

**NEBRASKA INVESTMENT COUNCIL  
MINUTES OF THE MEETING OF  
September 24, 2015**

A regular meeting of the Nebraska Investment Council convened at 8:39 a.m. at the La Vista Embassy Suites in La Vista, NE.

Public notice was posted on the Nebraska Public Meeting Calendar on August 31, 2015, and published in the Lincoln Journal Star on September 13, 2015. 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. Michael Walden-Newman, State Investment Officer  
Ms. Kathy Dawes, Council Secretary  
Mr. Christopher Heinrich, O'Neill Heinrich Damkroger Bergmeyer & Shultz  
Mr. Max Kotary, Aon Hewitt  
Mr. Bruce Ingram, Aon Hewitt  
Mr. Joe Jurich, Nebraska Investment Council  
Ms. JoLynn Winkler, Nebraska Investment Council  
Mr. Joseph Spitznagel, Nebraska Investment Council  
Mr. Jeremiah Garber, Nebraska Investment Council  
Mr. Chris Sanders, Nebraska Investment Council  
Ms. Joyce Schlautman, Nebraska Investment Council  
Ms. Rachel Biar, Nebraska State Treasurer Office  
Mr. John Schembari, Kutak Rock

**ADVISE THE PUBLIC THAT THE OPEN MEETINGS LAWS APPLY: 8:40 a.m. to 8:41 a.m.** Ms. Werner-Robertson stated that a copy of the Open Meetings Act is located on the side table.

**APPROVAL OF THE MINUTES OF THE AUGUST 27, 2015, MEETING: 8:41 a.m. to 8:42 a.m.** Mr. Conley moved that the August 31, 2015, draft of the August 27, 2015, meeting be approved as written. Mr. Maginn 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.

**COUNCIL MEMBER BUSINESS: 8:42 a.m. to 8:44 a.m.** Ms. Werner-Robertson welcomed everyone to the meeting and commented on the current choppy markets conditions we're experiencing. Mr. Walden-Newman informed the Council of the following changes to the agenda, the NPERS' Report would be given after the Nebraska Educational Savings Plan Trust presentation, followed by the State Treasurer's Report, Internal Audit Report, Securities Analyst Presentation, Private Equity, and Aon Hewitt Portfolio Stress Test.

**NIC ADMINISTRATIVE REPORT: 8:44 a.m. to 9:00 a.m.**

**SIO Report:** Mr. Walden-Newman informed the Council that he continues to review the current investment policies and plans to present any policy recommendations to the Council at the February 2016 Council meeting. Mr.

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Walden-Newman indicated that he is currently working on the Risk Budget Policy with Aon Hewitt. Mr. Walden-Newman also has been meeting with several of the NIC's investment managers. Mr. Walden-Newman informed the Council that Mr. Spitznagel and Mr. Garber presented to a number of State financial representatives a review of the Operating Investment Pool (OIP). Additional OIP meetings will be scheduled in the near future. Mr. Walden-Newman commented on the recent market conditions and the need to stay the course and focus on the far horizon.

**Legal Update:** Mr. Heinrich reported that negotiations have been finalized for the custodian and securities lending contracts with State Street Bank.

**Business Report:** A copy of the August 31, 2015, Budget Report was included in the meeting materials.

**Commission Recapture Report:** A copy of the annual Commission Recapture Report was included in the meeting materials.

**Proxy Report:** A copy of the annual Proxy Report was included in the meeting materials.

**Action Plan:** A copy of the Action Plan was included in the meeting materials.

**Upcoming Conferences:** A copy of the Upcoming Conferences was included in the meeting materials.

**NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST: 9:00 a.m. to 10:00 a.m.** Treasurer Stenberg provided an overview of the Nebraska Educational Savings Trust (NEST), which includes the NEST Direct, NEST Advisor and TD Ameritrade 529 College Savings Plans. Treasurer Stenberg stated that State Farm and First National Bank Omaha are great NEST partners to have and both have done a great job promoting the plans. Treasurer Stenberg reported a significant increase in both the number of accounts and assets. Representatives from First National Bank Omaha and State Farm will be presenting their annual reports at today's meeting.

**STATE FARM College Savings Plan's Annual Report:** Ms. Stephanie Mattson, Relationship Manager, State Farm, Mr. Bill Raynor, Vice-President, Senior Client Relationship Manager and Mr. Ken Henry, Vice President, Investment Specialist, from Oppenheimer Funds. Their presentations which were included in the meeting materials, gave an overview of the program which included portfolio allocations, performance and underlying investment performance for the period ending July 31, 2015. They reported total program assets of \$422,716,448 for the period.

**FNBO Annual Report:** Ms. Deborah Goodkin, Managing Director College Savings Plans and Mr. Stacy Auman, Investment Officer provided program statistics, performance by investment option, sales, marketing and promotional efforts. They reported total accounts as of June 30, 2015, of 172,417 with assets totaling over \$3.4 billion. A copy of the NEST 2015 Annual Report was included in the meeting materials.

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

**NPERS' Report: 10:10 a.m. to 10:30 a.m.** Ms. Chambers reported 1,000 school retirements since the first of the year. Ms. Chambers also reported that the dividend for eligible members of both the State and County Cash Balance Plans have been credited to Cash Balance member's accounts. Ms. Chambers informed the Council that the RFP for the State, County, Deferred Compensation and DROP Plans will be released next week. Ms. Chambers informed the Council that the GASB 68 Report has been finalized.

**STATE TREASURER'S REPORT: 10:30 a.m. to 10:55 a.m.** Treasurer Stenberg discussed the Achieving a Better Life Experience (ABLE) program. The ABLE program encourages people to save private funds for the purpose of supporting individuals with disabilities. Treasurer Stenberg indicated that Ms. Mary Anne Busse, ABLE consultant for the Treasurer will be joining the meeting via teleconference to discuss the program. Treasurer Stenberg indicated that only one RFP response for the ABLE program manager was received and that was from First National Bank Omaha (FNBO). Treasurer Stenberg summarized the FNBO proposal and discussed the proposed investment options with the Council. The Treasurer plans to have the process completed and ready for the Council's approval of the contract at the November 16, 2015, Council meeting.

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**AUDIT COMMITTEE REPORT: 10:55 a.m. to 11:00 a.m.** Dr. DeFusco reported that he and Mr. Maginn, Audit Committee members, had met with Ms. Joyce Schlautman, Internal Auditor via conference call on September 17, 2015. Ms. Schlautman reported that all Council policies and procedures are being followed. A copy of the Audit Committee Report was distributed to the Council and is included in the attachments to the minutes.

**NIC INTERNAL AUDIT REPORT: 11:00 a.m. to 11:20 a.m.** Ms. Schlautman, NIC Internal Auditor discussed the status of the CAFR testing and reported that staff from the State Auditor's Office will be wrapping up their field work at the NIC for the CAFR this week. Ms. Schlautman provided examples of the review process relating to the manager compliance review, manager monthly compliance letter, and the manager guideline compliance screen. A copy of the presentation is included in the attachments to the minutes.

**NIC SECURITIES ANALYST PRESENTATION: 11:20 a.m. to 11:40 a.m.** Mr. Sanders, NIC Securities Analyst provided the Council with information regarding a Research Management System (RMS) he is researching. The RMS is a software application used to store and organize all information in one centralized location. A copy of the presentation was included in the meeting materials.

The Council took a break and reconvened at 12:00 p.m.

**PRIVATE EQUITY: 12:00 p.m. to 1:15 p.m.**

**A. Performance Report:** Mr. Ingram's presentation which was included in the meeting materials reviewed the CY15 Q1 private equity performance. Mr. Ingram gave an overview of the portfolio and asset allocation for the DB/CBB and GE Plans. Mr. Ingram discussed the diversification breakdown, benchmarking, quarterly drivers of performance, performance by strategy type and pacing schedule.

**B. HarbourVest Dover IX, L.P.:** Mr. Jurich and Mr. Ingram reviewed a new fund being offered by HarbourVest Partners, a current NIC investment manager. The new Fund, Dover Street IX, L.P. (Fund IX), invests in global secondary purchases of venture capital, buyout, and other private equity assets. Fund IX will invest across all vintage years, industries and geographies. Fund IX will employ three specific types of transactions including: traditional limited partner interests, portfolios of direct investments in companies (synthetic secondaries), and structured transactions. Mr. Jurich provided background information on the Firm. Mr. Ingram indicated that Aon Hewitt has conducted a thorough qualitative and quantitative assessment of Fund IX. Mr. Ingram discussed the investment merits and concerns associated with Fund IX and the Firm. Mr. Ingram indicated that as part of the NIC's 2015 private equity investment pacing of \$150 million for the Defined Benefit/Cash Balance Benefit Plans, Aon Hewitt supports the NIC staff's recommendation to make a \$50 million commitment to Dover Street IX, L.P., subject to completion of a legal review and satisfactory agreement of terms. A copy of their presentation was included in the meeting materials.

Following discussion by the Council Mr. Dinkel moved that the Nebraska Investment Council Defined Benefit Plans and Cash Balance Benefit Plans make a \$50 million commitment to Dover Street IX, L.P. subject to completion of a legal review and satisfactory agreement of terms. 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.

**C. Ares ACOF V, L.P.:** Mr. Jurich and Mr. Ingram reviewed a new fund being offered by Ares Management LLC, a current NIC investment manager. The new Fund, Ares Corporate Opportunities Fund V, L.P. (ACOF V), is being established by Ares Management in order to pursue opportunistic investments in companies with strong "franchises" and attractive growth opportunities, utilizing the Fund's flexible capital to seek the most attractive balance of risk and reward across market environments. As with prior funds, ACOF V will approach the market with

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Growth At a Reasonable Price (“GARP”) framework targeting primarily North American and European businesses where the Ares Private Equity Group’s capital can unlock growth. Mr. Jurich provided background information on the Firm. Mr. Ingram indicated that Aon Hewitt has conducted a thorough qualitative and quantitative assessment of ACOF V. Mr. Ingram discussed the investment merits and concerns associated with ACOF V and the Firm. Mr. Ingram indicated that as part of the NIC’s 2015 private equity investment pacing of \$150 million for the Defined Benefit/Cash Balance Benefit Plans, Aon Hewitt supports the NIC staff’s recommendation to make a \$50 million commitment to Ares Corporate Opportunities Fund V, L.P., subject to completion of a legal review and satisfactory agreement of terms. A copy of their presentation was included in the meeting materials.

Following discussion by the Council Mr. Conley moved that the Nebraska Investment Council Defined Benefit Plans and Cash Balance Benefit Plans make a \$50 million commitment to Ares Corporate Opportunities Fund V, L.P. subject to completion of a legal review and satisfactory agreement of terms. 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.

**AON HEWITT PORTFOLIO STRESS TEST: 1:15 p.m. to 1:50 p.m.** Mr. Kotary reviewed with the Council the memo included in the meeting materials “Stress Testing the Nebraska DB Plan Under Different Economic Scenarios”, which examined the Nebraska portfolio’s expected performance under various economic scenarios. Council discussion followed with Mr. Walden-Newman requesting any additional feedback from the Council be sent to him.

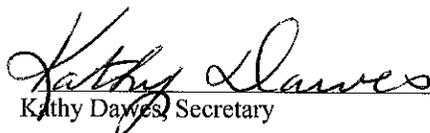
**CALENDAR: 1:50 p.m. to 1:58 p.m.** The Council decided on the following meeting dates for 2016, start time 8:30 a.m.:

- February 25, 2016
- March 24, 2016
- May 26, 2016
- July Retreat TBD
- September 15, 2016
- November 21, 2016

**PUBLIC COMMENT ON THE AGENDA: 1:58 p.m. to 2:00 p.m.** Ms. Werner-Robertson asked if there was any public comment on the agenda. There was no public comment on the agenda.

At 2:00 p.m. Mr. Dinkel moved to adjourn the meeting. Dr. DeFusco seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:	Mr. Conley Dr. DeFusco Ms. Werner-Robertson Mr. Maginn Mr. Dinkel
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Kathy Dawes, Secretary