

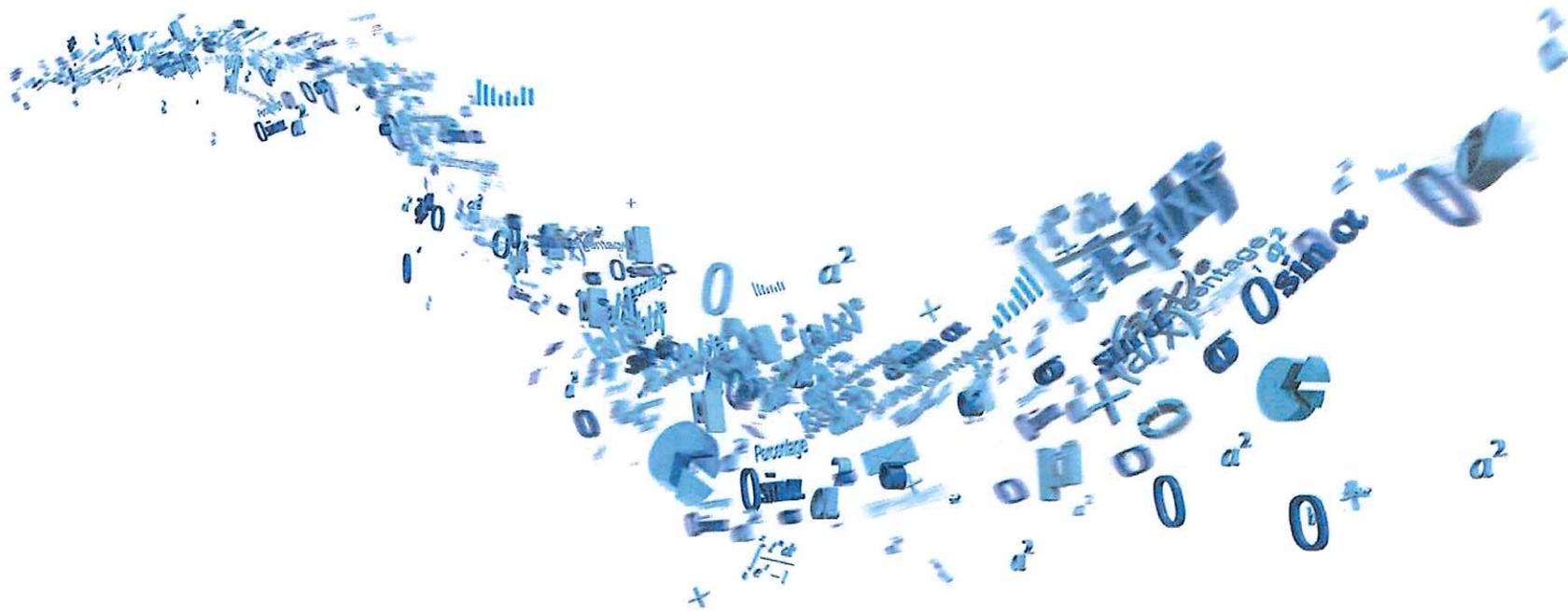
# Nebraska Investment Council

---

## Second Quarter 2016 Performance Review

Visit the Aon Hewitt Retirement and Investment Blog (<http://retirementandinvestmentblog.aon.com>); sharing our best thinking.





## Executive Summary

---

## Highlights

## Total Assets by Plan

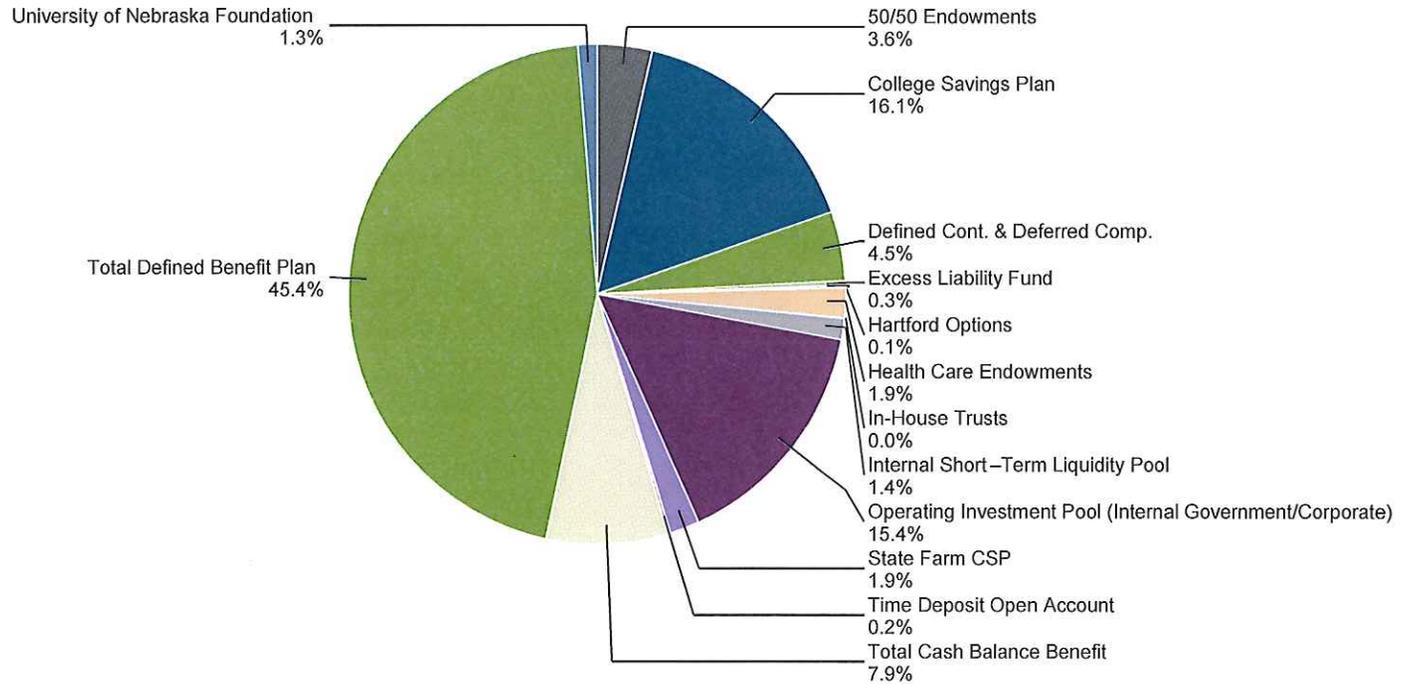
Total Defined Benefit Plan	\$10,154,585,565
Defined Cont. & Deferred Comp.	\$996,976,883
Total Cash Balance Benefit	\$1,756,827,335
Hartford Options	\$33,071,592
College Savings Plan	\$3,605,286,410
State Farm CSP	\$434,301,415
Health Care Endowments	\$424,464,328
50/50 Endowments	\$795,344,500
Excess Liability Fund	\$68,254,686
In-House Trusts	\$9,767,585
Internal Short-Term Liquidity Pool	\$303,669,187
Operating Investment Pool (Internal Government/Corporate)	\$3,441,204,256
Time Deposit Open Account	\$46,600,000
University of Nebraska Foundation	\$283,911,735
<b>Total</b>	<b>\$22,354,265,476</b>

## Performance(%)

	1 Quarter	Year To Date	FYTD	1 Year	3 Years	5 Years	10 Years
<b>Major Capital Markets</b>							
Dow Jones U.S. Total Stock Market Index	2.6	3.6	2.0	2.0	11.0	11.5	7.5
MSCI AC World ex USA Index (Net)	-0.6	-1.0	-10.2	-10.2	1.2	0.1	1.9
Barclays Universal	2.5	5.7	5.8	5.8	4.2	4.0	5.3
CPI	1.2	1.9	1.0	1.0	1.1	1.3	1.7

Asset Allocation by Plan

June 30, 2016 : \$22,354,265,476



### All Plans – Actual vs. Policy Allocation

	Defined Benefit Plan				Cash Balance Benefit			
	Actual	Policy	Difference	Policy Ranges	Actual	Policy	Difference	Policy Ranges
<b>U.S. Equity</b>	34.5%	31.5%	3.0%	26.5% - 36.5%	34.2%	31.5%	2.7%	26.5% - 36.5%
<b>Non-U.S. Equity</b>	9.9%	13.5%	-3.6%	8.5% - 18.5%	9.8%	13.5%	-3.7%	8.5% - 18.5%
<b>Global Equity</b>	15.2%	15.0%	0.2%	10.0% - 20.0%	15.1%	15.0%	0.1%	10.0% - 20.0%
<b>Fixed Income</b>	29.4%	30.0%	-0.6%	25.0% - 35.0%	29.9%	30.0%	-0.1%	25.0% - 35.0%
<b>Real Estate</b>	6.5%	5.0%	1.5%	0.0% - 10.0%	6.4%	5.0%	1.4%	0.0% - 10.0%
<b>Private Equity*</b>	4.5%	5.0%	-0.5%	0.0% - 10.0%	4.5%	5.0%	-0.5%	0.0% - 10.0%

	Health Care Endowment				50/50 Endowment			
	Actual	Policy	Difference	Policy Ranges	Actual	Policy	Difference	Policy Ranges
<b>U.S. Equity</b>	35.3%	40.0%	-4.7%	35.0% - 45.0%	26.4%	25.0%	1.4%	20.0% - 30.0%
<b>Non-U.S. Equity</b>	12.6%	15.0%	-2.4%	10.0% - 20.0%	8.1%	10.0%	-1.9%	5.0% - 15.0%
<b>Global Equity</b>	11.4%	10.0%	1.4%	5.0% - 15.0%	4.8%	5.0%	-0.2%	0.0% - 10.0%
<b>Fixed Income</b>	30.0%	25.0%	5.0%	20.0% - 30.0%	49.1%	50.0%	-0.9%	45.0% - 55.0%
<b>Real Estate</b>	5.0%	5.0%	0.0%	0.0% - 10.0%	5.0%	5.0%	0.0%	0.0% - 10.0%
<b>Private Equity*</b>	5.6%	5.0%	0.6%	0.0% - 10.0%	6.5%	5.0%	1.5%	0.0% - 10.0%

- The intermediate-term Private Equity policy allocation is 4% for the Defined Benefit and Cash Balance Benefit Plans.
- The long-term target allocation to Real Estate within the DB and CBB Plans is 7.5% and will be funded from U.S. Equity over time.

## Selected\* Plans

As of June 30, 2016

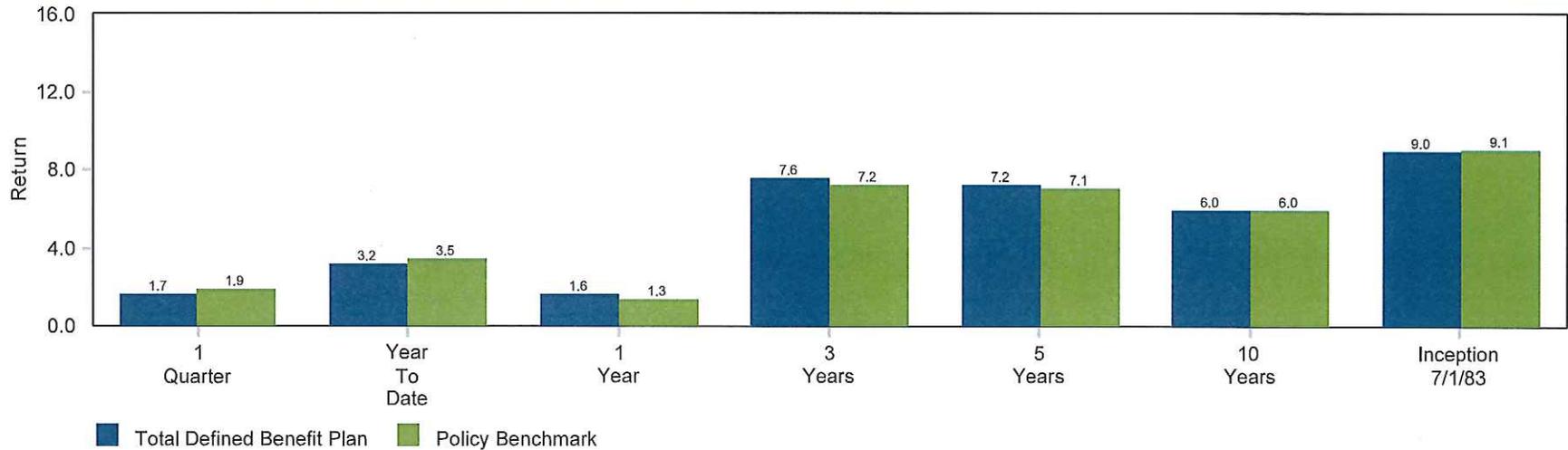
## Asset Allocation &amp; Performance

	Allocation				Performance(%)					
	Market Value (\$)	1 Quarter	Year To Date	FYTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Total Defined Benefit Plan	10,154,585,565	1.7	3.2	1.6	1.6	7.6	7.2	6.0	9.0	07/01/1983
Policy Benchmark		1.9	3.5	1.3	1.3	7.2	7.1	6.0	9.1	
Total Cash Balance Benefit Plan	1,756,827,335	1.6	3.2	1.6	1.6	7.6	7.2	6.0	7.5	01/01/2003
Policy Benchmark		1.9	3.5	1.3	1.3	7.2	7.1	6.0	7.5	
Health Care Endowments	424,464,328	1.6	3.0	1.0	1.0	7.6	7.4	6.1	6.2	01/01/2001
Health Care Policy		1.7	2.9	0.9	0.9	7.3	7.2	5.8	5.2	
50/50 Endowments	795,344,500	2.7	4.9	3.0	3.0	6.6	6.5	6.3	7.4	01/01/1996
50/50 Endowment Policy		2.2	4.3	3.1	3.1	6.7	6.6	6.0	6.8	
Excess Liability Fund	68,254,686	2.4	5.4	5.1	5.1	4.0	3.8	5.9	5.9	07/01/1997
Performance Benchmark		2.5	5.7	5.8	5.8	4.2	4.0	5.3	5.7	
Total OIP	3,750,619,672	1.3	3.4	4.1	4.1	2.7	2.3	3.7	4.2	01/01/1997
Policy Benchmark		1.2	3.3	3.8	3.8	2.6	2.5	4.0	4.7	
Aeronautics	6,918,703	2.1	5.3	6.2	6.2	3.9	3.8	5.2	6.6	01/01/1990
Barclays U.S. Treasury Index		2.1	5.4	6.2	6.2	3.5	3.5	4.9	6.1	
Agricultural Development	2,848,882	2.2	5.3	6.1	6.1	3.9	3.9	4.9	6.8	01/01/1989
Barclays U.S. Treasury Index		2.1	5.4	6.2	6.2	3.5	3.5	4.9	6.4	

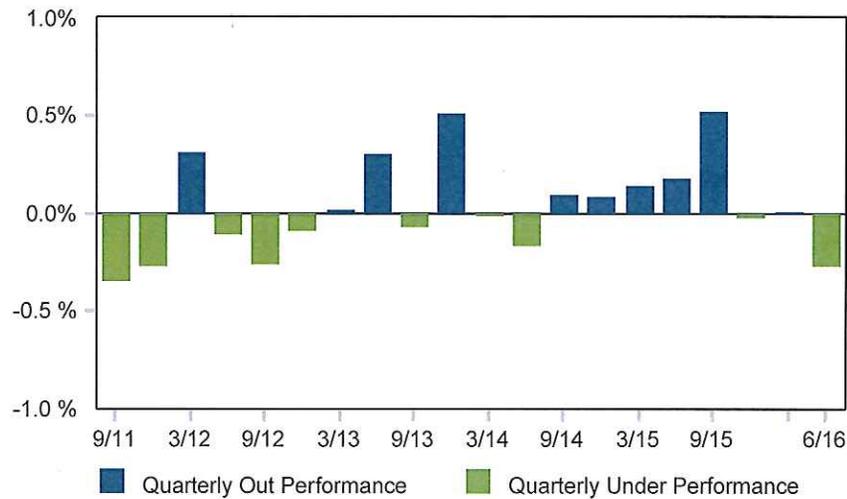
\*Only includes Plans that have a total fund return. As such, Defined Contribution, Deferred Compensation, Hartford, College Savings Plans, TDOA, and University Fund N Plan are not shown

Total Plan Performance Summary

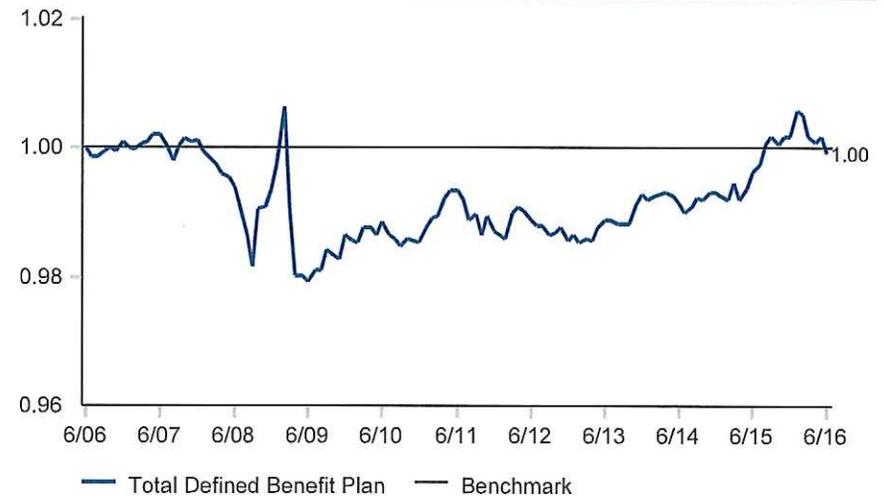
Return Summary



Quarterly Excess Performance

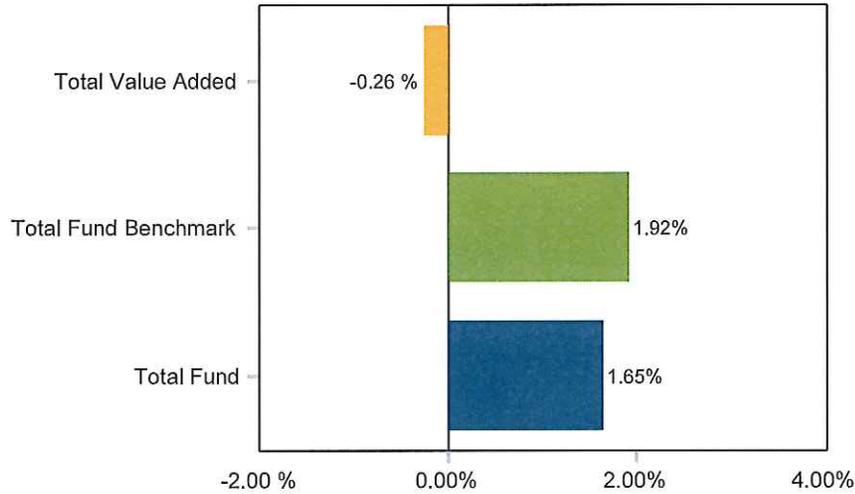


Ratio of Cumulative Wealth - 10 Years

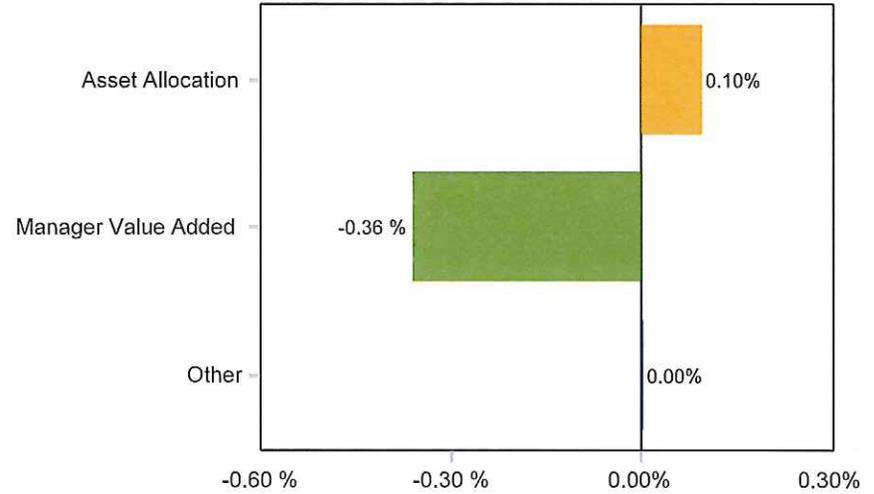


**Total Fund Attribution**

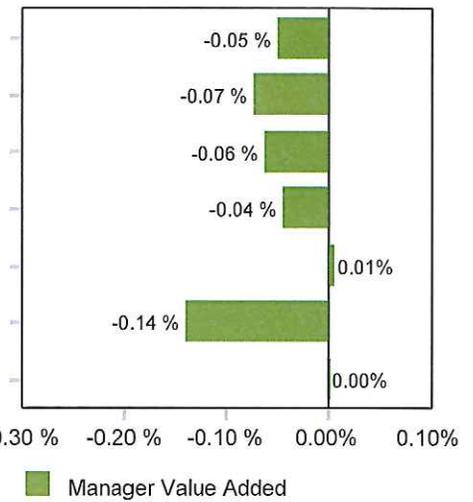
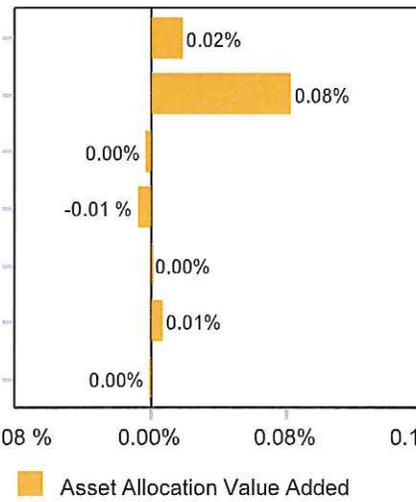
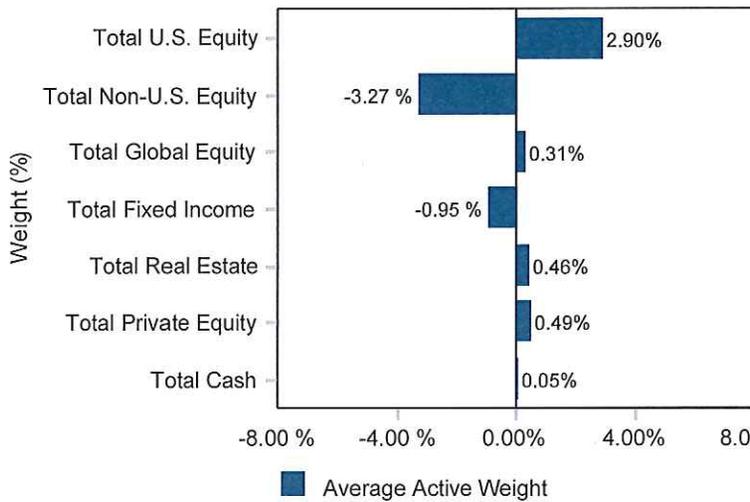
**Total Fund Performance**



**Total Value Added: -0.26 %**



**Total Asset Allocation: 0.10%** **Total Manager Value Added: -0.36 %**



■ Average Active Weight

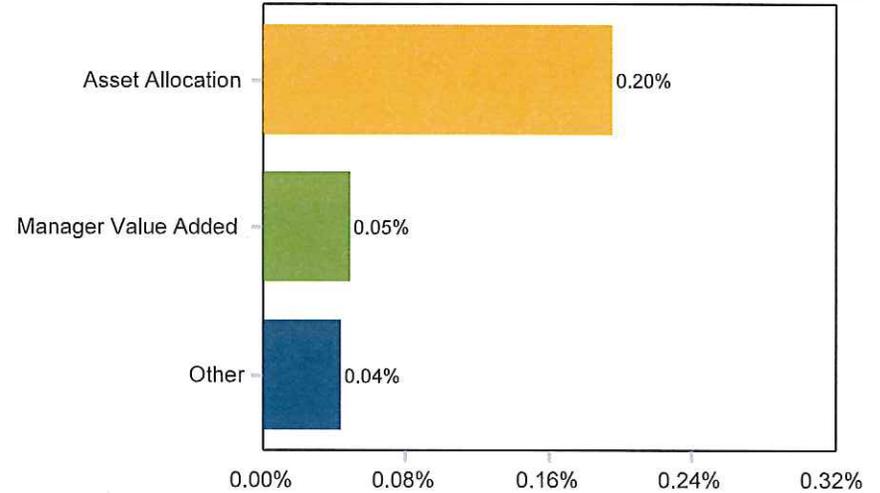
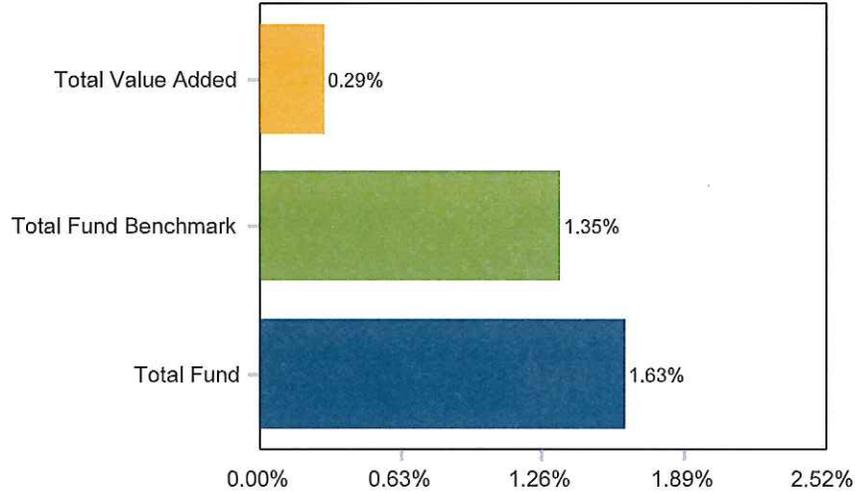
■ Asset Allocation Value Added

■ Manager Value Added

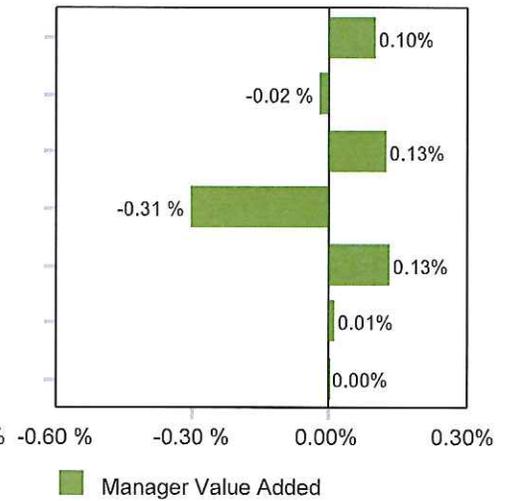
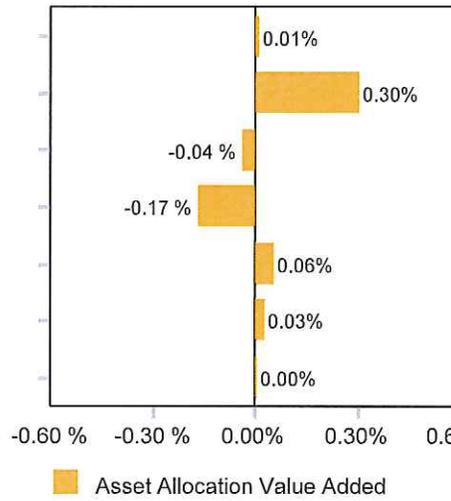
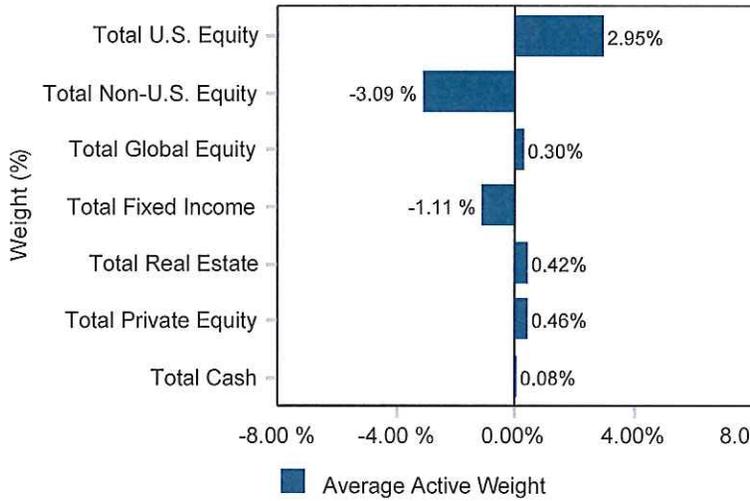
Total Fund Attribution

Total Fund Performance

Total Value Added: 0.29%



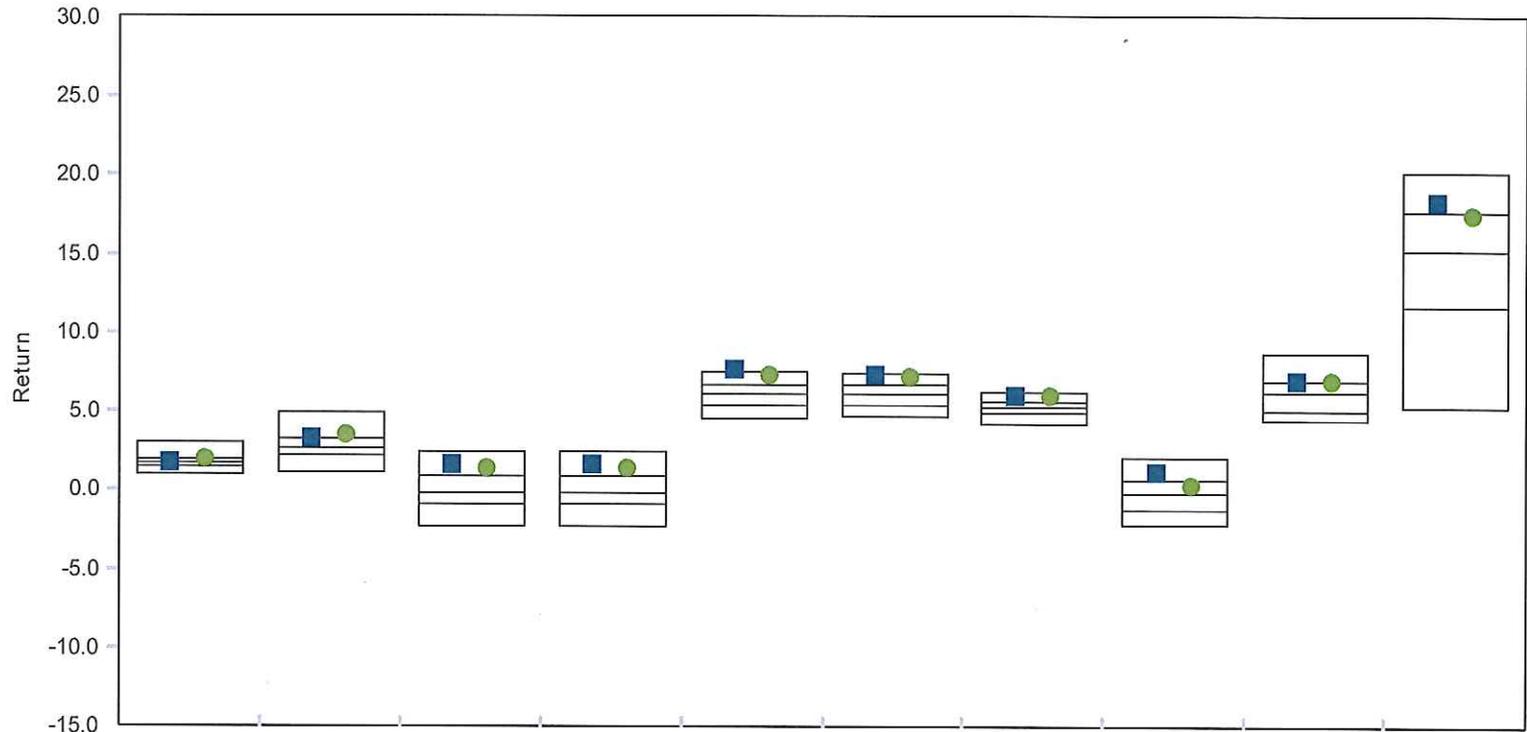
Total Asset Allocation: 0.20% Total Manager Value Added: 0.05%



■ Average Active Weight
■ Asset Allocation Value Added
■ Manager Value Added

Plan Sponsor Peer Group Analysis

All Public Plans > \$1B-Total Fund



	1 Quarter	Year To Date	FYTD	1 Year	3 Years	5 Years	10 Years	2015	2014	2013
■ Total Defined Benefit Plan	1.7 (58)	3.2 (26)	1.6 (13)	1.6 (13)	7.6 (3)	7.2 (7)	6.0 (11)	1.1 (17)	6.9 (26)	18.3 (20)
● Policy Benchmark	1.9 (32)	3.5 (20)	1.3 (17)	1.3 (17)	7.2 (10)	7.1 (9)	6.0 (10)	0.3 (35)	6.9 (27)	17.4 (27)
5th Percentile	3.0	4.9	2.4	2.4	7.5	7.4	6.2	2.0	8.7	20.2
1st Quartile	2.0	3.2	0.9	0.9	6.7	6.6	5.6	0.6	7.0	17.6
Median	1.7	2.7	-0.2	-0.2	6.0	6.0	5.3	-0.2	6.1	15.2
3rd Quartile	1.4	2.2	-0.9	-0.9	5.3	5.4	4.9	-1.2	5.0	11.6
95th Percentile	1.0	1.1	-2.3	-2.3	4.6	4.7	4.2	-2.2	4.4	5.2
Population	84	83	83	83	82	81	73	93	77	66

Parentheses contain percentile rankings.

Defined Benefit & Cash Balance Benefit Plans

As of June 30, 2016

Asset Allocation & Performance

	Allocation		Performance(%)								
	Market Value \$	%	1 Quarter	Year To Date	FYTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Total Defined Benefit Plan	\$10,154,585,565	100.0	1.7 (58)	3.2 (26)	1.6 (13)	1.6 (13)	7.6 (3)	7.2 (7)	6.0 (11)	9.0	07/01/1983
Policy Benchmark			1.9 (32)	3.5 (20)	1.3 (17)	1.3 (17)	7.2 (10)	7.1 (9)	6.0 (10)	9.1	
Total U.S. Equity	\$3,500,068,856	34.5	2.5 (56)	3.7 (37)	2.4 (16)	2.4 (16)	11.2 (11)	11.5 (20)	7.3 (26)	9.5	07/01/1983
Dow Jones U.S. Total Stock Market			2.6 (45)	3.6 (43)	2.0 (18)	2.0 (18)	11.0 (16)	11.5 (20)	7.5 (16)	10.3	
Total Non-U.S. Equity	\$1,005,322,902	9.9	-1.4 (84)	-3.5 (92)	-9.9 (71)	-9.9 (71)	2.2 (53)	0.5 (80)	1.3 (100)	5.1	10/01/1991
MSCI All Country World ex-U.S. IMI*			-0.7 (69)	-0.9 (56)	-9.6 (66)	-9.6 (66)	1.7 (65)	0.4 (81)	2.3 (51)	5.5	
Total Global Equity	\$1,543,173,491	15.2	0.7 (51)	1.7 (40)	-3.1 (46)	-3.1 (46)	6.3 (55)	6.3 (55)	4.9 (46)	6.2 (29)	09/01/2005
MSCI All Country World IMI*			1.1 (44)	1.4 (43)	-3.9 (51)	-3.9 (51)	6.1 (56)	5.4 (66)	4.4 (60)	5.2 (62)	
Total Fixed Income	\$2,985,152,538	29.4	2.4 (61)	5.3 (63)	4.8 (56)	4.8 (56)	4.0 (53)	3.9 (59)	5.7 (31)	8.2	07/01/1983
Barclays Universal Bond Index*			2.5 (53)	5.7 (47)	5.8 (28)	5.8 (28)	4.2 (47)	4.0 (53)	5.3 (44)	8.2	
Total Real Estate	\$658,053,841	6.5	2.1	6.7	13.0	13.0	11.9	11.3	4.8	6.9	12/01/2004
Performance Benchmark			2.0	4.3	10.6	10.6	11.6	11.5	7.4	8.9	
Total Private Equity	\$457,067,707	4.5	0.3	1.1	6.1	6.1	11.6	10.8	4.7	2.0	09/01/2005
Dow Jones U.S. Total Stock Market + 3%			3.4	5.1	5.1	5.1	14.3	14.9	10.7	10.7	
Total Cash	\$5,746,229	0.1									

	Allocation		Performance(%)								
	Market Value (\$)	%	1 Quarter	Year To Date	FYTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Total Cash Balance Benefit Plan	1,756,827,335	100.0	1.6 (58)	3.2 (26)	1.6 (13)	1.6 (13)	7.6 (3)	7.2 (7)	6.0 (13)	7.5 (30)	01/01/2003
Policy Benchmark			1.9 (32)	3.5 (20)	1.3 (17)	1.3 (17)	7.2 (10)	7.1 (9)	6.0 (10)	7.5 (28)	
Total U.S. Equity	601,484,294	34.2	2.5 (56)	3.7 (37)	2.4 (16)	2.4 (16)	11.2 (11)	11.5 (20)	7.3 (26)	9.3 (22)	01/01/2003
Dow Jones U.S. Total Stock Market			2.6 (45)	3.6 (43)	2.0 (18)	2.0 (18)	11.0 (16)	11.5 (20)	7.5 (16)	9.4 (6)	
Total Non-U.S. Equity	172,764,012	9.8	-1.4 (84)	-3.5 (92)	-9.9 (71)	-9.9 (71)	2.2 (53)	0.5 (80)	1.3 (100)	7.0 (75)	01/01/2003
MSCI All Country World ex-U.S. IMI*			-0.7 (69)	-0.9 (56)	-9.6 (66)	-9.6 (66)	1.7 (65)	0.4 (81)	2.3 (51)	7.8 (61)	
Total Global Equity	265,193,245	15.1	0.7 (51)	1.7 (40)	-3.1 (46)	-3.1 (46)	6.3 (55)	6.3 (55)	5.3 (34)	6.6 (22)	09/01/2005
MSCI All Country World IMI*			1.1 (44)	1.4 (43)	-3.9 (51)	-3.9 (51)	6.1 (56)	5.4 (66)	4.4 (60)	5.2 (62)	
Total Fixed Income	525,752,956	29.9	2.3 (66)	5.2 (66)	4.7 (59)	4.7 (59)	3.9 (55)	3.9 (60)	5.6 (34)	5.0 (65)	01/01/2003
Barclays Universal Bond Index*			2.5 (53)	5.7 (47)	5.8 (28)	5.8 (28)	4.2 (47)	4.0 (53)	5.3 (44)	4.9 (67)	
Total Real Estate	113,086,075	6.4	2.1	6.7	13.0	13.0	11.9	11.3	4.9	7.0	12/01/2004
Performance Benchmark			2.0	4.3	10.6	10.6	11.6	10.7	7.3	9.0	
Total Private Equity	78,546,754	4.5	0.3	1.1	6.1	6.1	11.6	10.8	4.7	2.0	09/01/2005
Dow Jones U.S. Total Stock Market + 3%			3.4	5.1	5.1	5.1	14.3	14.9	10.7	10.7	

\*Denotes a performance benchmark that is a splice of more than one index. Descriptions can be found in the appendix of this report.

Note: The Total Fixed Income market value for the Cash Balance Benefit plan includes the CBB-GICS & Money Market.

Nebraska Investment Council

Defined Contribution & Deferred Compensation Plans

As of June 30, 2016

Asset Allocation

	\$	Total Fund	%
Total Defined Cont. & Deferred Comp.	996,976,883		100.0

	\$	Total Fund	%
Total Hartford Options	33,071,592		100.0

## Asset Allocation

	\$	Total Fund	%
First National	3,605,286,410		100.0
Direct	1,772,283,711		49.2
TD	895,425,801		24.8
Advisor	937,576,898		26.0
A	600,764,827		16.7
C	336,812,071		9.3

	\$	Total Fund	%
Total State Farm College Savings Plan	434,301,415		100.0
State Farm Fixed Allocation	102,555,732		23.6
State Farm Enrollment Based	325,395,140		74.9
State Farm Individual Portfolios	6,350,543		1.5

## Asset Class Performance

	Allocation		Performance(%)				
	Market Value \$	%	1 Quarter	Year To Date	FYTD	1 Year	3 Years
<b>Total Health Care Endowment</b>	\$424,464,328	100.0	1.6	3.0	1.0	1.0	7.6
Health Care Policy			1.7	2.9	0.9	0.9	7.3
<b>Total US Equity</b>	\$149,987,813	35.3	2.4	3.6	2.3	2.3	11.3
Dow Jones U.S. Total Stock Market Index			2.6	3.6	2.0	2.0	11.0
<b>Total Non-US Equity</b>	\$53,605,631	12.6	-0.6	-1.0	-9.9	-9.9	1.5
MSCI All Country World ex-U.S. IMI*			-0.7	-0.9	-9.6	-9.6	1.7
<b>Total Global Equity</b>	\$48,491,136	11.4	0.6	1.6	-2.9	-2.9	6.5
MSCI All Country World IMI*			1.1	1.4	-3.9	-3.9	6.1
<b>Total Fixed Income</b>	\$127,391,310	30.0	1.0	3.3	4.1	4.1	2.8
Performance Benchmark			1.1	3.2	3.5	3.5	2.2
<b>Total Real Estate</b>	\$21,210,844	5.0					
<b>Total Private Equity</b>	\$23,777,595	5.6					

	Allocation		Performance(%)				
	Market Value (\$)	%	1 Quarter	Year To Date	FYTD	1 Year	3 Years
<b>Total 50/50 Endowment</b>	795,344,500	100.0	2.7	4.9	3.0	3.0	6.6
50/50 Endowment Policy			2.2	4.3	3.1	3.1	6.7
<b>Total US Equity</b>	209,813,108	26.4	4.2	5.9	2.0	2.0	9.7
Dow Jones U.S. Total Stock Market Index			2.6	3.6	2.0	2.0	11.0
<b>Total Non-US Equity</b>	64,697,892	8.1	-0.6	-1.0	-9.9	-9.9	1.5
MSCI All Country World ex-U.S. IMI*			-0.7	-0.9	-9.6	-9.6	1.7
<b>Total Global Equity</b>	38,376,241	4.8	0.6	1.6	-2.9	-2.9	6.5
MSCI All Country World IMI*			1.1	1.4	-3.9	-3.9	6.1
<b>Total Fixed Income</b>	390,734,753	49.1	2.4	5.3	5.0	5.0	4.1
Barclays Universal Bond Index*			2.5	5.7	5.8	5.8	4.2
<b>Total Real Estate</b>	39,849,515	5.0					
<b>Total Private Equity</b>	51,872,991	6.5					

\*Denotes a performance benchmark that is a splice of more than one index. Descriptions can be found in the appendix of this report.  
Nebraska Investment Council

Total In House Trusts & OIP

As of June 30, 2016

Asset Allocation & Performance

	Allocation		Performance(%)								
	Market Value (\$)	%	1 Quarter	Year To Date	FYTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
<b>Total In-House Plans</b>	<b>9,767,585</b>	<b>100.0</b>									
Aeronautics	6,918,703	70.8	2.1	5.3	6.2	6.2	3.9	3.8	5.2	6.6	01/01/1990
Barclays U.S. Treasury Index			2.1	5.4	6.2	6.2	3.5	3.5	4.9	6.1	
Agricultural Development	2,848,882	29.2	2.2	5.3	6.1	6.1	3.9	3.9	4.9	6.8	01/01/1989
Barclays U.S. Treasury Index			2.1	5.4	6.2	6.2	3.5	3.5	4.9	6.4	

	Allocation		Performance(%)								
	Market Value (\$)	%	1 Quarter	Year To Date	FYTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
<b>Total OIP</b>	<b>3,750,619,672</b>	<b>100.0</b>	<b>1.3</b>	<b>3.4</b>	<b>4.1</b>	<b>4.1</b>	<b>2.7</b>	<b>2.3</b>	<b>3.7</b>	<b>4.2</b>	<b>01/01/1997</b>
Policy Benchmark			1.2	3.3	3.8	3.8	2.6	2.5	4.0	4.7	
Internal Short-Term Liquidity Pool	309,415,416	8.2	0.1	0.1	0.2	0.2	0.1	0.3	2.3	3.5	01/01/1997
Performance Benchmark			0.0	0.1	0.2	0.2	0.2	0.7	2.8	3.8	
Operating Investment Pool (Internal Government/Corporate)	3,441,204,256	91.8	1.4	3.8	4.6	4.6	3.1			2.5	11/01/2011
Performance Benchmark			1.4	3.9	4.5	4.5	3.1			2.6	

	Total Fund	
	\$	%
Time Deposit Open Account	46,600,000	100.0

The Internal Short-Term Liquidity Pool includes the DB STIF amount of \$ 5,746,229. When summing the assets of all NIC plans, the DB STIF has been counted in the DB Plan and removed from the In-House Plan to avoid double counting.

## Watchlist

Plan/Fund	Status as of 2Q 2016	Trigger Event	AHIC Comment
<b>Defined Benefit &amp; CBB</b> PIMCO	Yellow	Performance	Continue to monitor
<b>Deferred Contribution &amp; Deferred Compensation Plan</b> None			
<b>Hartford Plan</b> American Century Value Hartford Capital Appreciation HLS Hartford Dividend & Growth HLS Goldman Sachs Mid-Cap Value Munder Mid-Cap Core Growth Hartford Small Company HLS Loomis Sayles Bond Oakmark Equity & Income	Yellow Yellow Yellow Yellow Yellow Yellow Yellow Yellow	Performance Performance Performance Performance Performance Performance Performance Performance	Continue to monitor Continue to monitor
<b>College Savings Plans</b> Federated Total Return Bond A	Yellow	Performance	Continue to monitor
<b>State Farm CSP</b> Oppenheimer Value Fund Oppenheimer Global Strategic Income Fund	Yellow Yellow	Performance Performance	Continue to monitor Continue to monitor

Status	Number of Criteria Met	Suggested Action
	Less than 2	Active – No action required
	2 to 3	Active – On "closely monitored" list
	4	Closed – all allocations to the fund must be stopped, but
	Greater than 4	Closed Out – All invested balances must be moved to another active

Funds listed under the College Savings Plan section register "Yellow" in at least one of the three underlying plans