

**NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
March 24, 2016**

A regular meeting of the Nebraska Investment Council convened at 8:32 a.m. at the 1526 K Street Building, in Lincoln, NE.

The Council members were notified of this meeting by letter dated March 14, 2016. Public notice was posted on the Nebraska Public Meeting Calendar on March 7, 2016, and published in the Lincoln Journal Star on March 13, 2016. 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 (departed at 11:22 a.m.)
Treasurer Don Stenberg
Ms. Phyllis Chambers

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
Mr. Chris Sanders, Nebraska Investment Council
Ms. Joyce Schlautman, Nebraska Investment Council
Ms. Jennifer Hatfield, Nebraska Investment Council
Mr. Max Kotary, Aon Hewitt
Mr. Bruce Ingram, Aon Hewitt
Mr. Michael Zaun, Aon Hewitt

ADVISE THE PUBLIC THAT THE OPEN MEETINGS LAWS APPLY: 8:32 a.m. to 8:33 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, 2016 MEETING: 8:33 a.m. to 8:36 a.m. Mr. Conley moved that the March 15, 2016, draft of the minutes of the February 25, 2016, meeting be approved with the following changes: (1) page 3, fifth paragraph, *NPERS REPORT*, 1st sentence should read, "Ms. Chambers informed the Council that Ms. Pamela Lancaster, Hall County Supervisor in Grand Island has been appointed as the County plan representative to the PERB replacing Richard Wassinger whose term expired" and that the last sentence in the paragraph should read, "Ms. Chambers discussed current legislation that could affect NPERS including: 1) LB 447 which changes provisions relating to the Class V School Employees Retirement Act; 2) LB 467 which affects the State Patrol Plan creates a second tier of reduced benefits for officers who became members on and after July 1, 2016; 3) LB 655 which creates a cash balance plan for firefighters from first class cities". Mr. Dinkel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

The motion carried.

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COUNCIL MEMBER BUSINESS: 8:36 a.m. to 8:39 a.m. Ms. Werner-Robertson welcomed everyone to the meeting. Ms. Werner-Robertson informed the Council that Mr. Olson had another commitment and would need to leave the meeting early today. Due to Mr. Olson needing to leave early agenda item number ten, *Global Equity Update*, would be moved up and presented after agenda item number six, *Research Management System*. Ms. Werner-Robertson indicated that Mr. Olson was confirmed by the Legislature on March 1, 2016 and would be able to vote at today's meeting.

COUNCIL ADMINISTRATIVE REPORT: 8:39 a.m. to 9:00 a.m.

SIO Report: Mr. Walden-Newman informed the Council that he will be presenting to the Legislative Retirement Systems Committee the NIC's Annual Report for 2015, on Thursday March 31, 2016.

Mr. Walden-Newman reminded the Council that the Board Retreat will be held at the Lied Conference Center in Nebraska City on July 19-20, 2016. Mr. Kotary and he are working on the agenda, which will include an Asset Liability Study presentation by Aon Hewitt and a panel discussion by current Council fixed income managers. "Save the Date" notices have been sent to the Council, staff, legal, Aon Hewitt, PERB, State Budget Office, Policy Research Office and members and staff of both the Legislative Appropriations and Retirement Committees.

Mr. Walden-Newman discussed legislation affecting the Nebraska Investment Council. Mr. Walden-Newman informed the Council that floor debate is scheduled for today on LB 447. LB 447 changes provisions relating to the Class V School Employees Retirement Act. LB 1069 which would have required the State Investment Officer to review investments of state funds in both clean energy and fossil fuels, and to the extent that it is prudent, begin the process of divesting from fossil fuels and invest in clean energy has been indefinitely postponed, but may be part of an interim study. Mr. Walden-Newman indicated that he and staff recently met with officials from State Street Bank to discuss the customer service being offered by the bank. The SIO and staff will be visiting several managers in the near future and traveling with Aon Hewitt on a real estate due diligence trip. Mr. Spitznagel will be attending again this year the April 19-22, NASIP Conference in Austin, TX.

Mr. Walden-Newman informed the Council that a fully executed copy of the one year extension of the investment consultant agreement has been received from Aon Hewitt. The term of the extension is from October 1, 2016 through September 30, 2017; the extension is at the current rate and conditions.

Legal Report: Mr. Heinrich reported that the agreements for Green Equity Investors VII, L.P. and McCarthy Capital Fund VI, L.P. are near completion on the legal side and should be wrapped up by March 25, 2106. Mr. Heinrich reported that it looks like the UBS Trumbull Property Income Fund approved last fall will close this month. Mr. Heinrich stated that the State of Nebraska will participate in foreign securities fraud lawsuits relating to Volkswagen and Saipem SpA; the Attorney General's Office will retain outside legal counsel and maintain a lawsuit in the name of the State.

Budget Report: Mr. Walden-Newman reviewed the Budget Status Report included in the meeting materials and indicated that plans are being made to present to the Council at the July Board Retreat the Council's 2017-2019 Biennial Budget Request.

Action Plan: Mr. Walden-Newman reviewed the Action Plan included in the meeting materials.

RESEARCH MANAGEMENT SYSTEM: 9:00 a.m. to 9:07 a.m. Mr. Sanders updated the Council on the research he's done regarding a Research Management System.

GLOBAL EQUITY UPDATE: 9:07 a.m. to 9:20 a.m. Mr. Jurich distributed copies of the Global Equity Review Project Planning Calendar. Mr. Jurich discussed the steps that have been taken since September 2015 in identifying the need of having a global equity asset class as a part of the portfolio. The review focused on justifications and concerns for investing globally rather than investing in the traditional US Equity or Non-US Equity asset class. Mr. Jurich indicated that periodic updates will be provided to the Council. Following completion of the due diligence he plans to present at the May meeting the best global equity portfolio structure that will achieve superior returns while maintain prudent levels of risk. A copy of the presentation was included in the meeting materials.

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UNIVERSITY FUND N REPORT: 9:20 a.m. to 10:00 a.m. Mr. Walden-Newman introduced Mr. Brian Neale, Senior Director of Investments, University of Nebraska Foundation. Mr. Neale reviewed the University of Nebraska-Fund N Report included in the meeting materials. Mr. Neale discussed 2015 performance and also reviewed significant activities since the May 21, 2015, presentation to the Council.

The Council took a break and reconvened at 10:17 a.m.

PRIVATE EQUITY POTENTIAL INVESTMENT: 10:17 a.m. to 10:30 a.m. Mr. Walden-Newman, Mr. Ingram, and Mr. Zaun reviewed a new fund being offered by Constitution Capital Partners, Ironsides Partnership Fund IV, L.P. (Fund IV). Constitution Capital Partners is a private equity fund of funds firm that focuses on small to mid-cap North American buyout funds and direct investments. Fund IV's size target is \$250 million. Mr. Walden-Newman provided background information on the Firm. He reported that he has personally conducted due diligence on Constitution Capital during his time in Wyoming and knows the team well. Mr. Ingram indicated that Aon Hewitt has conducted a thorough qualitative and quantitative assessment of Constitution Capital Partners and Fund IV. Mr. Ingram discussed the investment merits and concerns associated with Firm and the Fund. Mr. Ingram indicated that as part of the NIC's 2016 private equity investment pacing of \$20 million for the Council's General Endowments, Aon Hewitt supports the NIC staff's recommendation to make a \$20 million commitment to Ironsides Partnership Fund IV, L.P., subject to completion of a legal review and satisfactory agreement of terms. This recommendation is based on Aon Hewitt's due diligence of this fund and is supported by its full due diligence report. A copy of their presentation was included in the meeting materials.

CONSTITUTION CAPITAL PARTNERS PRESENTATION – IRONSIDES PARTNERSHIP FUND IV, L.P.: 10:30 a.m. to 11:05 a.m. Mr. Walden-Newman introduced Mr. Dan Cahill, Managing Partner and Mr. John Guinee, Managing Partner. Their presentation which was included in the meeting materials discussed the Firm, Fund IV, performance, investment strategy, investment team and investment network.

Following the presentation and discussion by the Council, Dr. DeFusco moved that the Council commit \$20 million of the Endowments to Ironsides Partnership Fund IV, L.P. subject to completion of a legal review and satisfactory agreement of terms. Mr. Conley seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

FACTOR INVESTING: 11:05 a.m. to 11:45 a.m. Mr. Kotary provided an educational session on factor investing. A copy of the presentation was included in the meeting materials.

Mr. Olson left the meeting at 11:22 a.m.

The Council took a break and reconvened at 12:05 p.m.

STATE TREASURER'S REPORT: 12:05 p.m. to 12:20 p.m. Treasurer Stenberg indicated that even though accounts in the 529 Plans have increased by 20,000 each year that he has been State Treasurer, the number of new accounts opened during January and February of 2016 was smaller than the number of new accounts opened in January and February of the previous year. Hopefully, enrollment will recover as the stock market does. Treasurer Stenberg reported on some of the current contests and promotions for the 529 Plans, "Why I Want to Go to College" and the Personal Finance Challenge for high school students. NESTFest will be held in Fremont on May 7, 2016. The Treasurer's office continues to work on the Enable Plan and a record keeping set-up is being implemented. Treasurer Stenberg reported that not all states will be offering an Enable Plan and hopes that the Nebraska Plan will be one of the first programs available.

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NPERS REPORT: 12:20 p.m. to 12:40 p.m. Ms. Chambers stated that her office has been busy. Ms. Chambers informed the Council that LB 447, which changes provision relating to the Class V School Employees Retirement Act, did pass today by a vote of 46-0. LB 467 which affects the State Patrol Plan is on final reading and the Firefighter bill is not being advanced. Ms. Chambers invited the Council to the PERB Retreat being held at the Lied Conference Center in Nebraska City on July 18, 2016. Guest speaker will be Mr. Leigh Snell who is the Federal Relations Director for the National Council on Teacher Retirement. Ms. Chambers distributed copies of NPERS 2016 Annual Report and discussed several 2015 accomplishments included in the Report.

PUBLIC COMMENT ON THE AGENDA: 12:40 p.m. to 12:41 p.m. Ms. Werner-Robertson asked if there was any public comment on the agenda. There was no public comment on the agenda.

NEXT MEETING: 12:41 p.m. to 12:42 p.m. Thursday, May 26, 2016 – 1526 K Street Building, Conference Room D, Lincoln, NE

At 12:42 p.m. Mr. Dinkel moved to adjourn the meeting. Mr. Conley seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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


Kathy Dawes, Secretary