The reason for the closed session is to maintain the confidentiality of such advice and communications related thereto. Mr. Maginn seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

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

At 11:44 a.m. Mr. Dinkel moved that the Council return to open session. Mr. Maginn 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
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The motion carried.

**NEBRASKA EDUCATIONAL SAVINGS TRUST PROGRAM UPDATE, STATE TREASURER, DEBORAH GOODKIN, STACY AUMAN AND STEVE WADE, FIRST NATIONAL BANK OMAHA: 11:45 a.m. to 12:05 p.m.** Treasurer Stenberg provided an overview of the Nebraska Educational Savings Trust (NEST), which includes the NEST Direct, NEST Advisor, TD Ameritrade 529, and State Farm College Savings Plans. As of December 31, 2013, the program has grown to 214,023 accounts, with assets totaling over \$3.4 billion. Treasurer Stenberg stated FNBO is recommending asset allocation changes to the Nebraska Educational Savings Plan Trust for the NEST Direct, NEST Advisor, and the TD Ameritrade Plans. The recommendation is to add a small equity and REIT allocation to some of the portfolios that currently do not have an allocation. Treasurer Stenberg indicated that even though these portfolios are structured to be more conservative, adding an equity and REIT allocation would give the portfolios a small growth component without any significant increase in risk.

**FNBO:**

Mr. Steve Wade, Senior Vice President, Ms. Deborah Goodkin, Managing Director College Savings Plans, and Mr. Stacy Auman, Investment Officer provided program statistics, performance by investment option, sales, marketing, promotion and customer servicing information. Mr. Auman discussed the asset allocation changes being recommended, which were included in the meeting book. Mr. Auman indicated that if approved by the Council the changes would become effective May 1, 2014.

Following discussion by the Council, Dr. DeFusco moved to approve the recommended changes for the NEST Direct, Nest Advisor, and TD Ameritrade Plans by First National Bank Omaha which were included in the meeting book. 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
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The motion carried.

The Council took a break and reconvened at 12:20 p.m.

**ROGGE GLOBAL PARTNERS BY MAX KOTARY, HEK: 12:20 p.m. to 12:25 p.m.** Mr. Kotary discussed the issues for HEK's downgrade of the Rogge global fixed income strategies from Buy to Hold as outlined in the memo included in the meeting book. At the Council's request, Mr. States had invited Rogge to today's meeting to discuss these issues.

**ROGGE GLOBAL PARTNERS: 12:25 p.m. to 1:40 p.m.** Mr. States introduced from Rogge Global Partners, Mr. Olaf Rogge, Senior Partner, Executive Chairman, Co-CIO, Mr. David Jacob, CEO, Co-CIO, and Mr. John Graham, Senior Partner, Portfolio Manager. Rogge's presentation which was included in the meeting book discussed the organizational changes, the firm's philosophy and process.

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Following the presentation the Council decided to make a decision at the May meeting after receiving more information from staff and HEK.

The Council took a break and reconvened at 1:55 p.m.

**NPERS DIRECTOR'S REPORT: 1:55 p.m. to 2:15 p.m.** Ms. Chambers distributed copies of NPERS' Annual Report which was presented to the Legislative Retirement Committee on March 24, 2014. Ms. Chambers reviewed NPERS' 2013 Accomplishments and the 2014 Action Plan which were included in the Report. Ms. Chambers discussed current legislation that could affect NPERS. Ms. Chambers reported that information on the College Savings Plan was included in the State and County newsletters and will also be included in the Judges, Schools, and Patrol newsletters next quarter. Ms. Chambers invited members of the Council to the July 16, 2014, PERB Retreat at Quarry Oaks.

**OPERATING INVESTMENT POOL INVESTMENT BENCHMARK FOLLOW-UP: 2:15 p.m. to 2:35 p.m.** As a follow-up to questions of the Council at the February 25, 2014, Council meeting, Mr. Spitznagel's presentation which was included in the meeting book provided additional benchmarks for the OIP Intermediate Government Corporate portfolio. Mr. States indicated that staff recommends replacing the current Barclays Intermediate Government/Corporate Index with a 60/40 blend with a custom benchmark that would be a 60/40 blend of the Bank of America ML 1-10 Year US Treasury and Agency Index and ML 1-10 Year AAA-A Corporate Index. Following discussion by the Council Mr. Maginn moved to accept the staff's recommendation. Mr. Conley seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

**INVESTMENT POLICY STATEMENT: 2:35 p.m. to 2:50 p.m.** Mr. States and Mr. Kotary discussed funding source options for the Council's decision to increase the long-term policy target allocation to Real Estate by 2.5%, from 5.0 % to 7.5%. A copy of the presentation was included in the meeting book. Following discussion by the Council, Mr. Maginn moved to accept staff and HEK's recommendation to fund the 2.5% increase in Real Estate from the U.S. Equity allocation. Dr. DeFusco seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

Copies of updated policies to the NIC Policy Manual were distributed to the Council.

**RECEIPT OF LEGAL ADVICE FROM COUNSEL TO A POTENTIAL SECURITIES FRAUD CLAIM: 2:50 p.m. to 3:20 p.m.** At 2:50 p.m. Dr. DeFusco made the following motion: I move to enter into closed session. The subject matter of the closed session is the receipt of legal advice from counsel related to a potential securities fraud claim. The reason for the closed session is to maintain the confidentiality of such advice and communications related thereto. Mr. Conley 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.

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

At 3:20 p.m. Mr. Dinkel moved that the Council return to open session. Mr. Maginn 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.

Mr. Maginn moved to recommend that the Attorney General pursue a securities fraud claim against BP p.l.c. d/b/a BP Oil ("BP Oil") arising out of the State's ownership of shares of BP Oil and the April 2010 Deepwater Horizon incident. The SIO shall communicate the Council's recommendation through its legal counsel and provide the Attorney General with the information and documentation reasonably necessary to prosecute the claim. Mr. Dinkel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

ABSTAINING NOT VOTING: Mr. Conley

The motion carried.

**PERSONNEL MATTER: 3:20 p.m. to 3:25 p.m.** At 3:20 p.m. Mr. Maginn made the following motion: I move to enter into closed session. The subject matter of the closed session is a personnel matter. The reason for the closed session is to receive advice from legal counsel and to discuss matters of strategy and negotiation. Dr. DeFusco seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

The motion carried.

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

At 3:25 p.m. Mr. Dinkel moved that the Council return to open session. Dr. DeFusco seconded the motion. Ms.

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Werner-Robertson called for a roll call vote.

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

The motion carried.

Mr. Conley made the following motion: Pursuant to the powers vested in the Council under the Governance Policy, I move to establish an ad hoc committee (the "Committee") for the purpose of assisting the Council with the search for a permanent state investment officer ("SIO"). The purpose of the Committee shall be to develop a list of qualified candidates for the SIO position and present such list of candidates to the Council for its consideration as soon as practicable. The Council may, by separate motion, arrange for the retention of an external search firm, which shall assist the Committee and Council in identifying qualified candidates for the SIO position. The Committee shall not hold hearings, make policy or take formal action on behalf of the Council. Pursuant to powers vested in the Council Chair under the Code of Ethics, Policy on Conflicts and Council Procedures, Chairwoman Gail Werner-Robertson has appointed, and I move that the Council consent, to the following members of the Committee:

1. Mr. John Conley
2. Dr. Richard DeFusco
3. Ms. Phyllis Chambers, (ex officio)

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

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

The motion carried.

Mr. Maginn made the following motion: I move to authorize the Chairwoman to enter into a contract on behalf of the Nebraska Investment Council (the "Council") to retain an external search firm to assist with the hiring of a permanent successor state investment officer ("SIO"). The Chairwoman shall choose the external search firm using the following criteria:

- 1) experience in assisting public plan sponsors select senior investment professionals;
- 2) experience of professional staff;
- 3) competitive fees; and
- 4) demonstrated success in filling senior level positions.

The Chairwoman may execute and deliver a contract on behalf of the Council with an external search firm that meets the criteria set forth above and after such contract has been reviewed by legal counsel for the Council and approved by the Governor.

Dr. DeFusco seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

The motion carried.

**STATE INVESTMENT OFFICER'S REPORT: 3:30 p.m. to 3:40 p.m.**

**Legislative Update:** Mr. States reviewed legislation which directly affects the NIC. Two bills LB 713 and LB 918 have been included in LB 759. LB 713 increases from \$1 million to \$6 million the maximum amount of time deposit open accounts made available to banks, capital stock financial institutions and qualifying mutual financial institutions willing to meet the rate and other requirements of the Nebraska Capital Expansion Act. LB 918 removes a limitation on investment options for participants of the County and State Employees Defined Contribution Plans.

**Agency Budget Update:** Mr. States reviewed the Agency's February 28, 2014, Budget Report, which was included in the meeting book and reported that the Agency is under-budget for the fiscal year.

**Oppenheimer Fund Fee Change Notice:** Mr. States discussed the notice dated January 21, 2014, by Oppenheimer regarding the Oppenheimer Main Street Fund fee increase. A copy of the notice was included in the meeting book.

**IMAs Executed Since Last Meeting:** Mr. States reported completion of the DFA amendment, termination of Turner Investments and that the transition to the DFA U.S. Small Cap Strategy will be completed soon. Mr. States indicated that staff is working on the Bank Loan agreements with Loomis Sayles and Franklin Templeton.

**Upcoming Staff Travel:** Mr. States reported that staff will be attending private equity and real estate conferences in the next two months.

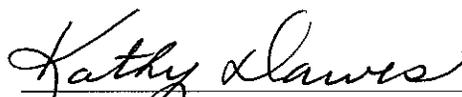
**Action Plan:** The May 20, 2014, Council meeting will be at the 1526 Building, 4<sup>th</sup> Floor, Conference Room D, Lincoln, NE.

**PUBLIC COMMENT ON THE AGENDA: 3:40 p.m. to 3:41 p.m.** Ms. Werner-Robertson asked if there was any public comment on the agenda. There was no public comment on the agenda.

At 3:41 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