Nebraska Investment Council

Third Quarter 2013 Performance Review

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Executive Summary

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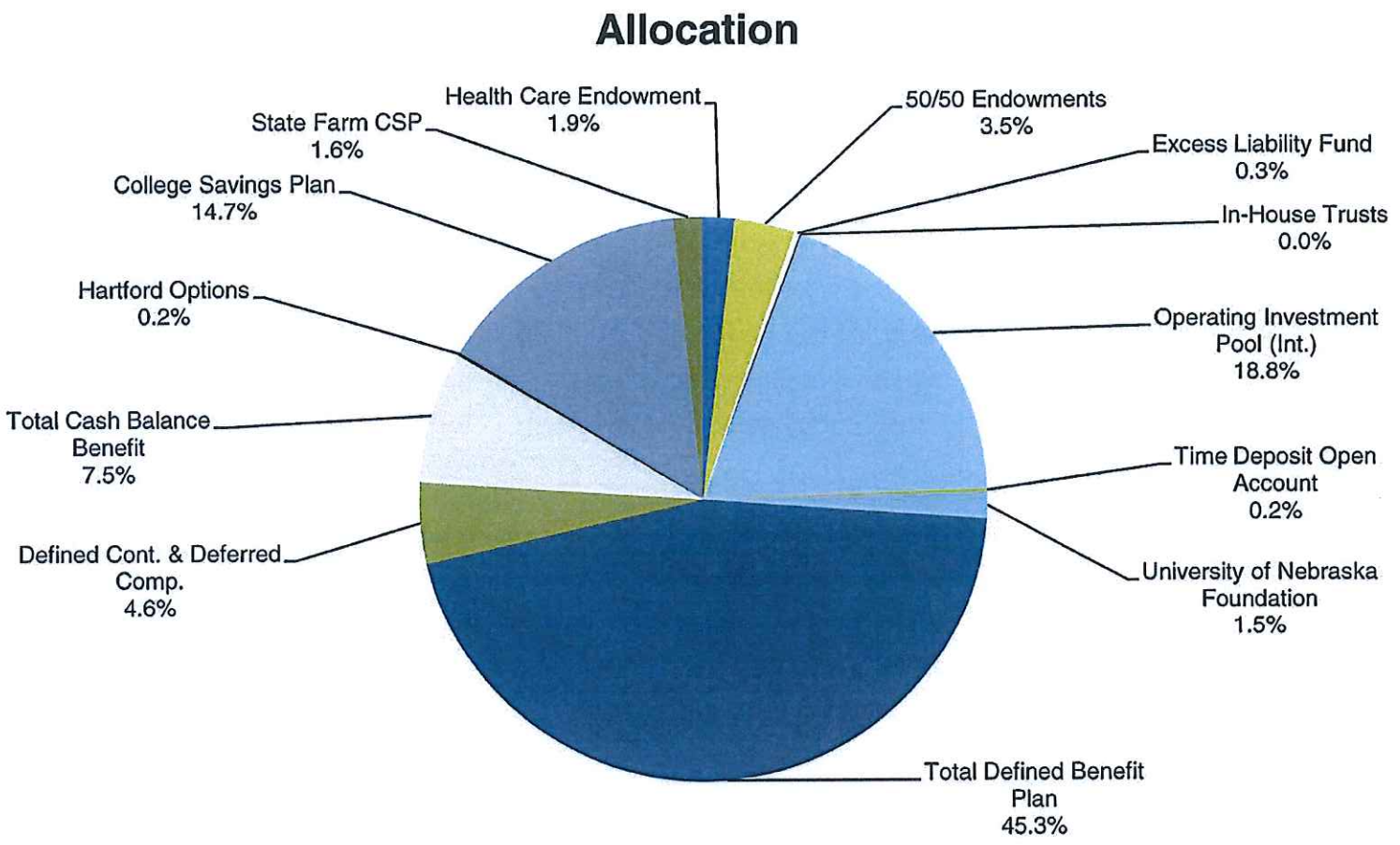
Highlights

As of September 30, 2013	
Total Defined Benefit Plan	$8,939,961,747
Defined Cont. & Deferred Comp.	$910,385,555
Total Cash Balance Benefit	$1,481,106,031
Hartford Options	$37,532,182
College Savings Plan	$2,895,068,755
State Farm CSP	$319,177,360
Health Care Endowment	$366,977,479
50/50 Endowments	$681,018,109
Excess Liability Fund	$65,584,749
In-House Trusts	$9,458,484
Internal Short-Term Liquidity Pool	$712,076,773
Operating Investment Pool (Internal Government/Corporate)	$3,704,323,952
Time Deposit Open Account	$33,800,000
University of Nebraska Foundation	$294,295,845
Total	**$20,450,767,021**

	Ending September 30, 2013					
	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Major Capital Markets						
Dow Jones U.S. Total Stock Market Index	6.2	21.2	21.4	16.8	10.7	8.3
MSCI All-Country World ex-U.S. Index	10.1	10.0	16.5	5.9	6.3	8.8
Barclays Universal Bond Index	0.7	-1.6	-1.0	3.4	5.9	4.9
Consumer Price Index	0.3	2.0	1.2	2.3	1.4	2.4

All Plans -- Allocation



All Plans – Actual vs. Policy Allocation

	Defined Benefit Plan				Cash Balance Benefit			
	Actual	Policy	Difference	Policy Ranges	Actual	Policy	Difference	Policy Ranges
U.S. Equity	36.9%	31.5%	5.4%	26.5%--36.5%	36.9%	31.5%	5.4%	26.5%--36.5%
Non-U.S. Equity	11.7%	13.5%	-1.8%	8.5%--18.5%	11.7%	13.5%	-1.8%	8.5%--18.5%
Global Equity	16.1%	15.0%	1.1%	10.0%--20.0%	16.1%	15.0%	1.1%	10.0%--20.0%
Fixed Income	26.9%	30.0%	-3.1%	25.0%--35.0%	26.9%	30.0%	-3.1%	25.0%--35.0%
Real Estate	4.6%	5.0%	-0.4%	0.0%--10.0%	4.6%	5.0%	-0.4%	0.0%--10.0%
Private Equity*	3.8%	5.0%	-1.2%	0.0%--10.0%	3.8%	5.0%	-1.2%	0.0%--10.0%

	Health Care Endowment				50/50 Endowment			
	Actual	Policy	Difference	Policy Ranges	Actual	Policy	Difference	Policy Ranges
U.S. Equity	44.0%	40.0%	4.0%	35.0%--45.0%	32.5%	25.0%	7.5%	20.0%--30.0%
Non-U.S. Equity	16.2%	15.0%	1.2%	10.0%--20.0%	10.6%	10.0%	0.6%	5.0%--15.0%
Global Equity	11.9%	10.0%	1.9%	5.0%--15.0%	5.3%	5.0%	0.3%	0.0%--10.0%
Fixed Income	20.3%	25.0%	-4.7%	20.0%--30.0%	45.0%	50.0%	-5.0%	45.0%--55.0%
Real Estate	4.9%	5.0%	-0.1%	0.0%--10.0%	4.0%	5.0%	-1.0%	0.0%--10.0%
Private Equity*	2.6%	5.0%	-2.4%	0.0%--10.0%	2.7%	5.0%	-2.3%	0.0%--10.0%

* The intermediate-term Private Equity Policy allocation is 3% for the Defined Benefit and Cash Balance Benefit Plans, 2% for the Health Care Endowment, and 2% for the 50/50 Endowment.

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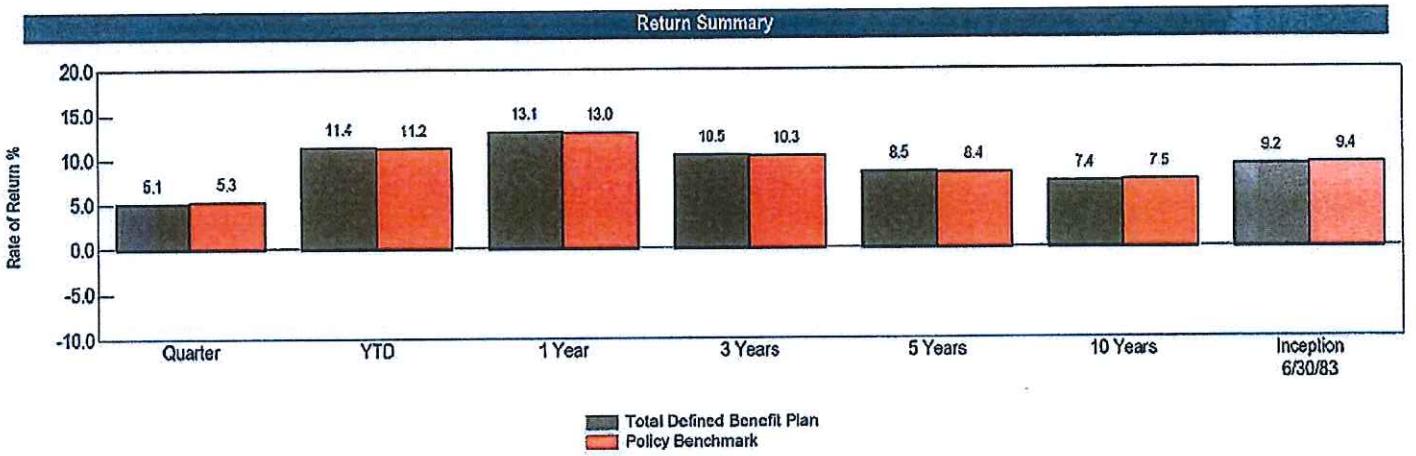
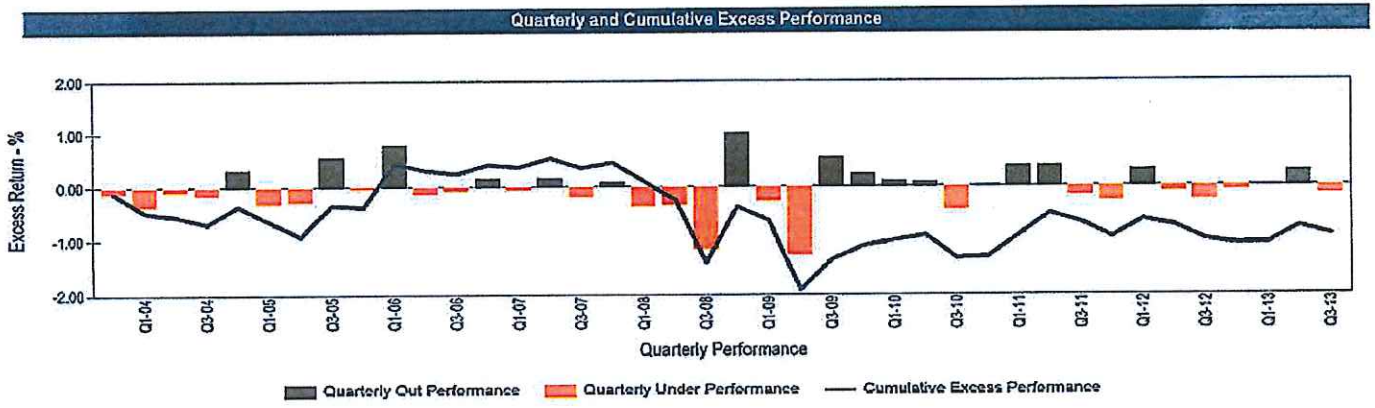
Selected* Plans

	Market Value ($)	Ending September 30, 2013 3 Mo (%)	YTD (%)	1 Yr (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception Return (%)	Since
Total Defined Benefit	**8,939,961,747**	**5.1**	**11.4**	**13.1**	**13.1**	**10.4**	**8.5**	**7.4**	**9.2**	**Jun-83**
Policy Benchmark		*5.3*	*11.2*	*13.0*	*13.0*	*10.3*	*8.4*	*7.5*	*9.4*	*Jun-83*
Total Cash Balance Benefit	**1,481,106,031**	**5.1**	**11.3**	**13.0**	**13.0**	**10.4**	**8.5**	**7.2**	**7.7**	**Dec-02**
Policy Benchmark		*5.3*	*11.2*	*13.0*	*13.0*	*10.3*	*8.4*	*7.3*	*7.9*	*Dec-02*
Health Care Endowment	**366,977,479**	**6.9**	**15.1**	**16.8**	**16.8**	**11.8**	**9.2**	**7.7**	**6.3**	**Dec-00**
Health Care Policy		*5.6*	*13.3*	*14.9*	*14.9*	*11.0*	*8.7*	*7.6*	*5.1*	*Dec-00*
50/50 Endowments	**681,018,109**	**3.8**	**7.9**	**9.3**	**9.3**	**8.8**	**9.0**	**7.2**	**7.6**	**Dec-95**
50/50 Endowment Policy		*3.9*	*8.3*	*9.4*	*9.4*	*9.0*	*8.3*	*7.0*	*7.0*	*Dec-95*
Excess Liability Fund	**65,584,749**	**0.7**	**-1.5**	**-1.0**	**-1.0**	**3.3**	**7.3**	**5.5**	**6.2**	**Jun-97**
Performance Benchmark		*0.7*	*-1.6*	*-1.0*	*-1.0*	*3.4*	*5.9*	*4.8*	*5.9*	*Jun-97*
Total OIP	**3,711,255,104**	**0.5**	**-1.0**	**-0.8**	**-0.8**	**1.6**	**4.1**	**3.4**	**4.4**	**Dec-96**
Policy Benchmark		*0.5*	*-0.7*	*-0.4*	*-0.4*	*2.1*	*4.5*	*3.9*	*4.8*	*Dec-96*
Aeronautics	**6,615,752**	**0.2**	**-2.2**	**-2.3**	**-2.3**	**2.3**	**4.2**	**4.7**	**6.8**	**Dec-89**
Barclays Treasury Bond Index		*0.1*	*-2.0*	*-2.1*	*-2.1*	*2.2*	*4.0*	*4.2*	*6.4*	*Dec-89*
Agricultural Development	**2,842,731**	**0.2**	**-2.1**	**-2.2**	**-2.2**	**2.5**	**4.3**	**4.4**	**7.1**	**Dec-88**
Barclays Treasury Bond Index		*0.1*	*-2.0*	*-2.1*	*-2.1*	*2.2*	*4.0*	*4.2*	*6.7*	*Dec-88*

*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.

Defined Benefit Performance *as of 9/30/2013*





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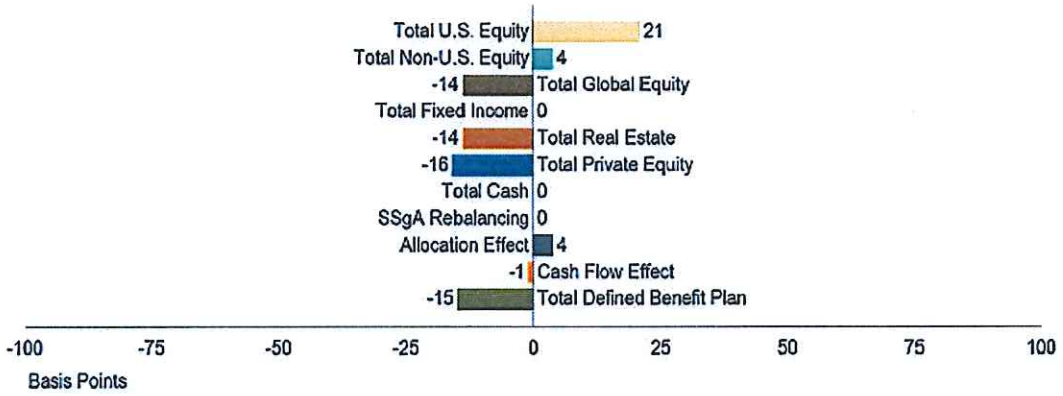
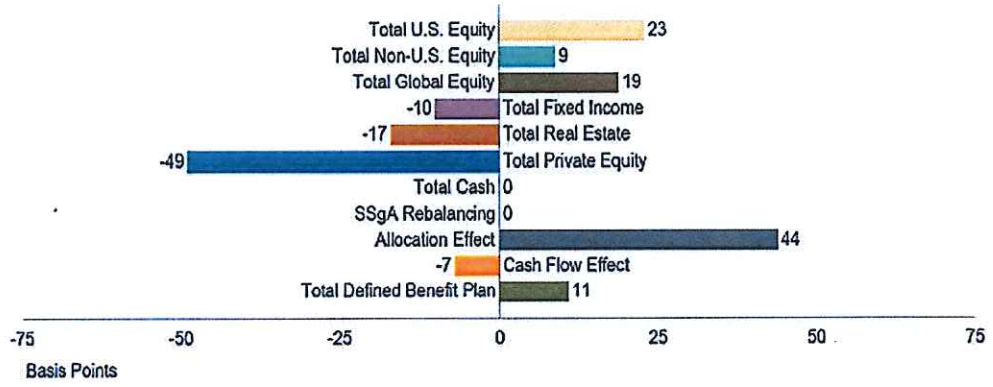
Defined Benefit Attribution

TOTAL FUND ATTRIBUTION ANALYSIS
3 MONTHS ENDING 9/30/13



TOTAL FUND ATTRIBUTION ANALYSIS
1 YEAR ENDING 9/30/13



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Risk Budgeting
Defined Benefit—Total Plan*

Asset Class	Allocation ($ millions)	Allocation Percent of Total	Allocation Policy	Benchmark Risk	Benchmark Risk Attribution Allocation Manager Effect	Allocation Effect	Total
US Equity	$ 3,299	40.5%	36.4%	0.65%	16.3%	59.4%	75.7%
Non US Equity	$ 1,049	12.9%	14.7%	1.26%	4.7%	-24.3%	-19.6%
Global Equity	$ 1,436	17.6%	16.3%	2.20%	-1.9%	18.2%	16.3%
Fixed Income	$ 2,371	29.1%	32.6%	1.28%	24.8%	2.8%	27.6%
					56.1%		
Total Fund	**$ 8,154**	**100.0%**	**100.0%**	**0.97%**	**43.9%**	**56.1%**	**100.0%**

*Excluding Real Estate, Private Equity, managers with residual balances, and the distressed mortgage managers.

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Defined Benefit & Cash Balance Benefit Plans

	Market Value ($)	% of Portfolio	Ending September 30, 2013												Inception	
			3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
Total Defined Benefit Plan	**8,939,961,748**	**100.0**	**5.1**	**37**	**11.4**	**15**	**13.1**	**28**	**10.5**	**18**	**8.5**	**26**	**7.4**	**48**	**9.2**	**Jun-83**
Policy Benchmark			*5.3*	*27*	*11.2*	*23*	*13.0*	*29*	*10.3*	*24*	*8.4*	*32*	*7.5*	*41*	*9.4*	*Jun-83*
Total U.S. Equity	**3,299,154,752**	**36.9**	**6.7**	**57**	**21.9**	**53**	**22.1**	**56**	**17.1**	**32**	**10.9**	**45**	**7.9**	**75**	**9.4**	**Jun-83**
Dow Jones U.S. Total Stock Market Index			*6.2*	*69*	*21.2*	*61*	*21.4*	*61*	*16.8*	*34*	*10.7*	*46*	*8.3*	*70*	*10.4*	*Jun-83*
Total Non-U.S. Equity	**1,048,658,483**	**11.7**	**10.7**	**58**	**12.1**	**85**	**17.8**	**86**	**5.7**	**93**	**5.1**	**87**	**7.7**	**81**	**5.9**	**Sep-91**
*MSCI All Country World ex-U.S. IMI**			*10.4*	*65*	*10.6*	*92*	*16.9*	*90*	*6.1*	*91*	*6.6*	*66*	*9.2*	*46*	*6.4*	*Sep-91*
Total Global Equity	**1,435,663,017**	**16.1**	**7.4**	**71**	**16.3**	**58**	**19.9**	**56**	**12.4**	**38**	**8.7**	**42**	**--**	**--**	**7.0**	**Aug-05**
*MSCI All Country World IMI**			*8.3*	*45*	*15.2*	*73*	*18.6*	*68*	*10.5*	*72*	*7.9*	*63*	*--*	*--*	*5.7*	*Aug-05*
Total Fixed Income	**2,404,233,038**	**26.9**	**0.8**	**39**	**-2.1**	**79**	**-1.3**	**69**	**3.6**	**48**	**7.1**	**40**	**5.4**	**36**	**8.6**	**Jun-83**
*Barclays Universal Bond Index**			*0.7*	*40*	*-1.6*	*64*	*-1.0*	*63*	*3.4*	*54*	*5.9*	*54*	*5.0*	*46*	*8.6*	*Jun-83*
Total Real Estate	**410,063,759**	**4.6**	**-0.3**	**--**	**6.1**	**--**	**7.5**	**--**	**11.4**	**--**	**-1.3**	**--**	**--**	**--**	**5.0**	**Nov-04**
*Performance Benchmark**			*2.6*	*--*	*8.2*	*--*	*11.0*	*--*	*11.8*	*--*	*4.1*	*--*	*--*	*--*	*8.2*	*Nov-04*
Total Private Equity	**335,257,547**	**3.8**	**2.8**	**--**	**8.2**	**--**	**11.6**	**--**	**11.6**	**--**	**7.2**	**--**	**--**	**--**	**-1.1**	**Aug-05**
Dow Jones U.S. Total Stock Market Index + 3%			*6.9*	*--*	*23.9*	*--*	*25.0*	*--*	*20.2*	*--*	*14.0*	*--*	*--*	*--*	*10.0*	*Aug-05*
Total Cash	**6,931,152**	**0.1**														

	Market Value ($)	% of Portfolio	Ending September 30, 2013												Inception	
			3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
Total Cash Balance Benefit	**1,481,106,031**	**100.0**	**5.1**	**--**	**11.3**	**--**	**13.0**	**--**	**10.4**	**--**	**8.5**	**--**	**7.2**	**--**	**7.7**	**Dec-02**
Policy Benchmark			*5.3*	*--*	*11.2*	*--*	*13.0*	*--*	*10.3*	*--*	*8.4*	*--*	*7.3*	*--*	*7.9*	*Dec-02*
Total U.S. Equity	**540,131,478**	**36.5**	**6.7**	**57**	**21.9**	**53**	**22.1**	**56**	**17.1**	**32**	**10.9**	**45**	**8.1**	**72**	**9.1**	**Dec-02**
Dow Jones U.S. Total Stock Market Index			*6.2*	*69*	*21.2*	*61*	*21.4*	*61*	*16.8*	*34*	*10.7*	*46*	*8.3*	*70*	*9.3*	*Dec-02*
Total Non-U.S. Equity	**171,684,416**	**11.6**	**10.7**	**58**	**12.1**	**85**	**17.8**	**86**	**5.7**	**93**	**5.1**	**87**	**8.0**	**75**	**9.3**	**Dec-02**
*MSCI All Country World ex-U.S. IMI**			*10.4*	*65*	*10.6*	*92*	*16.9*	*90*	*6.1*	*91*	*6.6*	*66*	*9.2*	*46*	*10.4*	*Dec-02*
Total Global Equity	**235,044,078**	**15.9**	**7.4**	**71**	**16.3**	**58**	**19.9**	**56**	**12.4**	**38**	**9.5**	**27**	**--**	**--**	**7.5**	**Aug-05**
*MSCI All Country World IMI**			*8.3*	*45*	*15.2*	*73*	*18.6*	*68*	*10.5*	*72*	*7.9*	*63*	*--*	*--*	*5.7*	*Aug-05*
Total Fixed Income	**412,223,441**	**27.8**	**0.8**	**39**	**-2.1**	**78**	**-1.3**	**68**	**3.6**	**48**	**7.1**	**41**	**5.2**	**39**	**5.3**	**Dec-02**
*Barclays Universal Bond Index**			*0.7*	*40*	*-1.6*	*64*	*-1.0*	*63*	*3.4*	*54*	*5.9*	*54*	*5.0*	*46*	*5.1*	*Dec-02*
Total Real Estate	**67,134,876**	**4.5**	**-0.3**	**--**	**6.1**	**--**	**7.5**	**--**	**11.4**	**--**	**-1.3**	**--**	**--**	**--**	**5.1**	**Nov-04**
*Performance Benchmark**			*2.6*	*--*	*8.2*	*--*	*11.0*	*--*	*11.8*	*--*	*4.1*	*--*	*--*	*--*	*8.2*	*Nov-04*
Total Private Equity	**54,887,742**	**3.7**	**2.8**	**--**	**8.2**	**--**	**11.6**	**--**	**11.6**	**--**	**7.2**	**--**	**--**	**--**	**-1.1**	**Aug-05**
Dow Jones U.S. Total Stock Market Index + 3%			*6.9*	*--*	*23.9*	*--*	*25.0*	*--*	*20.2*	*--*	*14.0*	*--*	*--*	*--*	*10.0*	*Aug-05*

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

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Defined Contribution & Deferred Compensation Plans

	Ending September 30, 2013	
	Market Value ($)	% of Portfolio
Total Defined Cont. & Deferred Comp.	**910,385,555**	**100.0**

	Market Value ($)	% of Portfolio
Total Hartford Options	**37,532,182**	**100.0**

College Savings Plans

	Ending September 30, 2013	
	Market Value ($)	% of Portfolio
First National	2,895,068,755	100.0
Direct	1,489,583,857	51.5
TD	630,360,989	21.8
Advisor	775,123,909	26.8
A	476,627,911	16.5
C	298,495,998	10.3

	Ending September 30, 2013	
	Market Value ($)	% of Portfolio
Total State Farm College Savings Plan	319,177,360	100.0
State Farm Fixed Allocation	75,076,308	23.5
State Farm Enrollment Based	233,078,082	73.0
State Farm Individual Portfolios	11,022,970	3.5

Endowment Plans

	Market Value ($)	% of Portfolio	Ending September 30, 2013 3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception Return (%)	Since
Total Endowment	**1,039,062,370**	**100.0**	**4.1**	**9.1**	**10.5**	**9.2**	**8.6**	**--**	**--**	
Total U.S. Equity	**382,739,454**	**36.8**	**5.9**	**21.8**	**22.4**	**17.0**	**10.5**	**7.7**	**5.6**	**Dec-01**
Dow Jones U.S. Total Stock Market Index			*6.2*	*21.2*	*21.4*	*16.8*	*10.7*	*8.3*	*6.3*	*Dec-01*
Total Non-U.S. Equity	**131,497,933**	**12.7**	**9.8**	**9.3**	**15.0**	**5.2**	**5.1**	**8.3**	**4.5**	**Dec-00**
*MSCI All Country World ex-U.S. IMI**			*10.4*	*10.6*	*16.9*	*6.1*	*6.4*	*8.8*	*5.2*	*Dec-00*
Total Global Equity	**79,539,394**	**7.7**	**7.2**	**15.8**	**19.5**	**12.1**	**11.7**	**--**	**8.9**	**Aug-05**
*MSCI All Country World IMI**			*8.3*	*15.2*	*18.6*	*10.5*	*7.9*	*--*	*5.7*	*Aug-05*
Total Fixed Income	**372,093,120**	**35.8**	**0.7**	**-1.5**	**-1.0**	**3.3**	**7.3**	**5.5**	**6.3**	**Jun-97**
*Barclays Universal Bond Index**			*0.7*	*-1.6*	*-1.0*	*3.4*	*5.9*	*4.8*	*5.9*	*Jun-97*
Total Real Estate	**45,122,970**	**4.3**								
Total Private Equity	**28,069,499**	**2.7**								

The Total Endowment includes the Health Care Endowment, 50/50 Endowment, and the Excess Liability Fund. It does not include the Health Care Endowment Fixed, as this is internally managed.

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

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In-House Trusts & OIP

	Market Value ($)	% of Portfolio	Ending September 30, 2013 3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception Return (%)	Since
Total In-House Plans	**9,458,484**	**100.0**								
Aeronautics	6,615,752	69.9	0.2	-2.2	-2.3	2.3	4.2	4.7	6.8	Dec-89
Barclays Treasury Bond Index			*0.1*	*-2.0*	*-2.1*	*2.2*	*4.0*	*4.2*	*6.4*	*Dec-89*
Agricultural Development	2,842,731	30.1	0.2	-2.1	-2.2	2.5	4.3	4.4	7.1	Dec-88
Barclays Treasury Bond Index			*0.1*	*-2.0*	*-2.1*	*2.2*	*4.0*	*4.2*	*6.7*	*Dec-88*

	Market Value ($)	% of Portfolio	Ending September 30, 2013 3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception Return (%)	Since
Total OIP	**3,711,255,104**	**100.0**	**0.5**	**-1.0**	**-0.8**	**1.6**	**4.1**	**3.4**	**4.4**	**Dec-96**
Policy Benchmark			*0.5*	*-0.7*	*-0.4*	*2.1*	*4.5*	*3.9*	*4.8*	*Dec-96*
Internal Short-Term Liquidity Pool	712,076,773	19.2	0.4	0.4	0.4	0.7	2.8	2.8	4.0	Dec-96
Performance Benchmark			*0.0*	*0.1*	*0.1*	*1.2*	*3.2*	*3.2*	*4.4*	*Dec-96*
Operating Investment Pool (Internal Government/Corporate)	2,999,178,332	80.8	0.5	-1.3	-1.0	--	--	--	1.5	Oct-11
Barclays Capital Intermediate Gov't/Corporate Index			*0.6*	*-0.8*	*-0.5*	--	--	--	*1.8*	*Oct-11*

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