

**NEBRASKA INVESTMENT COUNCIL  
MINUTES OF THE MEETING OF  
July 19-20, 2016**

An Investment Education Retreat of the Nebraska Investment Council convened on July 19, 2016, at 1:02 p.m. at the Lied Lodge Conference Center, Nebraska City, NE.

Public notice was posted on the Nebraska Public Meeting Calendar on July 1, 2016, and published in the Lincoln Journal Star on July 10, 2016. Ms. Werner-Robertson chaired the meeting and Ms. Dawes recorded the minutes.

**MEMBERS PRESENT:**

Ms. Gail Werner-Robertson, Chairwoman  
Dr. Richard DeFusco  
Mr. John Conley  
Mr. Keith Olson  
Mr. Jason Walters, Deputy State Treasurer (appearing on behalf of Treasurer Stenberg)  
Ms. Phyllis Chambers

**MEMBERS ABSENT:**

Mr. John Dinkel

**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. Jennifer Hatfield, 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. Joyce Schlautman, Nebraska Investment Council  
Senator Mark Kolterman, Nebraska Retirement Systems Committee  
Ms. Kate Allen, Nebraska Retirement Systems Committee  
Ms. Cecelia Carter, Omaha School Employees Retirement System  
Mr. Brent Banister, Cavanaugh Macdonald

**ADVISE THE PUBLIC THAT THE OPEN MEETINGS LAWS APPLY: 1:02 p.m. to 1:03 p.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: 1:03 p.m. to 1:10 p.m.** Ms. Werner-Robertson welcomed everyone to the Council's two day Investment Education Retreat and thanked all the public officials and presenters for their time in attending and supporting the Council. Ms. Werner-Robertson thanked Mr. Walden-Newman, Aon Hewitt and staff for their work on putting the Retreat together. Mr. Walden-Newman stated that a panel of four of the Council's current fixed income managers will discuss the current market conditions. Following their presentation, Aon Hewitt will provide the results of this year's Asset Liability Study. Day two of the Retreat will include a review by Ms. Amy McDuffee with Aon Hewitt and Mr. Chris Heinrich with O'Neill Heinrich on the fiduciary responsibilities of the Council members and the State Investment Officer. Day two will conclude with evaluations of the Council, the Council's investment consultant, legal counsel and the State Investment Officer.

**FIXED INCOME INVESTING IN TODAY'S ECONOMY: 1:10 p.m. to 2:26 p.m.** Mr. Brian Hess, Vice

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President and Global Markets Fixed Income Strategist and Mr. Gregory Ward, Vice President, Client Portfolio Manager with Loomis Sayles & Co.; Mr. Scott Mather, CIO of Fixed Income, US Core Strategies, Mr. Michael Chandra, Executive Vice President, Account Management, and Ms. Sasha Talcott, Vice President, Account Management with PIMCO; Mr. Andrew Johnson, Managing Director, Head of Global Investment Grade Fixed Income and Ms. Jennifer Michel, Senior Vice President, Client Service Manager, North America with Neuberger Berman; Mr. Richard J. Gilmartin, Managing Director and Investment Director and Investment Director, Product Management, and Ms. Julie Rancourt, Vice President and Relationship Manager with Wellington Management Company LLP. Each manager discussed the methods used by their firm; what's happening around the globe and how to deal with it; and the best way to preserve purchasing power. Copies of the presentations by Loomis Sayles & Co., Neuberger Berman, and Wellington Management Company LLP were included in the meeting materials.

The Council took a break and reconvened at 2:47 p.m.

**2016 ASSET LIABILITY STUDY: 2:47 p.m. to 4:17 p.m.** Mr. Phil Kivarkis, Partner, Mr. Max Kotary, Partner, and Mr. Mike Comstock, Associate Partner, Aon Hewitt. Mr. Walden-Newman indicated that the Asset Liability Study (ALS) provides the tools to align a retirement plan's risk taking with its liabilities. The Council conducts an ALS for the Defined Benefit Plans and Cash Balance Benefit every three to five years; the last one was in 2013. Mr. Kivarkis presentation which was included in the meeting materials included the following:

- Asset-Liability Management Background: Balance of Liabilities and Assets
- Asset-Liability Management Background: Asset-Liability Modeling Metrics
- Current State
- Current Frontier
- Alternative Frontiers
- Funding/Investment Analysis (School Retirement System)
- Economic Cost Analysis (School Retirement System)
- Gross Contributions (School Retirement System)
- Market Value of Assets/Actuarial Liability Funded Ratio (School Retirement System)

Mr. Walden-Newman stated that future Council meetings will discuss what changes can be made to improve the current structure. Mr. Walden-Newman indicated that Aon Hewitt will be conducting an ALS for the Omaha School Employees Retirement System Plan by the end of September, first of October.

At 4:17 p.m. Dr. DeFusco moved that the Council recess until 8:00 a.m., July 20, 2016. Mr. Conley seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

An Investment Education Retreat of the Nebraska Investment Council re-convened on July 20, 2016, at 8:00 a.m. at the Lied Lodge Conference Center, Nebraska City, NE. Members present: Ms. Gail Werner-Robertson, Dr. Richard DeFusco, Mr. John Conley, Mr. Keith Olson, Ms. Phyllis Chambers, and Mr. Jason Walters. Members absent: Mr. John Dinkel.

**COUNCIL GOVERNANCE AND STATE INVESTMENT OFFICER REVIEW: 8:01 a.m. to 9:35 a.m.** At 8:01 a.m. Mr. Olson moved that the Council enter into closed session for the following: The subject matter is the

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self-evaluation of the job performance of members of the Nebraska Investment Council and the evaluation of the job performance of the State Investment Officer. The reason for the closed session is to protect the reputation of the members of the Nebraska Investment Council and the State Investment Officer.

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

VOTING AYE:	Mr. Conley Mr. Olson Ms. Werner-Robertson Dr. DeFusco
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ABSENT NOT VOTING:	Mr. Dinkel
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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. McDuffee be present and all others in attendance were excused.

At 9:35 a.m. Dr. DeFusco moved that the Council return to open session. Mr. Olson seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

**PUBLIC COMMENT ON THE JULY 19, 2016 AGENDA: 9:35 a.m. to 9:40 a.m.** Ms. Werner-Robertson asked if there was any public comment on the July 19, 2016, agenda. Senator Mark Kolterman, Nebraska Retirement Systems Committee Chair, commented that it was a pleasure being at both the Nebraska Investment Council and the Public Employees Retirement Board (PERB) Retreats and seeing how both boards function. Ms. Cecelia Carter, Omaha School Employees' Retirement System Executive Director, thanked Mr. Walden-Newman for inviting her to the Council Retreat and appreciates the opportunity to work with both the Council and the PERB.

**NEBRASKA INVESTMENT COUNCIL FIDUCIARY RESPONSIBILITY: 9:40 a.m. to 10:40 a.m.** Ms. McDuffee, Aon Hewitt, Associate Partner and Mr. Chris Heinrich, O'Neill and Heinrich presented a refresher session on the Council and State Investment Officer's fiduciary responsibilities. A copy of the presentation was included in the meeting materials.

The Council took a break and reconvened at 10:55 a.m.

**COUNCIL ACTION PLAN: 10:55 a.m. to 11:05 a.m.** Mr. Walden-Newman indicated that the 18 month Action Plan is being updated and requested that Council members contact him with any suggestions they might have. Staff projects include the following: Ms. Dawes & Ms. Hatfield will be updating the Council's website to increase transparency and post meeting materials; Ms. Winkler is heading up the Defined Contribution Plan and Deferred Compensation Plan review; Mr. Spitznagel and Mr. Garber are heading up the remaining equity program review; with the Internal Auditor position being changed from a three quarter-time position to a full-time position, Ms. Schlautman and Mr. Walden-Newman will freshen-up the to-do list for the full-time position; Mr. Jurich will be the project manager for the OSERS transition; and Mr. Walden-Newman will continue with the policy review.

**COUNCIL 2017-2019 BIENNIUM BUDGET: 11:05 a.m. to 11:15 a.m.** Mr. Walden-Newman informed the Council that he and Ms. Dawes are working on the Council's 2017-2019 Biennium Budget Request. The request is for the period July 1, 2017 through June 30, 2019 and is due by September 15, 2016. It will be a conservative

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budget, with requests for additional funding for the investment consultant contract, enhancements for the Research Management System to improve office communication and efficiency, and additional personal services for the at-will investment team salaries. Mr. Walden-Newman stated that Governor Ricketts has issued a memo to code agency directors instructing them to closely review all spending decisions to provide the greatest efficiency in the delivery of state services and requested that all other agency directors and the members of their boards and commissions exercise the same scrutiny and restraint that is expected of the members of his cabinet.

**PUBLIC COMMENT ON THE AGENDA: 11:15 a.m. to 11:16 a.m.** Ms. Werner-Robertson asked if there was any public comment on the agenda. There was no public comment on the agenda.

The Council took a break and reconvened at 11:25 a.m.

At 11:25 a.m. Mr. Olson moved that the Council enter into closed session for the following: The subject matter is the evaluation of the job performance of the Council's investment consultant and legal counsel. The reason for the closed session is to protect the reputation of the investment consultant and legal counsel.

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

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

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

At 12:15 p.m. Ms. Werner-Robertson moved that the Council return to open session. Dr. DeFusco seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

Dr. DeFusco moved to approve a 6% increase for the State Investment Officer to \$249,100 effective July 25, 2016. Mr. Conley seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

At 12:20 p.m. Ms. Chambers moved to adjourn the meeting. Mr. Conley seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

ABSENT NOT VOTING: Mr. Dinkel

The motion carried.

  
Kathy Dawes, Secretary