



Position Specification

State Investment Officer

Nebraska Investment Council (NIC or Council), located in Lincoln, Nebraska, is searching for a *State Investment Officer* (SIO) to lead this independent state investment agency responsible for the management of over \$20.6 billion in assets.

The current SIO is retiring. The opportunity to work with a highly-regarded board and to lead an investment office with a long history of superior investment performance makes this an exceptional opportunity.

Council Overview

The NIC manages the investments of over 30 different entities representing approximately 200 state and local government departments and agencies (clients). The Council's responsibilities are primarily asset management; they do not administer benefits or determine contribution rates for any of the plans or the spending policy for the non-retirement entities. The State Treasurer, by statute, is the designated custodian of all funds, which has been contracted to State Street.

"It is the Mission of the Nebraska Investment Council to prudently manage the funds entrusted to us by the people of the State of Nebraska. We deliver investment management services to provide direct financial benefit exclusively to the owners of these funds. We are committed to thorough, sound, and informed analysis in order to achieve superior returns while maintaining prudent levels of risk."

The assets of these clients fall into eight major investment pools:

- Defined Benefit Plans – School, State Patrol and Judges
- State and County Retirement Plans and Deferred Compensation Plan
- Operating Investment Pool
- Educational Savings Plan Trust
- General Endowment Funds
- Health Care Endowment Fund
- University Funds
- Miscellaneous Trust

The NIC is also the fiduciary for the \$309 million Fund N (former Othmer-Topp Endowment Fund) managed by the University of Nebraska Foundation.

Table 1 summarizes the asset value of each asset pool as of December 31, 2013. The Defined Benefit Plans (DB Plans), representing 45.8% of the total portfolio, is the largest share of NIC assets managed.

Table 1 – Summary of NIC Assets at December 31, 2013

Plan	Asset Value (\$ millions)	% of Total
Defined Benefit Plans	9,443	45.8
State and County Retirement Plans and Deferred Compensation Plans	2,570	12.5
Operating Investment Pool	3,684	17.9
Educational Savings Plan Trust	3,406	16.5
General Endowment Funds	719	3.5
Health Care Endowment Fund	390	1.9
University Funds	308	1.5
Miscellaneous Trusts	75	0.4
Total Assets	20,595	100.0

NIC is governed by a seven-member board; the Governor appoints five voting trustees for five-year terms. In addition, the Nebraska State Treasurer and Nebraska Public Employees Retirement Systems (NPERS) Director are non-voting members. There are no expected trustee changes and the current Council Chair was reappointed by the Governor; as Chair, her term expires in 2018.

2013 Highlights

The calendar year was a productive one for the Council. Some of the accomplishments include:

- Completed an asset/liability study for the DB and Cash Balance Benefit (CBB) Plans.
- Adopted a new strategic asset allocation for the DB and CBB Plans increasing the Real Estate allocation from 5.0% to 7.5%. (The funding source will be determined in 2014.)
- Approved three changes within the fixed income asset class for the DB/CBB Plans; the changes are expected to improve income yield, provide a hedge against a future rise in interest rates, and give greater discretion to the core-plus fixed income managers.
- Made five commitments to private equity funds and a first time commitment to a real estate debt fund.
- Created a new Accountant position and expanded the Internal Auditor position.
- Conducted a review of the internally managed Operating Investment Pool (OIP) to update investment guidelines.

For additional information on the NIC, visit www.nic.ne.gov. The 2013 Comprehensive Annual Report is available at <http://www.nic.ne.gov/policy/Annual%20Report%202013.pdf>.

Investment Overview

At the end of 2013, total AUM were \$20.6 billion, an increase of 16% from the comparable prior year period. The increase is 70.1% above December 31, 2008 after declining 21% over that year. Asset values have fully recovered and are above their peak level in early 2008 prior to the financial and credit market crisis.

Assets are generally commingled for investment, with some variations to acknowledge differences in the type of entity. At December 31, 2013, the DB and CBB Plans asset allocations are presented in Tables 2 and 3.

Table 2 – DB Plans Asset Allocation

Asset Class	Actual %	Policy %
U.S. Equity	38.0	31.5
Global Equity	16.4	15.0
Non-U.S. Equity	11.7	13.5
Fixed Income	25.7	30.0
Real Estate (increased to 7.5%)	4.4	5.0
Private Equity	3.7	5.0
Cash	0.1	0.0
Total	100.0	100.0

Table 3 – Cash Balance Benefit Plan Asset Allocation

Asset Class	Actual %	Policy %
U.S. Equity	37.7	31.5
Global Equity	16.3	15.0
Non-U.S. Equity	11.7	13.5
Fixed Income	26.3	30.0
Real Estate (increased to 7.5%)	4.4	5.0
Private Equity	3.7	5.0
Total	100.0	100.0

Approximately 55 external managers manage the assets, with total investment expenses of \$36 million, including manager and other investment services.

The OIP, over \$3.6 billion in value as of December 31, 2013, is managed internally. NIC's target allocation is 85% in Intermediate Government/Corporate Portfolio and 15% in the Short-Term Liquidity Portfolio. The OIP asset allocation includes 33.7% in Corporate Bonds, 32% in Government Agencies, and 24.3% in U.S. Treasury Notes, the remaining in money market funds, other agencies, and commercial paper.

NPERS historically have reported funding levels above that of many other state pension plans. For fiscal year ended June 30, 2013, the School Retirement, Judges, and State Patrol were 77%, 88% and 76% funded, respectively. The State Cash Balance and County Cash Balance plans reported funding levels of 99.2% and 100.3% in 2014. The State Cash Balance and County Cash

Balance plans both use an actuarial investment rate of return of 7.75% and the DB Plans use 8.0%.

NIC has continued to report investment returns for the DB Plans and CBB Plans that exceed policy benchmarks as indicated in Table 4.

Table 4 – DB Plans Returns as of December 31, 2013 (net of fees)

	1-Year	3-Years	5-Years	10-Years	Since Inception
Total All Funds	18.3%	10.3%	13.2%	7.1%	9.4%
<i>Policy Benchmark</i>	<i>17.4%</i>	<i>9.9%</i>	<i>13.1%</i>	<i>7.1%</i>	<i>9.5%</i>

The various funds in the DB Plans and CBB Plans are invested identically and share the same manager investment results. The U.S. Equity, Global Equity, and Non U.S. Equity performed well with 34.1%, 25.5%, and 18.6%, respectively, outperforming their benchmarks. The Fixed Income portfolio's return was -1.4%, compared to the benchmark of -1.3%.

Position Responsibilities

The SIO reports to the NIC and has full responsibility and authority, as delegated by the NIC, for the management and administration of its assets within regulatory statutes and investment policies established by the NIC and the state of Nebraska. In addition to the SIO, there are eight people in the agency: Deputy State Investment Officer, three Portfolio Managers, Back Office Manager, Business Manager, Internal Auditor, and Secretary. One additional accountant position is in the process of being hired.

The SIO has the broad investment and organizational responsibilities that generally accompany the position of a Chief Investment Officer. The NIC also relies on investment consultants for general investment consulting, private equity and private real estate consulting. The major responsibilities, further set forth in the Nebraska Statute, include:

- Investment Policies: Provide oversight and coordinate the development of the investment policies for the approval of the NIC.
- Investment Managers and Service Providers: Identify and participate in the recruitment, selection, and contract negotiation process.
- Implementation Activities: Provide oversight of portfolio accounting, cash allocation, and compliance of the investment funds with state and federal laws and regulations.
- Administration: Execute legal documents (investment advisory and consulting contracts, partnership agreements and commingled fund subscription agreements).
- External Activities: Represent the state investment programs, including providing testimony, to other state agencies, the Governor's office, Legislature, and Legislative Committees (e.g., Retirement and Appropriations Committees), federal government agencies and media.
- Council Education: Provide educational sessions on current investment topics.

The investment office operates very effectively and has long history of superior investment performance. The Council is searching for a SIO to continue this positive trend and recommend opportunities that will further strengthen investment operations and enhance investment performance.

Qualifications and Experience

The NIC is searching for a senior investment leader, with a moderately conservative investment philosophy, and a track record of generating returns in excess of appropriate benchmarks. The minimum qualifications and preferences include:

- Bachelor's degree (Master's preferred) in economics, finance, business or a related field.
- CFA preferred.
- Generalist investment knowledge and experience across all asset classes.
- Preference for experience in private equity and real estate asset classes, and internal management of short and intermediate bonds.
- Established relationships with best-in-class managers across all asset classes.
- Demonstrated track record of training, developing and retaining investment staff.

Investment management experience leading a public pension fund or state investment agency is preferred. However, applicants from other investment organizations with relevant experience, a proven track record of generating returns in excess of appropriate benchmarks, and the interpersonal skills to effectively work within the public sector will also be considered. The SIO appointment is subject to the approval of the Governor and Legislature.

Personal Characteristics

Key competencies include integrity, good judgment, and the emotional intelligence to lead others through complex challenges and opportunities. The ideal candidate has the skills to:

- Educate, advise, and provide expertise and solutions to the Council.
- Listen to and utilize the investment experience and knowledge of Council members.
- Educate and build trust with stakeholders and elected officials.
- Communicate in a direct, transparent, honest and forthright manner.
- Articulate complex investment matters in terms appropriate to various audiences.

The SIO must have excellent communication skills and the poise and presence to interact with Council members, NIC clients, Legislature, Governor, and other stakeholders. It is important that the SIO establish a collaborative relationship with the NPERS Director and the State Treasurer as these offices administer many of the plans, and with the Legislature through the Chair, Retirement Systems Committee.

The SIO must be intellectually sharp, a strategic thinker, a visionary, and one who will bring new ideas and best practices to advance investment operations and investment performance. Government experience is a plus and the SIO must understand and respect the requirements of

working in a public environment and be adaptable and versatile, a good listener, approachable and persuasive, capable of influencing decision-making within state government.

The Council is seeking a leader that lives a management style that is collaborative and collegial, with qualities, such as empathy and humility. The ideal candidate must be achievement-oriented and able to motivate people to perform at high levels, establish challenging goals, and hold people accountable for their performance.

Compensation

Cash compensation includes a base salary and is competitive to attract top investment professionals from the national market. Health care, retirement benefits, and relocation assistance are also provided.

Quality of Life and Living in Lincoln and Omaha

Nebraska is the “Heartland” of the U.S. The State’s overall financial condition is stronger than many states as the Nebraska Constitution generally allows no indebtedness; government expenses must be met on a pay-as-you-go basis. Nebraska is the only state with a unicameral legislature – a legislature with only one house and is nonpartisan.

Nebraska is among one of the least expensive states to live in the U.S., with a cost of living below the national average in all major categories. The state also has the third lowest unemployment rate in the nation at 3.6%.

Lincoln is the state capital, with a population over 260,000, and home of the Cornhuskers at the University of Nebraska, members of the Big Ten Conference. Lincoln’s economy is fairly typical of a mid-sized city with most economic activity derived from service industries. State government and the University are large contributors to the local economy. Other prominent industries include banking, information technology, insurance, and rail and truck transport.

Its steady economy, family-friendly neighborhoods, small town college atmosphere, low crime rates, growing diversity, world-class health care facilities, vast educational offerings, and an abundance of park space fall in line with the Midwestern ideal city. The Railyard, Lincoln’s emerging entertainment district, features the Pinnacle Bank Arena, over 13 restaurants, live entertainment, and a public market.

The University is an integral part of the community and culture. In 2013, for the 10th straight year, Nebraska was ranked among the top 50 public universities in *U.S. News and World Report’s* America’s Best Colleges. In 2014, it was rated by the *Princeton Review* a Best Value Public University, and *Kiplinger’s* as one of the Best Values in Public Colleges. Other colleges and universities based in Lincoln include BryanLGH College of Health Sciences, Nebraska Wesleyan University, and Union College.

Omaha, located approximately 60 miles northeast of Lincoln, is the state's largest city. The Henry Doorly Zoo features the world's largest nocturnal exhibit, indoor swamp, indoor rainforest, indoor desert, and geodesic dome. The North Downtown district, also called "NoDo," includes the Century Link Center that attracts big name talent while providing a spacious technology-rich venue for conventions.

TD Ameritrade Park, seating 24,000, also downtown, is home field of the College World Series. The Series has been held in Omaha since 1950; in an agreement with the NCAA, it will remain in Omaha until at least 2035. The Park is also home for Creighton University Bluejays. Werner Park is a minor league ballpark and is home to the Omaha Storm Chasers, an affiliate of the Kansas City Royals. The city also hosts the nation's second largest rodeo, the AkSarBen River City Rodeo.

Five Fortune 500 companies are located in and around the city including: ConAgra Foods, Union Pacific Corporation, Peter Kiewit and Sons, Mutual of Omaha Companies, and Berkshire Hathaway. Omaha also headquarters other major corporations, including the Green Plains Renewable Energy, TD Ameritrade, Valmont Industries, and Werner Enterprises.

There are 11 colleges and universities among Omaha's higher education institutions. One of the largest is Creighton University, a private Jesuit institution with over 7,700 students. In the recent *U.S. & World Report* rankings, Creighton was again ranked the No. 1 Midwest Regional university (16 out of 17 years ranked first).

The Lincoln Airport provides daily non-stop service to O'Hare, Denver, Minneapolis St. Paul, Salt Lake City, and Atlanta airports. Omaha's Eppley Airfield provides direct and connecting flight service with the major airline carriers.

Please visit <http://www.lincoln.ne.gov> and <http://www.cityofomaha.org/> for more information.

For additional information or to submit an application, please contact:

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