

**NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
July 14, 2015**

An Investment Education Retreat of the Nebraska Investment Council convened on July 14, 2015, at 8:35 a.m. at the Quarry Oaks Golf Club, Ashland, NE.

Public notice was posted on the Nebraska Public Meeting Calendar on June 22, 2015, and published in the Lincoln Journal Star on July 5, 2015. 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 (arrived at 8:45 a.m.)
Mr. John Dinkel
Mr. John Conley
Ms. Phyllis Chambers
Mr. Jason Walters

NONMEMBERS IN ATTENDANCE:

Mr. Michael Walden-Newman, State Investment Officer
Ms. Kathy Dawes, Council Secretary
Mr. Christopher Heinrich, O'Neill Heinrich Damkroger Bergmeyer & Shultz, P.C., L.L.O.
Mr. Max Kotary, Aon Hewitt
Mr. Mike Comstock, Aon Hewitt
Mr. David Rose, Aon Hewitt
Mr. Bruce Ingram, Aon Hewitt
Ms. Amy McDuffee, Aon Hewitt
Mr. Joe Jurich, Nebraska Investment Council
Ms. JoLynn Winkler, Nebraska Investment Council
Mr. Chris Sanders, Nebraska Investment Council
Mr. Joe Spitznagel, Nebraska Investment Council
Mr. Jeremiah Garber, Nebraska Investment Council
Ms. Jennifer Hatfield, Nebraska Investment Council
Ms. Joyce Schlautman, Nebraska Investment Council
Senator Al Davis, Nebraska Retirement Systems Committee
Ms. Kate Allen, Nebraska Retirement Systems Committee
Mr. Gerry Oligmueller, AS State Budget Office
Mr. Joshua Shasserre, Attorney General's Office
Mr. John Gale, Secretary of State's Office
Ms. Janis Elliott, Public Employees Retirement Board
Mr. Dennis Leonard, Public Employees Retirement Board
Ms. Kelli Ackerman, Public Employees Retirement Board
Ms. Patrice Beckham, Cavanaugh Macdonald
Mr. Brent Banister, Cavanaugh Macdonald
Ms. Merritt Hooper, Ares Management LLC
Mr. Eric Asboe, Nebraska Supreme Court

ADVISE THE PUBLIC THAT THE OPEN MEETINGS LAWS APPLY: 8:36 a.m. to 8:37 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 AND OPENING REMARKS: 8:38 a.m. to 8:45 a.m. Ms. Werner-Robertson welcomed everyone to the meeting and thanked them for their time in attending this meeting. Ms. Werner-Robertson stated that due to traffic delays on the interstate Mr. Maginn would be arriving shortly. Ms. Werner-Robertson thanked Mr. Walden-Newman and staff on their work for arranging today's presentations. Ms. Werner-Robertson also thanked the presenters for their time in providing words of wisdom. Mr. Walden-Newman stated that today's meeting would deal with two topics not only important to the Council, but to all Nebraskans. The first topic Private Equity and the NIC Portfolio would be a "back to basics" review by Mr. Bruce Ingram with Aon Hewitt who will discuss

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the asset class, its purpose in Nebraska's portfolio, and our plans for the future. Mr. Bennett Rosenthal of Ares Management will discuss Ares' approach in managing private equity investments.

The second topic will deal with the Pension Funds and Assumed Rates of Return, contributing will be Ms. Phyllis Chambers, Director, Nebraska Public Employees Retirement Systems and Mr. Ed Derman, Deputy Chief Executive Officer for Plan Design and Communications at CalSTRS. Also, joining in the discussion by phone will be Ms. Ruth Ryerson, Executive Director of the Wyoming Retirement System and Ms. Leslie Thompson, Senior Consultant with Gabriel Roeder Smith & Company.

Mr. Maginn joined the meeting at 8:45 a.m.

PRIVATE EQUITY AND THE NIC PORTFOLIO: 8:46 a.m. to 10:15 a.m. Mr. Ingram's presentation which was included in the meeting materials gave an overview of private equity, which included the following:

- What is Private Equity
- Why Invest
- Where to Invest
- Accessing Private Equity: Investment Vehicle Options
- Private Equity Cash Profile
- Portfolio Construction Review/Return Profile
- PE Primary Portfolio Construction
- Impact of Increasing Commitment Level
- Aon Hewitt's Investment Process Overview

A Q & A session followed the presentation with the Council asking questions about fees structure, life cycle of a fund, and private equity diversification in a portfolio.

Mr. Walden-Newman introduced from Ares Management, Mr. Bennett Rosenthal, Director, Co-Founder and Co-Head of Ares Private Equity Group. Mr. Rosenthal's presentation which was included in the meeting materials gave an overview of the firm, discussing its four capital investment groups 1) tradable credit; 2) direct lending; 3) private equity; and 4) real estate. Mr. Rosenthal discussed the performance of Ares four Corporate Opportunities Funds (ACOF); the NIC currently is invested in ACOF III and IV. A copy of the presentation was included in the meeting materials.

The Council took a break and reconvened at 10:35 a.m.

PENSION FUNDS AND ASSUMED RATES OF RETURN: 10:35 a.m. to 12:00 p.m. Mr. Walden-Newman indicated that he has arranged for a panel of experts to discuss what other entities are doing to achieve their expected rates of return. This is in response to the Council's ongoing concern with the State's actuarial rate of return currently at 8% for the defined benefit plans and 7.75% for the cash balance benefit. Mr. Walden-Newman stated that in a recent report by the National Association of State Retirement Administrators (NASRA), other public plans across the nation are also reviewing their investment return assumptions. Panel participants were Mr. Ed Derman, Deputy Chief Executive Officer for Plan Design and Communications at CalSTRS, Ms. Ruth Ryerson, Executive Director of the Wyoming Retirement System, Ms. Leslie Thompson, Senior Consultant with Gabriel Roeder Smith & Company, Mr. Max Kotary and Mr. Michael Comstock, Aon Hewitt Investment Consulting. Ms. Phyllis Chambers, NPERS' director began the discussion with an overview of PERB's research and actions regarding the plans' assumed rates of return. Copies of the presentations are included in the meeting materials.

PUBLIC COMMENT ON THE AGENDA: 12:01 p.m. to 12:05 p.m. Ms. Werner-Robertson asked if there was any public comment on the agenda. There was no public comment on the agenda.

At 12:06 p.m. the Council took a break and reconvened at 12:19 p.m.

**NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
July 14, 2015**

REVIEW OF MORNING SESSION TOPICS: 12:20 p.m. to 12:45 p.m. Mr. Walden-Newman reviewed the day's presentations and discussed with the Council possible future actions.

At 12:46 p.m. the Council took a break and reconvened at 12:59 p.m.

COUNCIL GOVERNANCE AND STATE INVESTMENT OFFICER REVIEW: 1:00 p.m. to 2:32 p.m. At 1:00 p.m. Mr. Conley moved that the Council enter into closed session for the following: The subject matter is the performance evaluation 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.

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
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The motion carried.

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

At 1:45 p.m. Dr. DeFusco 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. Maginn Mr. Dinkel Mr. Conley Ms. Werner-Robertson Dr. DeFusco
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The motion carried.

At 1:46 p.m. Mr. Conley moved that the Council enter into closed session for the following: The subject matter 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.

Dr. DeFusco 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.

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

At 2:30 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
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Dr. DeFusco
Mr. Maginn
Mr. Dinkel

The motion carried.

Mr. Dinkel moved that the annual salary of the State Investment Officer be increased to \$235,000 effective upon the effective date of the other NIC staff compensation adjustments being made in the near future by the SIO. Dr. DeFusco 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.

At 2:33 p.m. Dr. DeFusco moved to adjourn the meeting. Mr. Dinkel 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.


Kathy Dawes, Secretary