

**NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
July 13-14, 2011**

An Education and Policy Review Retreat of the Nebraska Investment Council convened on July 13, 2011, at 8:36 a.m. at the Quarry Oaks Golf Club, Ashland, NE.

Public notice was posted on the Nebraska Public Meeting Calendar on June 27, 2011, and published in the Lincoln Journal Star on July 3, 2011. 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 (departed at 4:45 p.m.)
Mr. John Dinkel
Mr. Norm Riffel
Treasurer Don Stenberg
Ms. Phyllis Chambers (departed at 4:45 p.m.)

NONMEMBERS IN ATTENDANCE:

Mr. Jeff States, State Investment Officer
Ms. Kathy Dawes, Council Secretary
Mr. Christopher Heinrich, Harding & Shultz
Mr. Kevin Vandolder, Hewitt EnnisKnupp
Mr. Scott McLerran, Hewitt EnnisKnupp
Mr. Joe Jurich, Nebraska Investment Council
Ms. JoLynn Winkler, Nebraska Investment Council
Mr. Chris Sanders, Nebraska Investment Council
Mr. Joe Spitznagel, Nebraska Investment Council
Ms. Nancy Williams, Hewitt EnnisKnupp
Mr. Rob Parkinson, Hewitt EnnisKnupp
Ms. Heather Christopher, Hewitt EnnisKnupp
Mr. Gerry Oligmueller, AS State Budget Office
Ms. Kate Allen, Nebraska Retirement Systems
Ms. Kathy Tenopir, Legislative Fiscal Office

COUNCIL MEMBER BUSINESS: 8:37 a.m. to 8:40 a.m. Ms. Werner-Robertson welcomed everyone to the meeting and stated that a copy of the Open Meetings Act is located on the side table. Ms. Werner-Robertson stated that the Retreat gives the Council an opportunity to look at the big picture and get more information on asset allocation from higher levels of experts. On the second day of the Retreat Mr. Heinrich and Ms. Williams will provide a continuing educational session on "Today's Role of the Fiduciary", which will give the NIC a chance to look at how we are doing as a council and provide a review of our fiduciary duties. Mr. Werner-Robertson thanked Mr. States and his staff and the team from Hewitt EnnisKnupp on planning the two day Retreat.

OVERVIEW OF THE DAYS PROGRAM: 8:40 a.m. to 8:44 a.m. Mr. States indicated that today's session would include the following:

- Additional information on the internally managed General Endowments Funds and the Miscellaneous Trust Funds
- OIP processes and procedures
- Fixed Income investment opportunities
- Presentation on the investment solutions for a volatile interest rate environment
- Update on capital markets, capital market assumptions and market performance
- Presentation on global fixed income
- Review of private real estate and private equity in the asset allocation
- Roundtable discussion by two of the NIC's equity investment managers

GENERAL ENDOWMENT FUNDS AND MISCELLANEOUS TRUST FUNDS: 8:44 a.m. to 9:52 a.m. Mr. Jurich and Ms. Winkler discussed their recent visits with the entities supported by the General Endowment Funds

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and the Miscellaneous Trust Funds. Mr. Jurich and Ms. Winkler provided information on the creation of the funds, how the earnings are used and their spending needs. Following their presentation the Council discussed the possible need for creating separate investment guidelines for the General Endowments Funds and the Miscellaneous Trust Funds. At the September 2011, meeting the Council will review possible guideline changes and update, if needed, the current guidelines or decide, if there is a need for separate investment guidelines for these funds. A copy of their presentation was included in the meeting book.

OPERATING INVESTMENT POOL INVESTMENT POLICY AND PROCEDURES: 9:52 a.m. to 10:55 a.m. Mr. States updated the Council on the status of the search for the vacant Portfolio Manager I position for the Operating Investment Pool (OIP), indicating that interviews are scheduled for the week of July 18th. Mr. Joe Spitznagel discussed the tools the Agency is using in managing the OIP. He indicated that the Agency recently acquired *S & P Global Credit*, a web-based tool that will provide additional analytics and benchmark data. Mr. Dave Ferry, Senior Director, Galliard, discussed with the Council Galliard's proposal in bringing back in-house, the OIP funds currently managed by Galliard. A copy of their presentations was included in the meeting book.

At 10:55 a.m. the Council took a break and reconvened at 11:15 a.m.

FIXED INCOME INVESTMENT OPPORTUNITIES: 11:15 a.m. to 11:50 a.m. Mr. Vandolder and Mr. McLerran gave a presentation on fixed income investment opportunities to improve the risk characteristic of the fixed income asset class investments and discussed the pros and cons of global fixed income. A copy of their presentation was included in the meeting book.

INVESTMENT SOLUTIONS FOR A VOLATILE INTEREST RATE ENVIRONMENT: 11:50 a.m. to 12:40 p.m. Mr. States introduced Ms. Julie Meggars, PIMCO Executive Vice President and Account Manager and Dr. James Moore, Director and Co-head PIMCO Investor Solutions Group. Their presentation discussed investment solutions for a volatile interest rate environment. A copy of their presentation was included in the meeting book.

At 12:40 p.m. the Council took a break and reconvened at 12:55 p.m.

CAPITAL MARKETS REVIEW AND SHORT-TERM OUTLOOK: 12:55 p.m. to 1:20 p.m. Mr. Vandolder and Mr. McLerran gave an update on the capital markets, capital market assumptions and a short-term outlook for market performance. A copy of their presentation was included in the meeting book.

At 1:20 p.m. the Council took a break and reconvened at 1:30 p.m.

THE CASE FOR GLOBAL FIXED INCOME: 1:30 p.m. to 2:20 p.m. Mr. States introduced from Rogge Global Partners PLC, Mr. John Graham, Senior Partner and Portfolio Manager and Ms. Angela Ruane, Head of Marketing & Client Service, US. Their presentation discussed the opportunities of adding a global bond portfolio to a fixed income program. A copy of their presentation was included in the meeting book.

RE-VISITING THE ROLE OF REAL ESTATE AND PRIVATE EQUITY IN THE ASSET ALLOCATION: 2:20 p.m. to 3:00 p.m. Ms. Christopher and Mr. Parkinson discussed the benefits of each asset class and proposed several changes in the investment policy guidelines for each. A copy of their presentation was included in the meeting book.

At 3:00 p.m. the Council took a break and reconvened at 3:20 p.m.

INVESTMENT MANAGER ROUNDTABLE/ACTIVE EQUITY MANAGER INVESTMENT STRATEGIES: 3:20 p.m. to 4:32 p.m. Mr. States introduced a panel of NIC's active investment managers,

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Mr. David J. Honold, Jr., Portfolio Manager/Global Securities Analyst, Principal and Mr. Chris Reese, CFA, Director, Principal, Turner Investments and Mr. Brian K. Wolahan, Senior Vice President and Director and Mr. Douglas C. Coughlin, Senior Vice President and Director, N. American Client Service, Acadian Asset Management. The panel discussed their firm's investment approach. A copy of their presentation was included in the meeting book.

At 4:32 p.m. the Council took a break and reconvened at 5:20 p.m.

Mr. Maginn and Ms. Chambers left the meeting at 4:45 p.m.

END OF DAY CATCH-UP/FOLLOW-UP: 5:20 p.m. to 6:15 p.m. Mr. States reviewed the day's presentations and discussed with the Council possible future actions. At 6:15 p.m. Ms. Werner-Robertson indicated that the Council would recess until 8:30 a.m., July 14, 2011.

WELCOME, INTRODUCTIONS, AND PURPOSE OF MEETING: 8:30 a.m. to 8:35 a.m. At 8:30 a.m. Ms. Werner-Robertson called the meeting back into session and indicated that a copy of the Open Meetings Act is located on the side table. Present at roll call: Ms. Werner-Roberson, Dr. DeFusco, Mr. Maginn, Mr. Dinkel, and Mr. Riffel. Absent: Treasurer Stenberg and Ms. Chambers. Ms. Werner-Robertson informed the Council that due to other commitments Treasurer Stenberg and Ms. Chambers would be unable to attend today's meeting. Mr. Jason Hayes would be representing NPERs. Ms. Werner-Robertson welcomed everyone to day two of the 2011 Education and Policy Review Retreat and indicated that day two would include additional follow-up from yesterday's meeting; Council continuing education by Mr. Heinrich and Ms. Williams, and the State Investment Officer's review.

WRAP-UP FROM DAY ONE: 8:35 a.m. to 8:40 a.m. Mr. States reviewed day one of the Retreat and requested Council feedback on the day's presentations.

TODAY'S ROLE OF THE FIDUCIARY: 8:40 a.m. to 10:25 a.m. Ms. Nancy Williams and Mr. Heinrich discussed current issues and topics affecting public fiduciaries. In discussion on the duties of a Council member a suggestion was made that the Council adopt a new policy regarding new member orientation/training, develop a new member training manual and develop a job description for a Council member to help them at the beginning of their term. The Council asked staff to inform the Governor and the Legislative Leadership about what the Council is doing and topics dealt with at the Retreat. Mr. Dinkel suggested that a good way to do this would be by writing a letter to the Governor to report Retreat highlights and to send copies to the leadership.

EXECUTIVE SESSION: 10:25 a.m. to 11:45 a.m. Mr. Riffel moved that the Council enter into closed session for the following:

- (1) The subject matter is the performance self-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
- (2) 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:	Dr. DeFusco Mr. Maginn Mr. Dinkel Mr. Riffel Ms. Werner-Robertson
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The motion carried.

Ms. Werner-Robertson requested that only the members of the Council, Mr. Heinrich, and Ms. Williams be

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present and all others in attendance were excused.

At 11:45 a.m. Dr. DeFusco moved that the Council return to open session. Mr. Riffel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

Mr. Riffel moved that the annual salary of the State Investment Officer be increased to \$215,000, effective July 1, 2011. Mr. Dinkel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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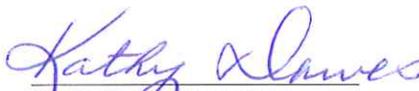
The motion carried.

END OF DAY CATCH-UP/FOLLOW-UP: 11:45 a.m. to 12:55 p.m. The Council discussed possible topics to include in upcoming Council meetings.

At 12:55 p.m. Mr. Riffel moved to adjourn the meeting. Mr. Maginn seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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


Kathy Dawes, Secretary