

**NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
April 8, 2008**

A regular meeting of the Nebraska Investment Council convened at 8:30 a.m. at the Embassy Suites in Lincoln, NE.

Public notice was posted on the Nebraska Public Meeting Calendar on March 21, 2008, and published in the Lincoln Journal Star on March 30, 2008. 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
Mr. John Dinkel
Mr. Norm Riffel
Treasurer Shane Osborn
Ms. Phyllis Chambers

NONMEMBERS IN ATTENDANCE:

Mr. David Bomberger, State Investment Officer
Ms. Kathy Dawes, Council Secretary
Mr. Joe Jurich, Nebraska Investment Council
Mr. Christopher Heinrich, Harding & Shultz
Mr. Kevin Vandolder, Ennis Knupp + Associates
Mr. Armand Yambao, Ennis Knupp + Associates
Mr. Muzammil Waheed, Ennis Knupp + Associates
Mr. Jason Hayes, Deputy State Treasurer
Ms. Rachael Rezabek, Director, College Savings Program
Mr. Gary Bush, DAS Budget

ADVISE THE PUBLIC THAT THE OPEN MEETINGS LAWS APPLY: 8:31 a.m. to 8:32 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 FEBRUARY 12, 2008, AND MARCH 18, 2008, MEETINGS: 8:32 a.m. to 8:33 a.m. Mr. Maginn moved that the April 7, 2008, draft of the February 12, 2008, and the March 19, 2008, draft of the March 18, 2008, meetings be approved. 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

The motion carried.

COUNCIL MEMBER BUSINESS: 8:33 a.m. to 8:40 a.m. Ms. Werner-Robertson indicated that Ms. Chambers, Mr. Dinkel and Mr. Riffel would be attending Ennis Knupp's Client Education Session, April 21-22, 2008. Mr. Bomberger stated that he would continue to provide information to Council members on upcoming conferences and other educational opportunities as they become available.

Ms. Werner-Robertson stated that in a recent meeting with the Governor, the Governor had commented on the Derivates Policy. Ms. Werner-Robertson asked Mr. Maginn and Dr. DeFusco, members of the NIC's Audit Subcommittee, to evaluate the Derivatives Policy and make any recommendations to the Council before the next Agency audit. Ms. Werner-Robertson would also update the Governor on the Policy at that time.

Ms. Werner-Robertson stated that Ms. Nancy Williams, with Ennis Knupp would be facilitating the evaluation of the State Investment Officer at the June 10, 2008, Retreat. All members of the Council would be requested to complete an evaluation of Mr. Bomberger in advance of the June 10th meeting. Ms. Werner-Robertson asked that

NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
April 8, 2008

the members take time in completing the evaluation, so that Mr. Bomberger can be given good feedback. Ms. Werner-Robertson stated that the Council would also be discussing the current asset allocation. She stated that based on the Asset Liability Study, input and recommendations from the consultant and staff, the Council would make a decision on the strategic asset allocation.

COMPENSATION PRACTICES AT PUBLIC PLANS BY MCLAGAN PARTNERS: 8:40 a.m. to 8:41 a.m. Mr. Bomberger indicated that Mr. Chris Murphy from McLagan Partners has completed his review of five NIC positions and would be joining the meeting via conference call to discuss his findings.

EXECUTIVE SESSION: 8:41 a.m. to 9:25 a.m. Mr. Maginn moved to enter into closed session. The subject matter of the closed session is to discuss the job performance and compensation of Council personnel, which should be kept confidential to prevent needless injury to the reputation of individuals. 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

The motion carried.

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

At 9:25 a.m. Mr. Maginn moved that the Council return to open session. Dr. DeFusco 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

The motion carried.

PRESENTATION BY ABBOTT CAPITAL MANAGEMENT: 9:26 a.m. to 10:15 a.m. Mr. Bomberger introduced Mr. Charles van Horne, Managing Director, Marketing and Client Services and Mr. Jonathan Roth, Managing Director. Their presentation included comments on Abbott Capital's management and discussion of their current fund offering, ACE VI. A copy of the presentation was included in the meeting book.

The Council discussed what they liked and disliked about ACE VI. After discussion, Dr. DeFusco moved to commit \$45 million of the combined General and Healthcare Endowments to ACE VI, pending legal review of the Limited Partnership Agreement by the Council's attorney. 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

The motion carried.

REAL ESTATE INVESTMENT POLICY UPDATE: 10:15 a.m. to 10:20 a.m. Mr. Bomberger indicated that the Council's deficit request for real estate consulting and the addition of staff has been approved. The deficit bill,

**NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
April 8, 2008**

LB 959 was signed by the Governor and is effective on April 8, 2008. Mr. Bomberger and Mr. Heinrich will be working with Ennis Knupp on the letter of agreement to provide private real estate consulting services.

Mr. Brown reviewed and presented to the Council for their consideration an updated Real Estate Investment Policy. The Council had suggested several changes to the Policy at the February 12, 2008, Council meeting. Mr. Bomberger had asked Mr. Maginn to review the changes prior to requesting Council approval and had included a red-line copy of the Policy in the meeting book. Following discussion by the Council, Mr. Maginn moved to adopt the Policy as written. Mr. Riffel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

The motion carried.

PRIVATE REAL ESTATE FUND PRESENTATION: 10:20 a.m. to 10:30 a.m. Mr. Brown reviewed with the Council the Five Arrows Reality Securities V, LP (FARS V), a closed-end, value-added fund managed by Rothschild Realty Managers. Mr. Brown indicated that Ennis Knupp has conducted a thorough qualitative and quantitative assessment of FARS V and Rothschild Realty Managers. Mr. Brown discussed with the Council the investment merits and concerns of each. Based on their due diligence, Ennis Knupp recommends a \$25 million commitment to Five Arrows Reality Securities V, LP, which would complete the real estate commitment. A copy of the presentation was included in the meeting book.

PRESENTATION BY ROTHSCHILD REALTY MANAGERS, LLC: 10:30 a.m. to 11:00 a.m. Mr. Bomberger introduced Mr. John McGurk, President and Mr. John Ryan, Director. Mr. McGurk and Mr. Ryan gave an overview of the firm, its philosophy, investment objectives and performance and discussed the fund, Five Arrows Realty Securities V, LP. A copy of their presentation was included in the meeting book.

Following the presentation, the Council discussed what they liked and disliked about the fund. Mr. Maginn moved to allocate \$25 million to Five Arrows Reality Securities, V, LP, subject to legal review by the Council's attorney. 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
-------------	---

The motion carried.

The Council requested that Mr. Brown email to them the current real estate commitment. Mr. Brown indicated that he would also continue to provide this information as an appendix to the quarterly performance report.

At 11:00 a.m. the Council took a break and reconvened at 11:15 a.m.

ASSET LIABILITY STUDY: 11:15 a.m. to 1:05 p.m. Mr. Vandolder explained that the objective of the Asset Liability Study (ALS) is to evaluate the long-term strategic asset allocation for the Defined Benefit Plans. Ennis Knupp recommends an ALS be done every three to four years, looking at a 15 year period. The primary focus of the ALS is to determine the split between all "risky" assets and fixed income. Mr. Vandolder introduced two actuaries from Ennis Knupp, Mr. Armand Yambao, Principal and Mr. Muzammil Waheed, Senior Investment Analyst, who completed the Asset Liability Study for the School DB Plan. Their report included the following:

- Objectives, scope and process
- Assumptions

NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
April 8, 2008

- Financial risk analysis
- Analysis of alternative equity allocation targets
- Observations and preliminary recommendation

Mr. Bomberger stated that at this time he believes that there is no need to change the portfolio's 70/30 allocation, but indicated that the Council would be discussing further the current allocation at the June 10th Retreat. Mr. Vandolder provided the steps and timeline that Ennis Knupp recommends be taken in reviewing the strategic asset allocation. Following discussion by the Council, Mr. Dinkel moved to keep the current allocation of 70% equities and 30% fixed income. Dr. DeFusco 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

The motion carried.

A copy of the Asset Liability Report was included in the meeting book.

At 1:05 p.m. the Council took a break and reconvened at 1:15 p.m.

PRESENTATION BY DIMENSIONAL FUND ADVISORS: 1:15 p.m. to 1:55 p.m. Mr. Bomberger introduced Mr. Robert T. Deere, Investment Director, Senior Portfolio Manager and Ms. Carol Wardlaw, Vice President. Mr. Deere and Ms. Wardlaw's presentation included an overview of the firm, its philosophy, goals, and investment strategy. Ms. Wardlaw also distributed to the Council a copy of the portfolio as of March 31, 2008. A copy of their presentation was included in the meeting book.

NON-U.S. GROWTH EQUITY MANAGER: 1:55 p.m. to 2:10 p.m. The Council had discussed at the February 12, 2008, Council meeting the structure of the NIC's Defined Benefit and General Endowment Plans' non-U.S. equity portfolio. The Council requested that Mr. Bomberger and Ennis Knupp identify a growth-oriented manager for the Council to consider. Mr. Vandolder reviewed the process taken by Ennis Knupp in their review of five candidates. Mr. Bomberger and Ennis Knupp recommend hiring McKinley Capital, with a commitment of up to \$250 million out of the passive account and out of the GMO allocation. A copy of the presentation was included in the meeting book.

PRESENTATION BY MCKINLEY CAPITAL MANAGEMENT: 2:10 p.m. to 2:40 p.m. Mr. Bomberger introduced Mr. Robert Gillam, Senior Vice President and Chief Investment Officer and Ms. Sheila Borer, Director of Institutional Marketing. Mr. Gillam and Ms. Borer gave an overview of the firm, its philosophy, investment objectives and performance. A copy of their presentation was included in the meeting book.

Following the presentation, the Council discussed what they liked and disliked about the firm. Mr. Maginn moved to adopt Mr. Bomberger and Ennis Knupp's recommendation to retain McKinley Capital, with a commitment of up to \$250 million out of the passive account and out of the GMO allocation, pending a review of the Investment Management Agreement by the Council's attorney. Dr. DeFusco 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

The motion carried.

**NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
April 8, 2008**

PRESENTATION BY LOOMIS SAYLES: 2:40 p.m. to 3:12 p.m. Mr. Bomberger introduced Mr. Matthew Eagan, Vice President, Fixed Income Portfolio Manager and Mr. David Saponaro, Vice President, Client Portfolio Manager. Mr. Eagan and Mr. Saponaro's presentation included an overview of the firm, its philosophy, investment strategy, market review, and its historic performance results. A copy of their presentation was included in the meeting book.

CUSTODIAN BANK CONTRACT: 3:12 p.m. to 3:15 p.m. Mr. Bomberger indicated that Treasurer Osborn, State Street Bank, and he have completed contract negotiations to retain State Street Bank as the State's global custodian bank and securities lending agent. Mr. Bomberger requested Council's approval of the contract. Mr. Maginn moved to approve the custodian contract and securities lending authorization agreement with State Street Bank and Trust Company dated, April 8, 2008. Mr. Riffel 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

The motion carried.

COLLEGE SAVINGS PLAN UPDATE: 3:15 p.m. to 3:20 p.m. Mr. Bomberger distributed a memo from Ennis Knupp regarding the proposed Oppenheimer 529 funds. Mr. Pawlak, Ennis Knupp joined the meeting via telephone conference call. Mr. Pawlak reviewed the memo regarding Oppenheimer's proposed investment structure for the State Farm College Savings Plan. Ennis Knupp believes that the proposed investment structure is an improvement over the current structure in terms of fees, performance, and reduction of complexity to 529 investors and recommends Council approval. Following discussion by the Council, Mr. Riffel moved to adopt Ennis Knupp's recommendation to retain Oppenheimer for the State Farm College Savings Plan. Mr. Maginn seconded the motion. Ms. Werner-Robertson called for a roll call vote.

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

The motion carried.

EXECUTIVE SESSION: 3:20 p.m. to 3:35 p.m. Mr. Maginn moved to enter into closed session for the protection of the public interest. Specifically, the reason for the closed session and subject matter is to discuss and develop strategy for the negotiation of agreements related to the Nebraska College Savings Plan. 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

The motion carried.

Ms. Werner-Robertson requested that only the voting and non-voting members of the Council, Mr. Bomberger, Mr. Heinrich, Mr. Vandolder, Mr. Hayes, Ms. Rezabek, Mr. Jurich, and Ms. Dawes be present and all others in attendance were excused.

**NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
April 8, 2008**

At 3:35 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. Riffel
 Ms. Werner-Robertson
 Dr. DeFusco

The motion carried.

STATE INVESTMENT OFFICER'S REPORT: 3:35 p.m. to 3:46 p.m.

2007 Annual Report: Mr. Bomberger informed the Council that on March 27, 2008, he had presented to the Legislative Retirement Committee the NIC's 2007 Annual Report. Mr. Bomberger indicated that he had also met and reviewed it with the Governor. Copies of the Report are being sent to all State Senators.

IMA's executed since the last meeting: Mr. Bomberger indicated that agreements executed since the last Council meeting were with CB Richard Ellis Investors and Bridgepoint Capital Limited.

Agency Budget Report/Legislation: Mr. Bomberger distributed copies of the Agency's Budget Report. Mr. Bomberger indicated that the Council's deficit request for real estate consulting and the addition of staff has been approved. The deficit bill, LB 959 was signed by the Governor and is effective on April 8, 2008. Mr. Bomberger and Mr. Heinrich will be working with Ennis Knupp on the letter of agreement to provide private real estate consulting services and the agreement will be presented to the Council at the June 3, 2008, meeting.

Mr. Bomberger reported that LB 1143, which provides funding for a comprehensive review of the NIC's current statutory, regulatory, and organizational structure, has been included as an amendment to LB 1147, which is being prepared for final reading. Mr. Bomberger indicated that the Legislature's Performance Audit Committee's request for the NIC to complete an Asset Allocation Study as part of its performance audit of the Board of Educational Lands and Funds is progressing and will be presented to the Committee at a later date.

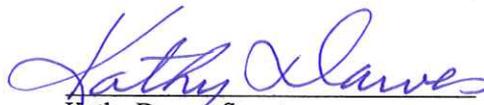
Action Plan, Conferences, Next Meeting: Mr. Bomberger indicated that the next Council meeting would be June 3, 2008, at the Omaha Regency Marriott, to begin at 8:30 a.m. The Council Retreat on June 10, 2008, will begin at 8:30 a.m. at Quarry Oaks, near Ashland.

PERB UPDATE: 3:46 p.m. to 4:00 p.m. Ms. Chambers indicated that copies of NPERS' Annual Report would be sent directly to Council members. Ms. Chambers updated the Council on the IT Project and indicated that the Office of the CIO is preparing an agreement for continued support of the IT Project once it is completed. Ms. Chambers reviewed the status of current legislation effecting NPERS, indicating that several bills have been amended into LB 1147.

At 4:00 p.m. Mr. Dinkel moved to adjourn the meeting. Mr. Maginn 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

The motion carried.


Kathy Dawes, Secretary