
Oregon Investment Council

May 30, 2012 - 9:00 AM

**PERS Headquarters
11410 S.W. 68th Parkway
Tigard, OR 97223**

Keith Larson
Chair

**Office of the
State Treasurer
Ted Wheeler**
State Treasurer

Michael Mueller
Interim Chief Investment
Officer



OREGON INVESTMENT COUNCIL

2012 Meeting Schedule

Meetings Begin at 9:00 am

at

PERS Headquarters Building
11410 SW 68th Parkway
Tigard, OR 97223

January 25, 2012

January 25, 2012 Workshop

February 29, 2012

April 25, 2012

May 30, 2012

July 25, 2012

September 19, 2012

October 31, 2012

December 5, 2012



OREGON INVESTMENT COUNCIL

Agenda
----REVISED----
May 30, 2012
9:00 AM

PERS Headquarters
11410 S.W. 68th Parkway
Tigard, Oregon

| <u>Time</u> | <u>A. Action Items</u> | <u>Presenter</u> | <u>Tab</u> |
|-------------|--|--|------------|
| 9:00-9:05 | 1. Review & Approval of Minutes April 25, 2011 Regular Meeting | Mike Mueller <i>Interim CIO</i> | 1 |
| | <u>B. Information Items</u> | | |
| 9:05-9:35 | 2. OPERF Alternative Portfolio Annual Review | John Hershey <i>Senior Investment Officer</i> | 6 |
| 9:35-10:00 | 3. SAIF Annual Review | Theresa McHugh <i>VP of Financial Services, SAIF Corporation</i> Jerry Dykes <i>CFO, SAIF Corporation</i> Gina Manley <i>Financial Reporting Manager, SAIF Corporation</i> | 5 |
| 10:00-10:10 | ----- BREAK ----- | | |
| | <u>C. Action Items</u> | | |
| 10:10-10:45 | 4. KKR Asia Fund II, LP <i>OPERF & CSF Private Equity</i> | Jay Fewel <i>Senior Investment Officer</i> Jeff Goldberger <i>TorreyCove Capital Partners</i> George Roberts <i>Co-CEO, KKR</i> Joe Bae <i>Managing Partner of KKR Asia</i> | 2 |
| 10:45-11:20 | 5. Riverstone Global Energy & Power Fund V, LP <i>OPERF Private Equity</i> | Removed from Agenda | 3 |

| | | | |
|--------------------|--|---|----------|
| 11:20-11:30 | 6. Stable Value Manager Recommendation <i>Oregon Savings Growth Plan</i> | Mike Viteri <i>Senior Investment Officer</i> Jake O’Shaughnessy <i>Advisor, Arnerich Massena</i> | 4 |
|--------------------|--|---|----------|

D. Information Items

| | | | |
|--------------------|---|--|-----------|
| 11:30-11:50 | 7. OPERF Policy Implementation Overlay Review <i>Director, Overlay Strategies, Russell Investments</i> | Greg Nordquist | 7 |
| 11:50-12:00 | 8. OPERF 1st Quarter Performance Review | John Meier <i>Strategic Investment Solutions</i> | 8 |
| 12:00-12:15 | 9. Litigation Update Regarding Lone Star Matter <i>Executive Session pursuant to ORS 192.660(2)(f) & (h) Special Litigation Unit, DOJ</i> | John Dunbar | 9 |
| | 10. Asset Allocations & NAV Updates | Mike Mueller | 10 |
| | a. Oregon Public Employees Retirement Fund | | |
| | b. SAIF Corporation | | |
| | c. Common School Fund | | |
| | d. HIED Pooled Endowment Fund | | |
| | 11. Calendar—Future Agenda Items | | 11 |
| | 12. Other Items | Council Staff Consultants | |

E. Public Comment Invited
15 Minutes

TAB 1 – REVIEW & APPROVAL OF MINUTES

April 25, 2012 Regular Meeting



STATE OF OREGON
OFFICE OF THE STATE TREASURER
350 WINTER STREET NE, SUITE 100
SALEM, OREGON 97301-3896

OREGON INVESTMENT COUNCIL
APRIL 25, 2012

AMENDED-MEETING MINUTES

Members Present: Paul Cleary, Harry Demorest, Katy Durant, Keith Larson, Dick Solomon, Ted Wheeler

Staff Present: Darren Bond, Tony Breault, Karl Cheng, Brad Child, Garrett Cudahey, Jay Fewel, Sam Green, Andy Hayes, Brooks Hogle, Julie Jackson, Mary Krebiehl, Perrin Lim, Tom Lofton, Mike Mueller, Tom Rinehart, James Sinks, Michael Viteri, Byron Williams

Consultants Present: Deborah Gallegos and John Meier (SIS), Alan Emkin and John Linder (PCA), David Fann (TorreyCove), Nori Gerardo Lietz (Arete)

Legal Counsel Present: Dee Carlson, Oregon Department of Justice

The OIC meeting was called to order at 9:00 am by Dick Solomon (Keith Larson had not yet arrived).

I. 9:01 a.m.: Review and Approval of Minutes

MOTION: The February 29, 2012, minutes were approved unanimously by a vote of 4/0 (Keith Larson was absent for the vote).

Mike Mueller, Interim CIO updated the council on the committee actions taken since the last meeting:

Private Equity Committee – 2012:

- March 21, 2012 OCM Opportunities Fund IX, L.P. (\$75 million)
- March 21, 2012 Capital International Private Equity Fund VI, L.P. (\$100 million)

II. 9:02 a.m.: Oregon Savings Growth Plan Annual Review

Mike Viteri, Sr. Investment Officer and Jake O'Shaughnessy from Arnerich Massena gave an update on the Oregon Savings Growth Plan.

MOTION: Staff recommended approval of the extension of the Arnerich Massena Consulting Contract for OSGP for the period starting August 31, 2012 through August 31, 2014. Mr. Demorest moved approval of the motion. Mr. Solomon seconded the motion. The motion was passed by a vote of 5/0.

III. 9:25 a.m.: Annual OIC Policy Updates

Mr. Mueller presented the following policy updates:

1. 4.01.14: Clarifies notice of losses for accounting purposes; clarifies the basis and methodology for establishing a loss reserve.
2. 4.04.01: Clarifies the roles and responsibilities of the Real Estate Committee; and other changes for consistency with other similar policies.
3. 4.05.03: Improved descriptions of the Tiered Emerging Markets Strategy and the Russell/RAFI Fundamental Strategy. Included S&P 600 (S&P Small Cap Index) futures as an investable security in the Russell 2000 Synthetic strategy given the similar structural inefficiencies (cheapness) as found in the Russell 2000 futures contract.
4. 4.05.04: Eliminate the requirement to supply financial statements to Treasury for approved brokers, instead, requires firms to be registered with the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA).
5. 4.05.07: Changes oversight responsibility of this program from Chief Investment Officer to Senior Public Equity Investment Officer.
6. 4.06.01: Same as 2 above for the Private Equity Committee.
7. 4.06.02: Same as 2 above for the Alternative Portfolio Committee.
8. 4.06.03: Same as 2 above for the Opportunity Portfolio Committee.
9. 4.07.05: Adds Lifepath 2055 Fund to Appendix A.
10. OIC Summary of Key Investments Duties and Functions: No proposed changes, but to provide OIC opportunity to review.
11. OIC Statement of Fund Governance for OPERF: Addition of committee limits for Opportunity Portfolio and Alternative Investments, consistent with existing policy.
12. Investment Objectives and Policy Framework for OPERF: Updates to return expectations as provided by SIS.

MOTION: Mr. Demorest moved approval of the proposed policy changes. Mr. Solomon seconded the motion. The motion was passed by a vote of 5/0.

IV. 9:30 a.m.: OSTF Annual Review

Perrin Lim, Senior Investment Officer presented the annual review of the Oregon Short Term Fund, including the annual audited financial statements. He also reviewed and sought approval of two revisions to Investment Policy 4.02.03, the Oregon Short Term Fund Portfolio Rules. The last revision to the rules was reviewed and approved by the Oregon Short Term Fund Board on April 7, 2011 and was approved by the Oregon Investment Council on April 27, 2011.

MOTION: Staff recommended the OIC approve the two revisions to the Oregon Short Term Fund Portfolio Rules, Policy 4.02.03, as approved by the Oregon Short Term Fund Board on April 12, 2012. Ms. Durant moved approval of the staff recommendation. Treasurer Wheeler seconded the motion. The motion was passed by a vote of 5/0.

****VI. 10:05 a.m.: Litigation Update (taken out of order)****

Fred Boss, Chief Counsel, Civil Enforcement with the Department of Justice gave an update on current litigation involving OPERF.

****V. 10:20 a.m.: SEC Lending Update (taken out of order)****

Steve Meier, Executive VP & Cash CIO, State Street Global Advisors and Johnson Shum, Vice President, State Street Securities Finance gave an update on the securities lending program.

VII. 10:56 a.m.: Follow Up on Cash Investment Vehicles

John Meier (Strategic Investment Solutions) gave an update on OST's cash investment vehicles, as requested at the prior OIC meeting.

VIII. 11:32 a.m.: Asset Allocation and NAV Updates

Mr. Mueller reviewed the Asset Allocations and NAV's for the period ending March 31, 2012.

IX. 11:32 am: Calendar – Future Agenda Items

Mr. Mueller highlighted future agenda topics.

X. 11:32 am: Other Business

Mike Mueller and the OIC acknowledged Brad Child for his service and wished him well as he moves on to retirement.

11:38 am: Public Comments

There were no public comments.

The meeting adjourned at 11:38 am

Respectfully submitted,



Julie Jackson
Executive Support Specialist

TAB 2 – KKR ASIA FUND II, LP

OPERF Private Equity

KKR Asian Fund II, L.P.

Purpose

Staff is recommending a commitment of \$200 million for OPERF and \$25 for the Common School Fund to KKR Asian Fund II, L.P. (the Fund), a \$6.0 billion (target) fund pursuing leveraged buyouts and growth equity transactions in mid to large-market companies based in Asia.

Background

In 1976, Henry R. Kravis, George R. Roberts and Jerome Kohlberg founded KKR to pursue opportunities in the United States. After many successes in the United States, KKR began to expand internationally. In late 2005, KKR executives Joe Bae, Justin Reizes and Sir Deryck Maughan, moved to Asia to establish the Firm's presence and recruit local professionals.

Since the initial move into Asia, KKR has opened six offices and now employs more than 45 professionals across the region. Additionally, the firm's Capstone Asia team consists of another 17 operating professionals. Since 2005, KKR has invested more than \$4.0 billion across more than 20 investments, throughout Asia.

The Firm currently has Asian offices in Hong Kong, Tokyo, Sydney, Beijing, Mumbai and Seoul. It should be noted that due to the importance of local relationships in the Asian business environment, KKR's investment professionals in Asia are primarily organized into regional groups, rather than having an industry focus, as with their KKR Europe and North American counterparts.

As with Fund I, KKR believes there will be strong deal flow in China and Southeast Asia for Fund II, and they are expecting more activity in India, in the near future. Currently the China team has 16 dedicated investment professionals, across offices in Hong Kong and Beijing, and they expect to add at least five more professionals and possibly open an office in Shanghai. KKR already has one of the strongest teams in China, and staff believes the growth in these offices to be a positive move for the long-term. The Southeast Asia team consists of seven dedicated investment professionals and currently works out of the Hong Kong office. KKR plans to open an office in Singapore and hire a number of senior investment professionals in various locales, including Vietnam, Thailand and the Philippines, to increase their local presence.

One sustainable competitive advantage that KKR has over its competition in Asia is their dedicated team of 17 operating executives (Capstone Asia) across offices in Hong Kong, Beijing, Sydney, Tokyo and Mumbai. While a few of the more developed economies do offer buyout opportunities, most of the Asian deals will be influential minority investments. Investable capital is no longer in short supply in Asia. Therefore, entrepreneurs will typically have a choice from whom they will take capital, and KKR's ability to demonstrate the successes of their Capstone resources, will help drive deal flow.

While the KKR Asia platform is relatively young, and one common theme amongst Asian Partnerships is a high level of turnover, the KKR Asia team has been very stable over the past seven years. The team has only lost three senior Asia-based investment professionals, and there are mitigating situations that do not cause concern over these departures. KKR, as a firm, has been a very strong and stable firm. Excluding Henry Kravis and

George Roberts, the 15 most tenured members of KKR have been with the Firm on average, approximately 18 years.

Strategy and Performance

As with Fund I, The Fund will partake in buyouts and growth capital investments. They will always seek board rights, regardless if they take a controlling or influential minority stake. The average investment size will be between \$100 - \$300 million in Emerging Asia (predominantly minority stakes) and \$250-\$500 million in Developed Asia (minority and controlling stakes). The Fund will be targeting companies with an enterprise value of \$500 million - \$2 billion. The Fund will also be targeting companies which will benefit from the growth in the middle class populations in regions like China, India and Southeast Asia. These are all very consistent with Fund I's investments.

As in Fund I, KKR Asia Fund II will be opportunistic in its approach to sectors, and does not have any hard allocation targets. However, KKR has historically targeted the consumer, financials and IT sectors, quite heavily, in Asia.

As of March 31, 2012, KKR Asia Fund I had a net IRR of 14.9% and net Total Value Multiple of 1.38x. These both rank in the first quartile in their respective Venture Economics universes.

KKR also has a China-only fund, which is managed by the same team that manages the China investments for the regional Asia funds. As of March 31, 2012, the KKR China Fund had a net IRR of 21.4% and net Total Value Multiple of 1.16x. These also both rank in the first quartile in their respective Venture Economics universes.

Portfolio Fit

KKR Asia is a strong fit into OPERF's Private Equity portfolio, as they cover most of the investable region, in Asia, and partake in the types of deals that have shown the most success in each specific country. One of the biggest concerns of North American groups moving to Asia was that the general partner would attempt to force buyout investments into regions, countries, and cultures which do not look favorably on these types of deals. Staff has been very impressed with KKR's willingness and ability to be flexible enough to mold their strategies to fit into each country, as well as their ability to build teams with local professionals tied into the local business communities. Staff fully expects KKR Asia to be the "anchor tenant" to OPERF's Asia Private Equity portfolio, for years to come. This commitment will be allocated 100 percent to the Large Corporate Finance investment sub-sector and will further be categorized as an International investment. As of December 31, 2011, OPERF's allocation to Large Corporate Finance is targeted at 45-65 percent, with a current fair market value plus unfunded commitments exposure totaling 43 percent.

Placement Agents

KKR asserts they have not retained a placement agent to assist in fundraising for KKR Asia Fund II, LP.

Private Partnership Investment Principles

We have reviewed the Fund's compliance with the Private Partnership Principles. While the Fund does not conform to every Principle, it should be noted that KKR's terms have become more LP friendly over the past fund cycle. Sensitive negotiations are already under way, in an effort to create a more LP favorable Limited Partnership Agreement.

Oregon Common School Fund Allocation

For the Common School Fund, a \$25 million commitment will help to further build and diversify the private equity allocation which is currently targeted at 10 percent, with a current fair market value allocation of 8.5 percent. Since its inception in 2007, the CSF direct private equity investment program has invested as a separate limited partner in key OPERF relationships. To date, these commitments total \$170 million, with \$95.2 million called, as of September 30, 2011.

Recommendation

1. Staff recommends that the OIC authorize a \$200 million commitment to KKR Asian Fund II, LP, on behalf of OPERF, subject to the satisfactory negotiation of terms and conditions, and completion of the requisite legal documents by DOJ legal counsel working in concert with OST staff.
2. Staff recommends that the OIC authorize a \$25 million commitment to KKR Asian Fund II, LP, on behalf of the Common School, subject to the satisfactory negotiation of terms and conditions, and completion of the requisite legal documents by DOJ legal counsel working in concert with OST staff.



MEMORANDUM

TO: Oregon Public Employees Retirement Fund ("OPERF")
FROM: TorreyCove Capital Partners ("TorreyCove")
DATE: May 15, 2012
RE: KKR Asian Fund II, L.P.

Strategy:

KKR Associates Asia II, L.P. ("KKR Asia"), an affiliate of Kohlberg Kravis Roberts & Co. L.P. ("KKR," the "Firm" or the "General Partner"), is forming KKR Asian Fund II, L.P. ("KKR Asia II", "Fund II", or "the Fund") to invest in leveraged buyouts and growth equity transactions in mid to large-market companies based in Asia. The Fund represents a continuation of the Firm's investment strategy pursued in the region since 2005.

The activities of the Fund will primarily be managed by Joseph Bae, Head of KKR Asia. His responsibilities include management and oversight of the KKR Asian Funds as well as the China Growth Fund. In addition to Mr. Bae, the KKR Asia team consists of five Members, two Managing Directors, ten Directors, nine Principals, and 20 Associates and Analysts. This represents significant growth since the Firm raised KKR Asian Fund I in 2007, when KKR Asia had only 18 dedicated investment professionals operating out of offices in Hong Kong and Tokyo. Today, the Asia team has more than 45 dedicated investment professionals across six different offices in the region. Additionally, KKR Asia investment professionals will be augmented by KKR's global platform and the senior executives who founded the Firm.

According to the General Partner, the Fund will be opportunistic in its approach to sectors and does not have any hard allocation targets. However, the Firm has historically targeted the consumer, financials, and IT sectors quite heavily and is likely to continue to pursue such investments. With regard to geography, the Fund will again be opportunistic in its approach and will not have any hard allocation targets. However, TorreyCove notes that Fund II will aim to be relatively evenly diversified across its target regions, with the largest exposure expected to be in China, Southeast Asia, and India.

The Fund is seeking aggregate capital commitments of \$6.0 billion. Its predecessor is a 2007 vintage year fund capitalized with \$4.0 billion in equity commitments. The General Partner is expecting to hold a first close during June of 2012. Subsequent closes will be held throughout the remainder of the year.

Please see attached investment memorandum for further detail on the investment opportunity.

Allocation:

A new commitment to the Fund would be allocated 100% to the Large Corporate Finance investment sub-sector and will further be categorized as an International investment. As of December 31, 2011, OPERF's allocation to Large Corporate Finance is listed in the table below. It is important to note that since allocation is based on fair market value, a commitment to the Fund would not have an immediate impact on OPERF's current portfolio allocation. Commitments to the Fund are complementary to OPERF's existing fund commitments and provide the overall portfolio with a further degree of diversification.

| As of December 31, 2011 | Target | FMV | FMV + Unfunded |
|-------------------------|--------|-------|----------------|
| Large Corporate Finance | 45-65% | 47.9% | 42.8% |
| International | 0-30% | 27.2% | 29.6% |



Conclusion:

The Fund and offers OPERF an opportunity to participate in a differentiated portfolio of private equity investments with relatively attractive overall terms. TorreyCove's review of the General Partner and the proposed Fund indicates that the potential returns available justify the risks associated with an investment in the Fund. TorreyCove recommends that OPERF consider a commitment of up to \$200.0 million to the Fund. TorreyCove's recommendation is contingent upon the following:

- (1) Satisfactory negotiation or clarification of certain terms of the investment;
- (2) Satisfactory completion of legal documents;
- (3) Satisfactory continuation and finalization of due diligence;
- (4) No material changes to the investment opportunity as presented; and
- (5) Confidentiality maintained regarding the commitment of OPERF to the Partnership until such time as all the preceding conditions are met.

TAB 3 – RIVERSTONE GLOBAL ENERGY &
POWER FUND V, LP

~~ Removed From Agenda ~~

TAB 4 – STABLE VALUE MANAGER RECOMMENDATION

**Oregon Savings Growth Plan
Stable Value Option
STAFF RECOMENDATION**

Purpose

Staff and Oregon Savings Growth Plan (OSGP) consultant Arnerich Massena recommend the hire of Galliard Capital Management for the OSGP Stable Value Option. This recommendation represents replacement of current manager, Dwight Asset Management.

Background

Dwight Asset Management (Dwight), a Vermont-based stable value money manager, is the sole OSGP Stable Value Option provider. As of March 31, 2012, the market value of total OSGP assets equaled \$1.2 billion, of which the Stable Value Option represented 15.3 percent (\$193 million). On February 7, 2012, Goldman Sachs Asset Management (GSAM) announced that it would acquire Dwight, in a deal slated to close in May 2012. The GSAM acquisition would involve the purchase of 100% of the outstanding equity.

Discussion

Following the acquisition announcement, staff held multiple phone conferences with Dwight Asset Management to determine the implications of the acquisition on the organization. Staff was informed that the vast majority of the positions at Dwight would be eliminated and that the investment management function would be migrated to the GSAM fixed income offices in New York.

On March 8th, 2012, staff and Arnerich Massena performed a site visit with Dwight Asset Management and representatives of GSAM at Dwight's Burlington, Vermont home office. Over the course of the month since the announcement, GSAM reversed earlier plans of staff elimination and indicated that it would be retaining "key people" responsible for portfolio construction, legal contracts, and client servicing. In all, approximately 10 of the 90 employees at Dwight would be offered retention packages.

In response to the significant organizational changes to Dwight and the potential implications of those changes on the investment process (moving from a boutique stable value shop to a large fixed income asset management firm), staff and the OSGP consultant felt it necessary to launch a search for stable value managers.

Search Process

Staff and Arnerich Massena independently screened the pool of candidates to create a "shortlist," based on a variety of qualitative and quantitative factors, including:

- Staff and Arnerich's knowledge and opinions regarding the firm and product, including opinions of products highly ranked by Russell analysts;
- Team attributes, including consistency and depth;
- Firm attributes, including employee ownership, assets under management, and adherence to GIPS;
- Portfolio attributes, including benchmark-relative risk, portfolio holdings, style characteristics, and correlation of returns relative to other OSGP managers; and,
- The history of relative performance including consistency and upside/downside capture.

After a series of phone and video conferences vetting the broader pool of candidates, four firms were invited to make formal presentations to the selection team, which consisted of staff members Michael Viteri, Ben Mahon, and Tom Lofton and Arnerich Massena consultant Jake O'Shaughnessy. It should also be noted that the OSGP Administrator Gay Lynn Bath was also present, but did not participate in the voting process. The selection team, reviewed all analysis and written materials and participated in a post-interview discussion to debate the relative merits of the firms. While all four stable value managers were highly regarded, Galliard Capital Management's stable value product rose to the top.

Galliard Capital Management

Galliard was founded in 1995 as a wholly-owned subsidiary of Wells Fargo Bank. Galliard has had no changes in ownership, management or philosophy since inception. The relationship allows Galliard to utilize Wells Fargo for legal, human resources, and technology support. Galliard has 93 professionals on staff and manages \$72 billion in stable value assets as of March 31, 2012.

Staff (Tom Lofton and Michael Viteri) and Arnerich Massena performed a due diligence on-site visit to Galliard's Minneapolis home office on April 4th, 2012. During the five hour on-site, staff and consultant met with all senior staff and the three managing partners at the firm, John Caswell, Richard Merriam, and Karl Tourville. Senior staff visits entailed various meetings with portfolio managers and traders on the trading floor reviewing live portfolio and trading work flow processes, in addition to meetings with credit analysts and research staff reviewing security specific research, portfolio risk management, and external manager diligence group responsible for the construction of the sub-advisory multi-manager program within the Galliard Stable Value strategy. No significant concerns were noted on the diligence visit.

Staff views the pros and cons of hiring Galliard as follows:

Pros:

- Staff has high conviction in the investment team and process, which is capable of delivering strong risk-adjusted returns within the OSGP Stable Value Option.
- Galliard is a recognized leader in Stable Value with \$72 billion in Stable Value assets under management, with a strong pipeline of wrap providers willing to provide insurance capacity.
- The OSGP Consultant has a high regard to this team and have recommended Galliard to other clients.
- Russell Investments has a high regard for this team, and uses this product in their multi-manager programs.
- Galliard has built a robust technology platform for managing and negotiating insurance wrap contracts, a key element in stable value management.

Con:

- Galliard has seen substantial asset growth with assets under management rising from \$28 billion in 2007 to \$72.1 billion as of March 31, 2012.
{Mitigant: an increasing portion of the assets are sub-advised to other fixed income managers for purpose of providing manager and style diversification within the portfolio. In addition, Galliard has transitioned 9 accounts from Dwight over the last 3 years}.

Staff performed a variety of other due diligence in determining the appropriateness of Galliard Capital Management, including: reviewing manager ADV filings looking for potential conflicts of interest and

other items of concern (no concerns were noted); checking references from peers (references were all very favorable); and reviewing and discussing the fee schedules.

Recommendation

- Staff and Arnerich Massena recommend termination of the Dwight/GSAM stable value mandate for OSGP.
- Staff and Arnerich Massena recommend hiring Galliard Capital Management as the OSGP Stable Value Option provider, subject to the successful negotiation of terms.
- Amend OIC policy 04-07-05 accordingly.

FUNCTION: Deferred Compensation Investment Program
ACTIVITY: Investment Management Firm Monitoring and Retention

POLICY:

The Oregon Investment Council contracts with Investment Management Firms to invest the assets of the State of Oregon Deferred Compensation Investment Program. Firms are hired for their specific expertise and the investments will generally take the form of mutual funds and commingled trusts. Firm expertise is manifested in the investment performance results produced. Retention of a firm exposes the assets under management to a degree of risk for which the Program should receive adequate compensation. Office of the State Treasurer (OST) staff will begin monitoring the Investment Management Firm before the firm is hired.

PROCEDURES:

Based on information provided by investment prospectuses, Morningstar, and other available information, staff shall identify the following for each firm:

1. **Strategic Role.** Identification of the strategic role within the investment structure the firm's portfolio is to fulfill.
2. **Firm's Style.** Description of the firm's style or how the firm will fulfill the strategic role.
3. **Universe of Securities.** Identification of the universe of securities from which the firm will construct its portfolio.
4. **Risk Level.** Identification of the expected risk level, as measured by commonly accepted investment risk measures, relative to the strategic role the firm is to fulfill. The risk level can be expressed relative either to the universe of securities from which the firm selects, other managers, or to the market return as a whole, or it can be expressed in absolute terms.
5. **Performance Objective.** Identification of a specific performance objective should be expressed on a risk-adjusted basis. For example, the firm's performance may be compared to an index that represents the universe of securities from which the firm selects, plus some degree of excess return over that index that is commensurate with the risk the firm takes to achieve return. Benchmarks and performance objectives for individual funds are included in Appendix A.
6. **Time Horizon.** Identification of a time horizon considered acceptable by the firm and the Oregon Investment Council for the delivery of the expected performance results. This time horizon should be expressed in terms relative to a market cycle for that manager's specific style of management. The style of management can be embodied in the index selection. A market cycle is defined as performance from peak to trough to peak in the index return.

7. **Monitoring.** The firm is to be monitored with regard to how performance results are generated to ensure the firm is exhibiting risk and other portfolio characteristics consistent with the original objectives for hiring that particular firm. If the firm's risk profile or other portfolio characteristics deviate materially from those outlined in the guidelines, the firm will be subject to probationary action as described in section 8.
8. **Performance.** Prior to the expiration of the time horizon for performance measurement, performance deviating from objectives should be noted, with the firm being placed informally on "Watchlist." Staff shall notify the Council anytime an investment fund is placed on "Watchlist" and shall report the "Watchlist" status within the quarterly reports. Nothing stated in this policy will supersede the right of the Oregon Investment Council from exercising its right to terminate "at will" any firm in its employ according to the terms of its contract.
9. **Contracting.** For purposes of this policy, in cases where the firm contracts with others for the management of the assets, the firm will meet the above elements for each separate manager employed by the firm.

SAMPLE FORMS, DOCUMENTS, OR REPORTS (Attached):

None

APPENDIX A

INVESTMENT MANAGER BENCHMARKS

| <u>Manager</u> | <u>Benchmark</u> | <u>Peer Group</u> | <u>Return Objective Over Benchmark Net of Fees</u> |
|----------------------------------|---------------------------|-------------------------|--|
| SSGA GSTIF | 3 month T Bill | Money Market | 10bps |
| Galliard Stable Value | 3 month T Bill | Stable Value | 25 bps |
| BlackRock US Debt Index | Barclays Aggregate | Int. Fixed Income | N/A |
| Fidelity Broad Mkt. Dur. | Barclays Aggregate | Int. Fixed Income | 50bps |
| Wellington Bond Core Plus | Barclays Aggregate | Int. Fixed Income | 50bps |
| BlackRock Russell 1000 Value | R 1000 Value | Large Value | N/A |
| Dodge & Cox | R 1000 Value | Large Value | 75bps |
| MFS Value | R 1000 Value | Large Value | 75bps |
| LSV Value | R 1000 Value | Large Value | 75bps |
| BlackRock Russell 3000 | R 3000 | Market-Oriented | N/A |
| BlackRock Russell 1000 Growth | R 1000 Growth | Large Growth | N/A |
| American Funds Amcap | R 1000 Growth | Large Growth | 75bps |
| Wells Fargo Endeavor Sel. | R 1000 Growth | Large Growth | 75bps |
| Delaware US Growth | R 1000 Growth | Large Growth | 75bps |
| BlackRock EAFE Index | MSCI EAFE | Market-Oriented | N/A |
| Artisan International | MSCI EAFE | Market-Oriented | 150bps |
| GMO Foreign III | MSCI EAFE | Market-Oriented | 150bps |
| Marsico International | MSCI EAFE | Market-Oriented | 150bps |
| Oakmark International | MSCI EAFE | Market-Oriented | 150bps |
| DFA EM Core Equity | MSCI EM | Market –Oriented | 150bps |
| BlackRock Russell 2000 | R 2000 | Market-Oriented | N/A |
| Callan Small Equity | R2000 | Market-Oriented | 150bps |
| American Beacon S.C. Value | R 2000 Value | Small Value | 150bps |
| Columbia Acorn | R 2500 | Midcap Market-Oriented | 150bps |
| T Rowe Midcap Growth | R 2500 Growth | Midcap Growth | 150bps |
| <u>BlackRock</u> | | | |
| Lifepath Retirement | Various | Target Date Funds | N/A |
| Lifepath 2015 | Various | Target Date Funds | N/A |
| Lifepath 2020 | Various | Target Date Funds | N/A |
| Lifepath 2025 | Various | Target Date Funds | N/A |
| Lifepath 2030 | Various | Target Date Funds | N/A |
| Lifepath 2035 | Various | Target Date Funds | N/A |
| Lifepath 2040 | Various | Target Date Funds | N/A |
| Lifepath 2045 | Various | Target Date Funds | N/A |
| Lifepath 2050 | Various | Target Date Funds | N/A |
| Lifepath 2055 | Various | Target Date Funds | N/A |
| Self Directed Brokerage | N/A | N/A | N/A |

TAB 5 – SAIF ANNUAL REVIEW

Oregon Investment Council 2012 SAIF Annual Review

Purpose

In accordance with OIC Policy 4.09.06 for SAIF: “Review of the asset allocation policy, investment management and performance will occur at least annually with the OIC and more frequently by Treasury staff. These reviews will focus on the continued appropriateness of policy, compliance with guidelines and performance relative to objectives. A formal process shall be established allowing SAIF staff to meet with OIC’s consultants on an annual basis to discuss issues of management and asset allocation. In addition, SAIF staff will have the opportunity to address the OIC annually to discuss SAIF’s particular views as to the management of the fund.”

Background

At the January 2010 OIC meeting, the OIC approved policy changes to the asset allocation of the SAIF portfolio, reducing the total public equity exposure from 15 percent to 10 percent (and making it a global mandate), and reducing the fixed income portfolio duration from 7 years to 5 years.

Performance through March 2012

| FUND NAME | MKT VAL \$(M) | % | 1 YEAR | 3 YEARS | 5 YEARS | 7 YEARS | 10 YEARS |
|------------------------------------|------------------|-------|-----------|------------|------------|------------|-------------|
| STATE ACCIDENT INSURANCE FUND | 4,284,366 | 100.0 | 6.98 | 12.76 | 6.22 | 6.21 | 6.18 |
| OREGON SAIF POLICY INDEX | | | 7.47 | 11.32 | 6.19 | 6.03 | 5.88 |
| BLACKROCK MSCI ACWI IMI INDEX FUND | 425,008 | 9.9 | -0.90 | | | | |
| MSCI ACWI IMI NET | | | -1.18 | | | | |
| WELLINGTON MANAGEMENT COMPANY | 1,916,456 | 44.7 | 8.25 | 12.39 | 7.14 | 6.45 | 6.32 |
| WESTERN ASSET MANAGEMENT | 1,906,663 | 44.5 | 7.81 | 10.82 | 6.99 | 6.48 | 6.91 |
| OREGON SAIF FIXED INCOME INDEX | | | 8.29 | 9.55 | 6.98 | 6.23 | 6.16 |
| CASH FUND | 28,524 | 0.7 | 0.60 | 1.21 | 1.88 | 2.62 | 2.33 |
| 91 DAY T-BILL | | | 0.06 | 0.13 | 1.23 | 2.10 | 1.91 |
| PLEGGED SECURITIES | 7,715 | 0.2 | 2.71 | 1.30 | 3.44 | | |
| 91 DAY T-BILL | | | 0.06 | 0.13 | 1.23 | | |

The overall portfolio has performed well, with the fixed income portfolio providing significant alpha over the past three years, in particular (11.6 percent vs. 9.6 for the benchmark). From a low of \$3.18 billion in October 2008, the overall SAIF portfolio is up nearly 35 percent to \$4.28 billion as of March 2012.

Recommendation

None at this time. SAIF management will provide an update on their business, under separate cover.



PRESENTATION TO THE

OREGON INVESTMENT COUNCIL

MAY 30, 2012

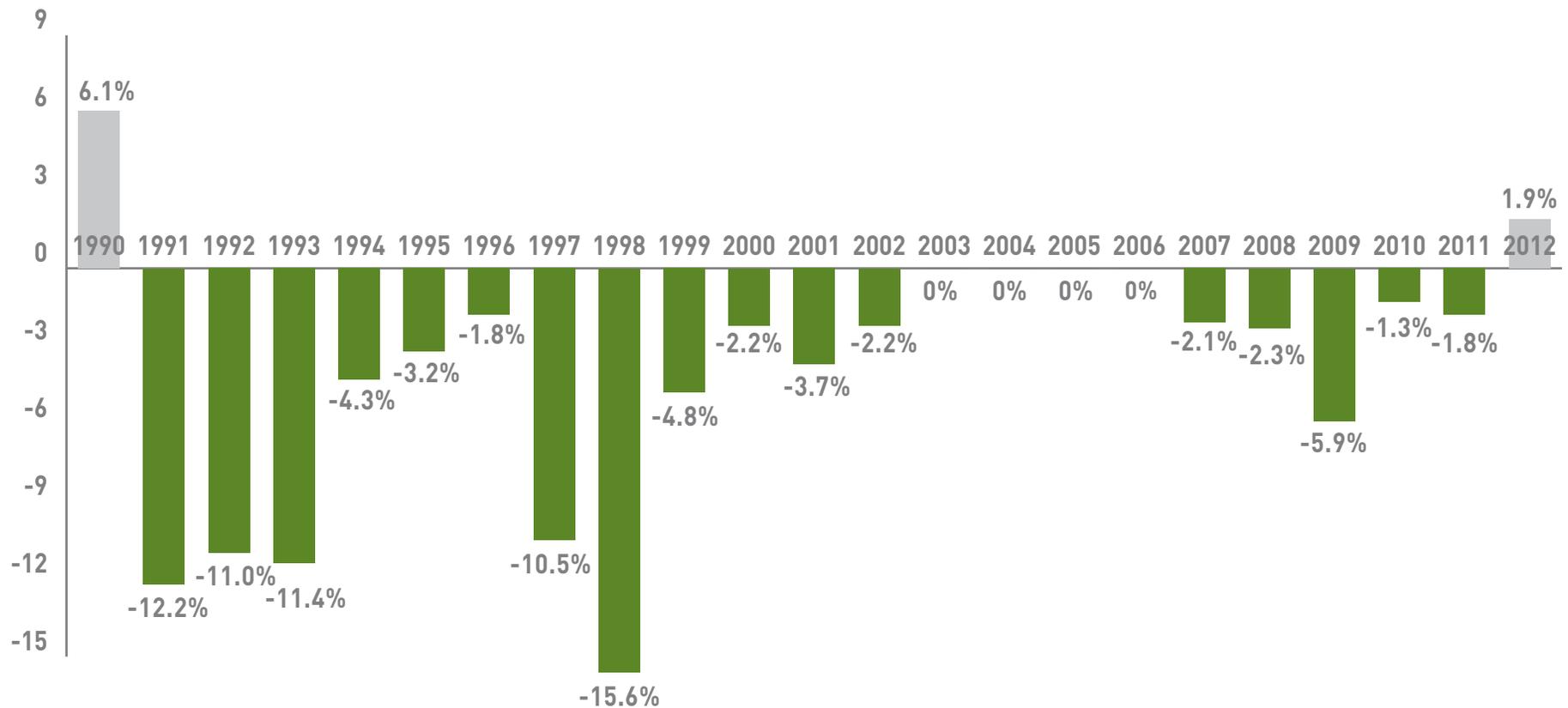
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Facts

| | 2010 | 2011 |
|--|-----------------|-----------------|
| Number of employers insured (including share of assigned risk pool) | 46,561 | 47,507 |
| Total invested assets | \$4.1 billion | \$4.1 billion |
| Total assets | \$4.5 billion | \$4.5 billion |
| Loss and loss adjustment expense reserves | \$3.0 billion | \$3.0 billion |
| Total liabilities | \$3.5 billion | \$3.5 billion |
| Surplus | \$958.6 million | \$917.2 million |
| Direct earned premium | \$331.7 million | \$352.0 million |
| Market share | 44.9% | 44.9% |
| Investment income | \$397.3 million | \$189.1 million |
| Policyholder dividend | \$200.5 million | \$150.0 million |
| Number of full-time equivalent filled positions | 808 | 799 |

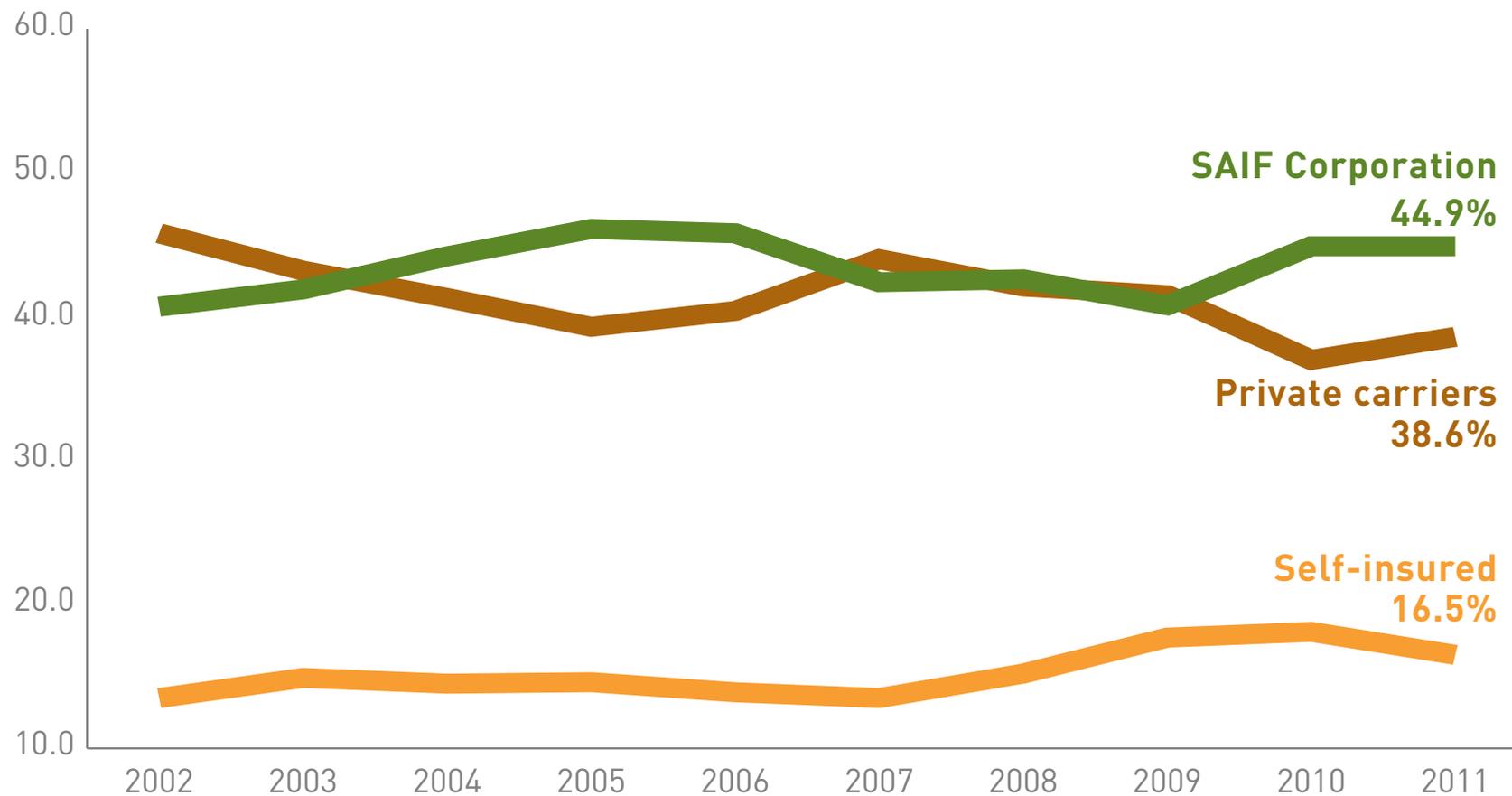
Pure Premium Rates



Source: Department of Consumer and Business Services (DCBS)

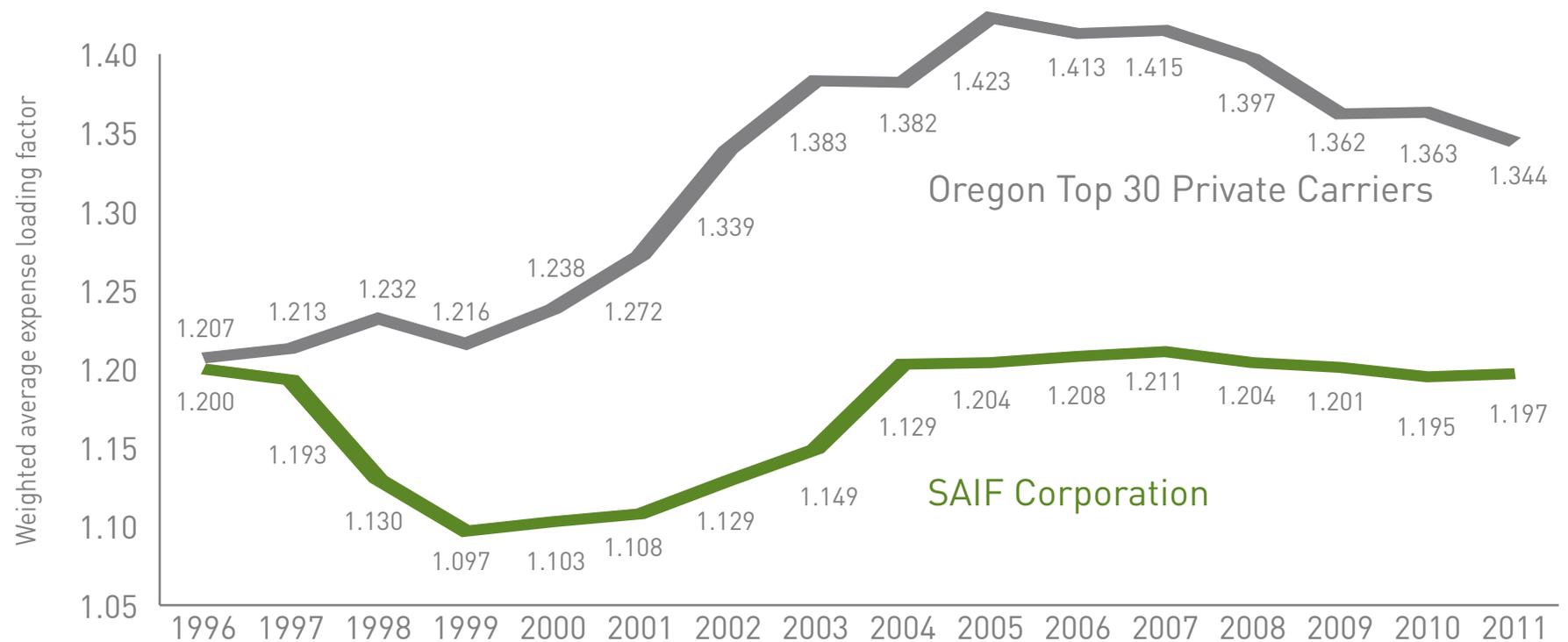
Share of Oregon Workers' Compensation Market

Based on Oregon Direct Premium Written



Weighted Average Expense Load Factors

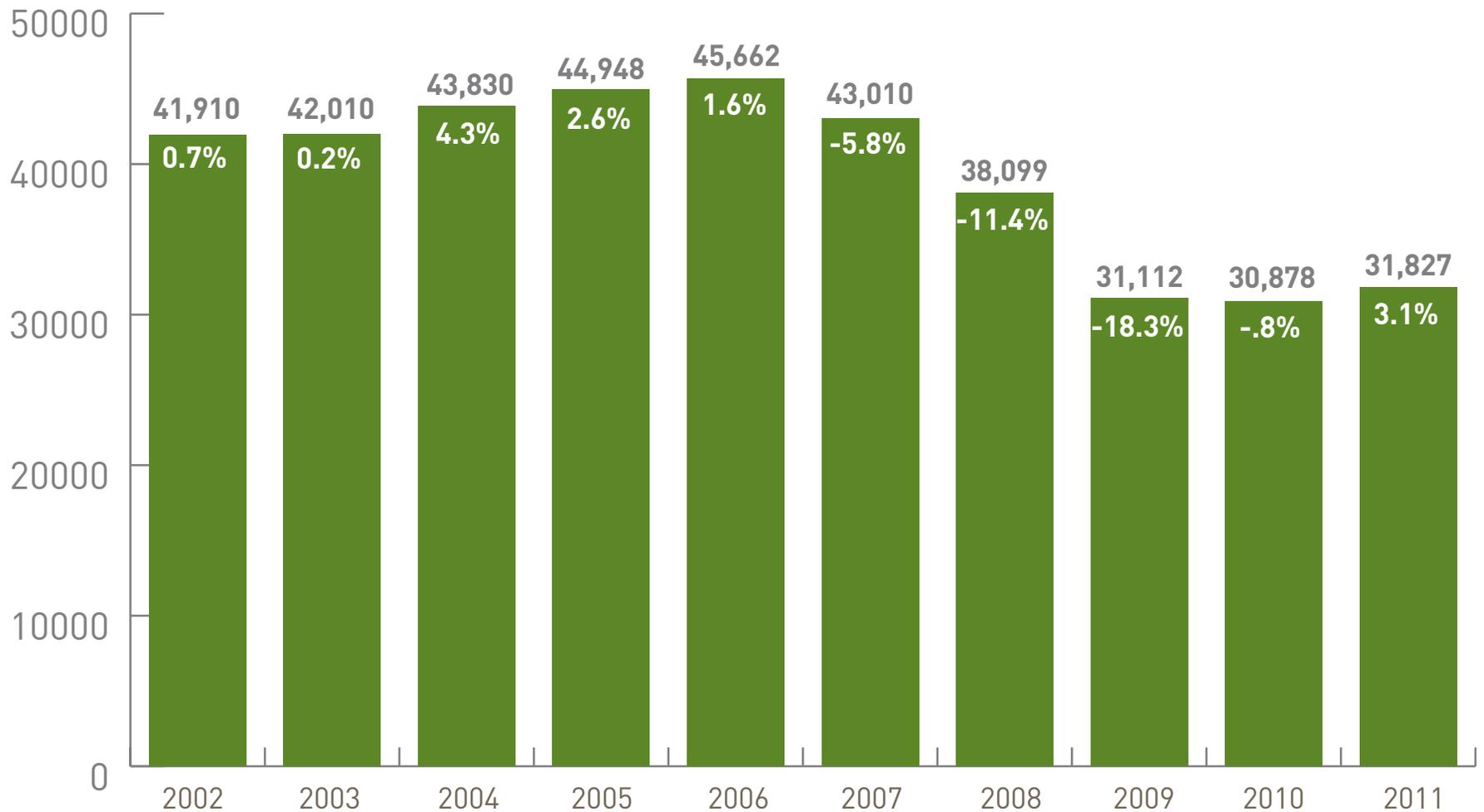
SAIF Corporation and the Top 30 Oregon Private Carriers
 Calendar Years 1996–2011



Expense load factors cover operating expenses, taxes, profit, and contingencies.

Source: Workers' Compensation Premium Report, Calendar Year 2011, Department of Consumer and Business Services (DCBS)

Calendar Year Incoming Claim Counts

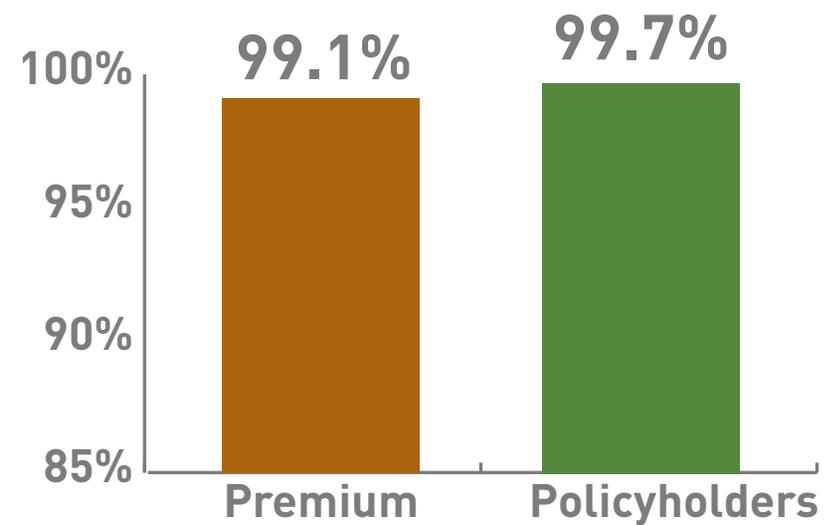


2011 Marketing Results

Sales



Retention

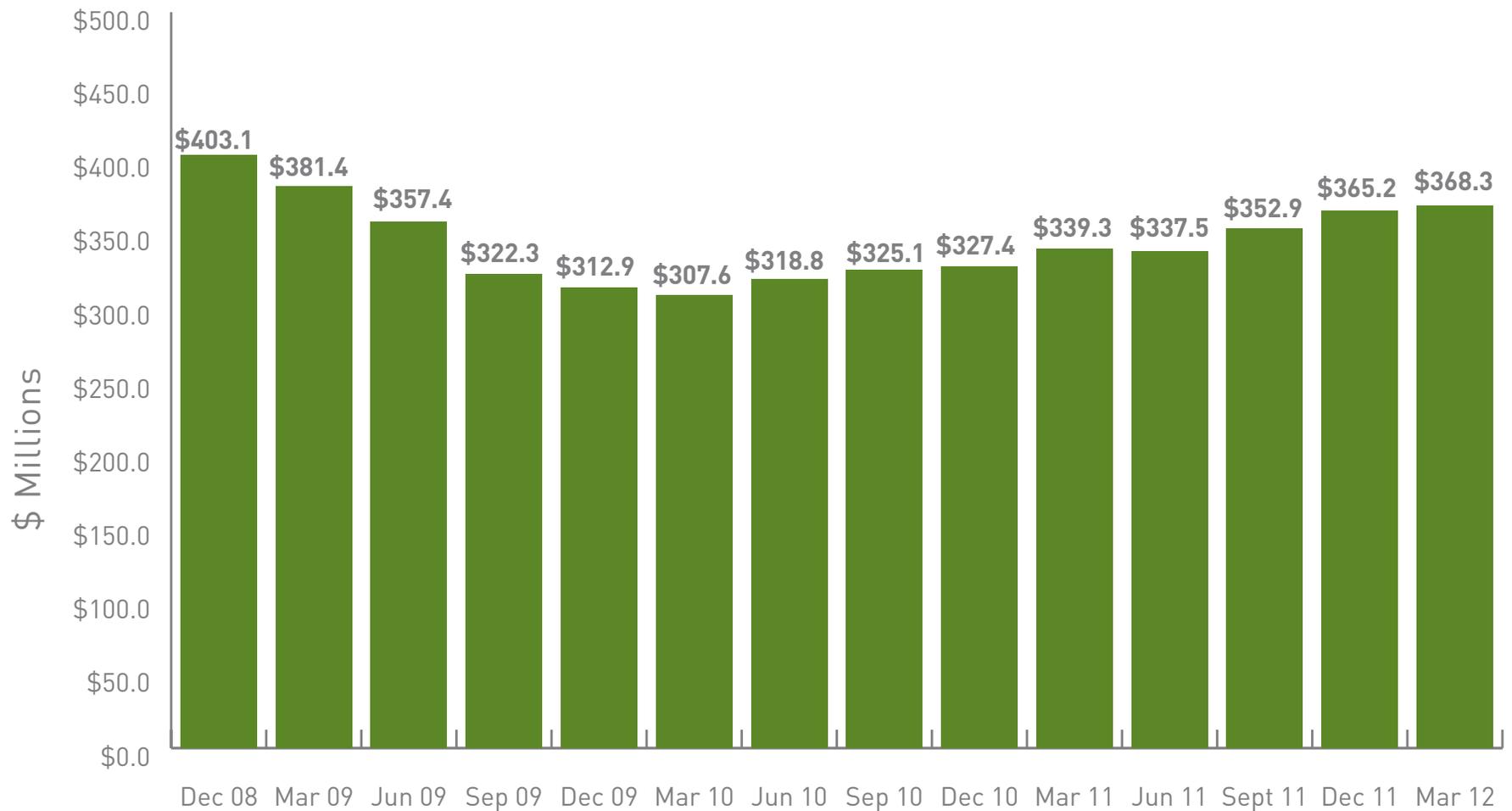


Direct Earned Premium



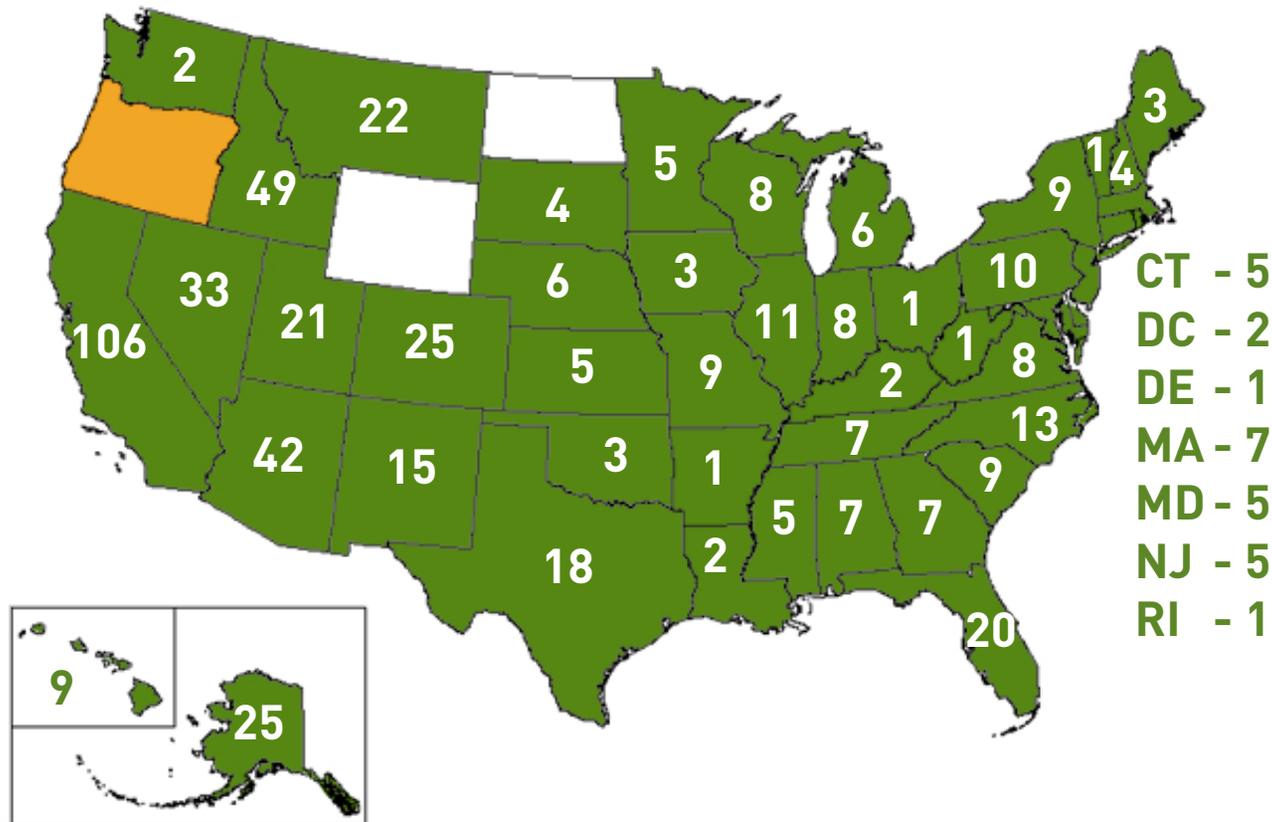
Direct Written Premium

Rolling 4 Quarters

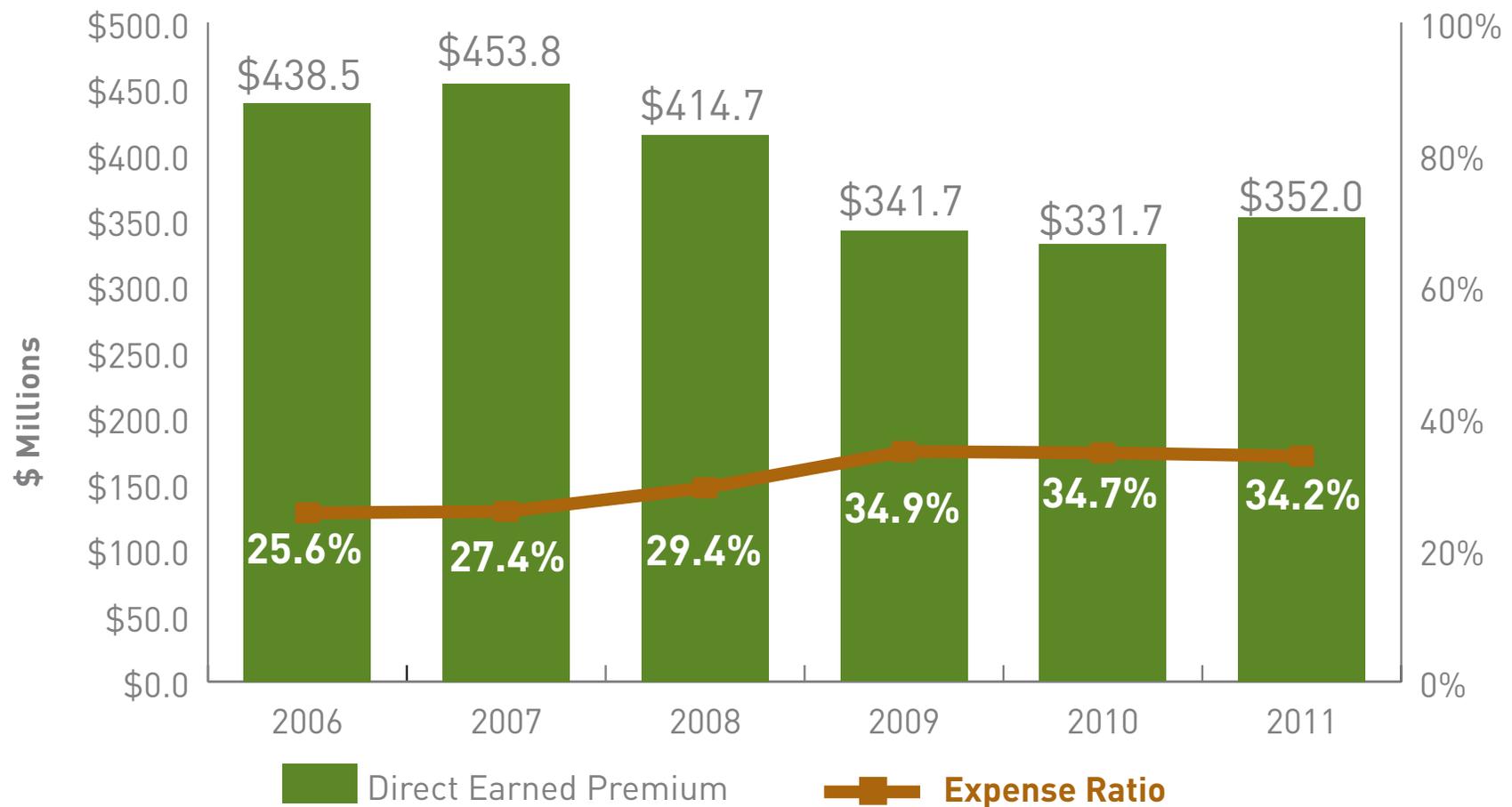


Other States Coverage Program

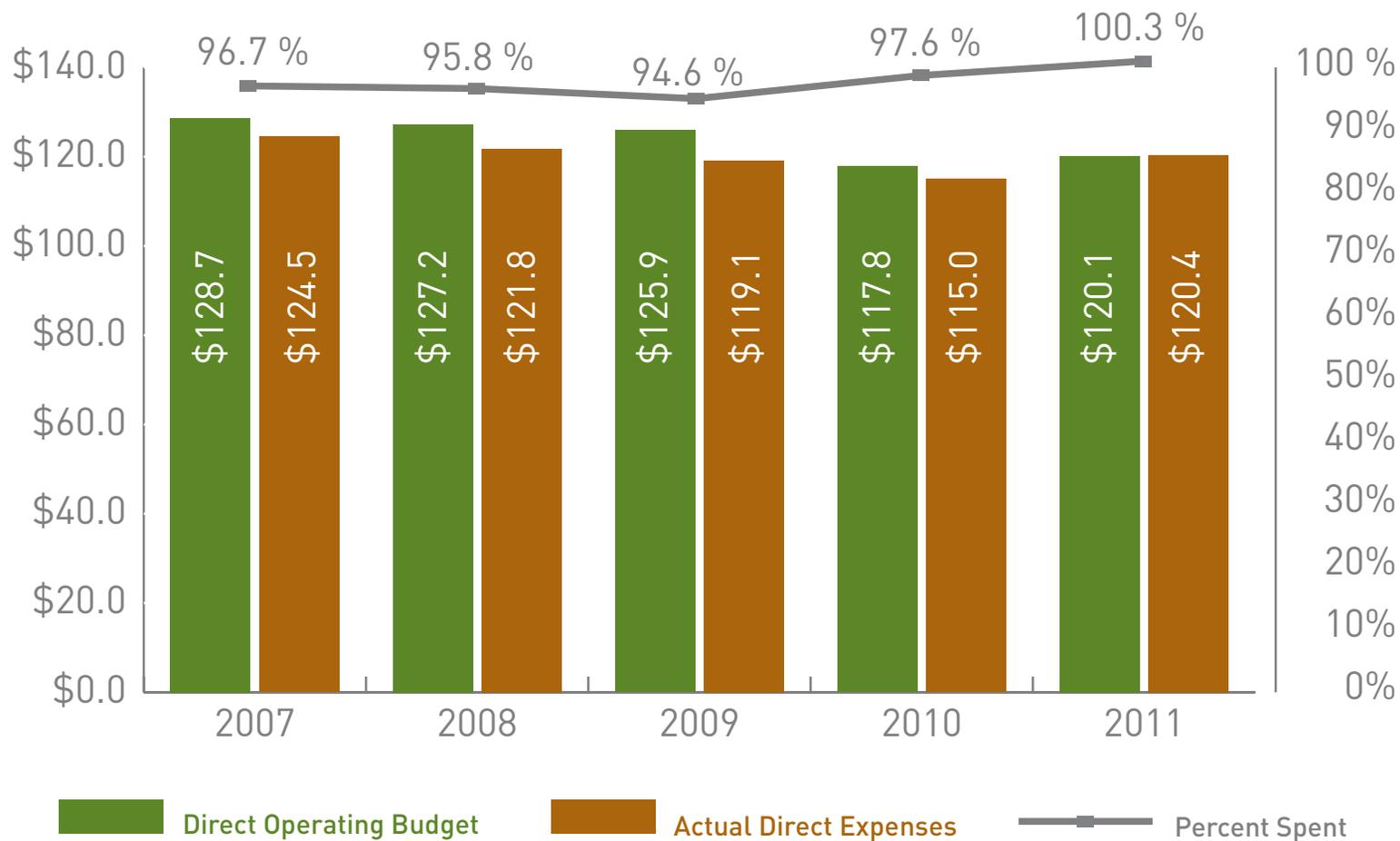
2011 - \$4.2 million written premium



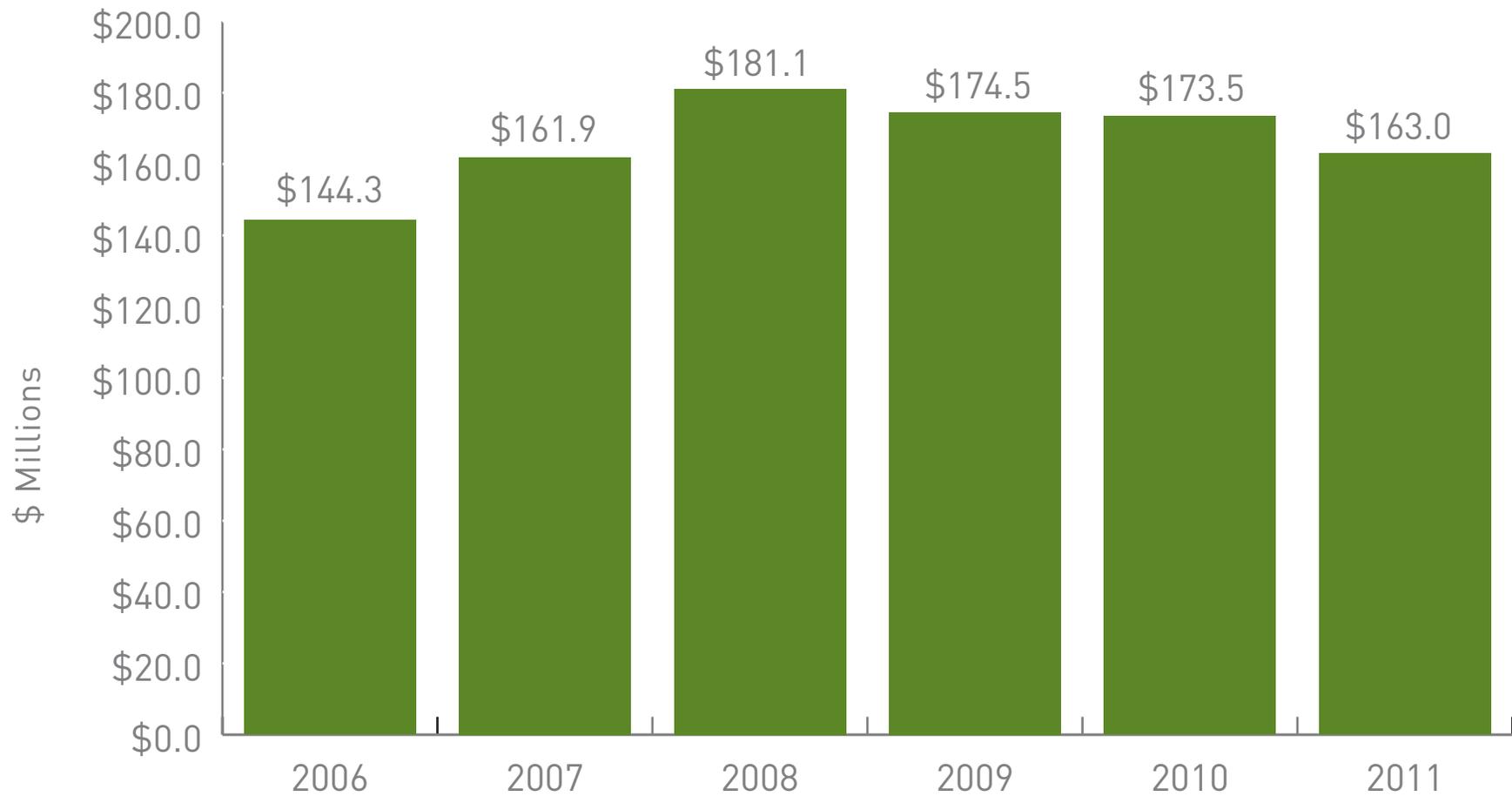
Direct Operating Expenses to Direct Earned Premium



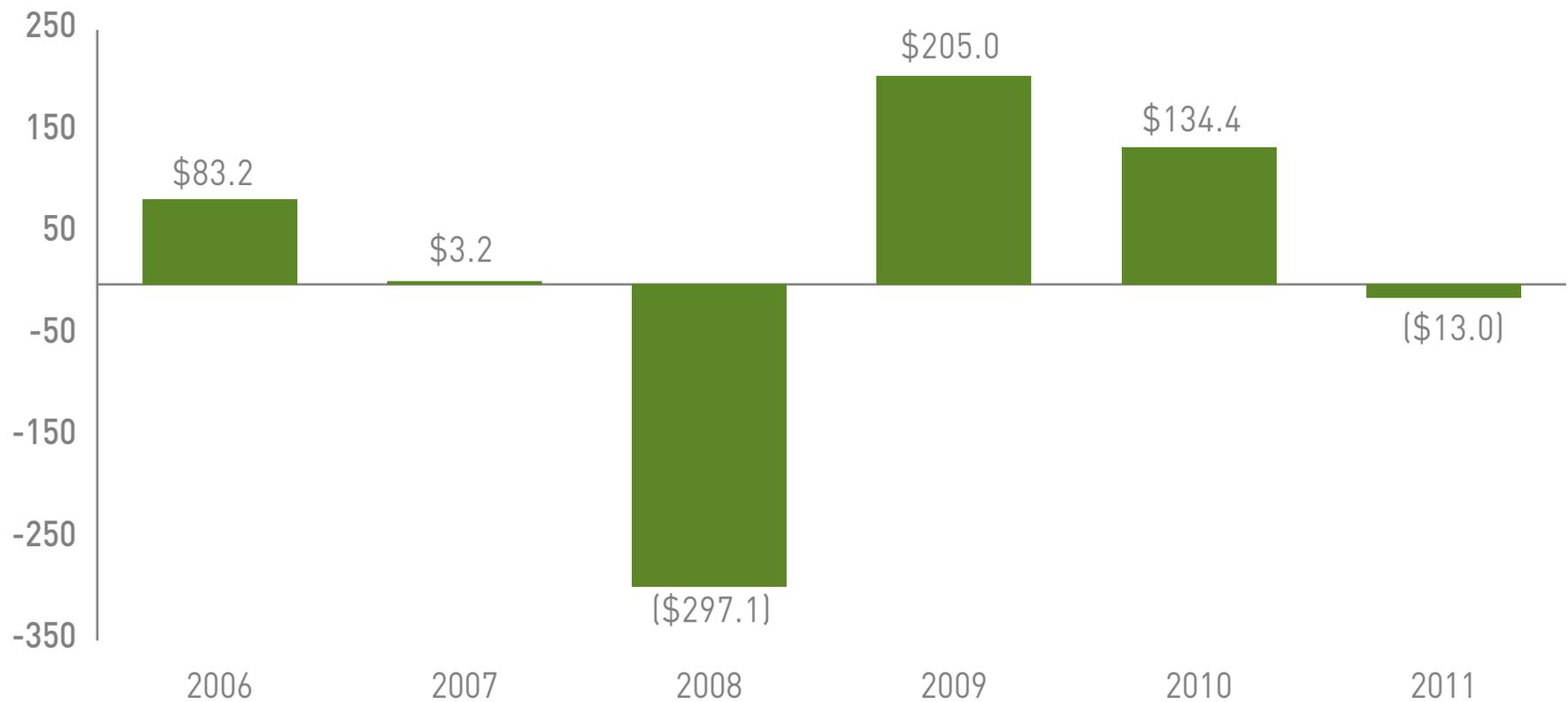
Budget and Actual Direct Operating Expenses



Interest and Dividend Income



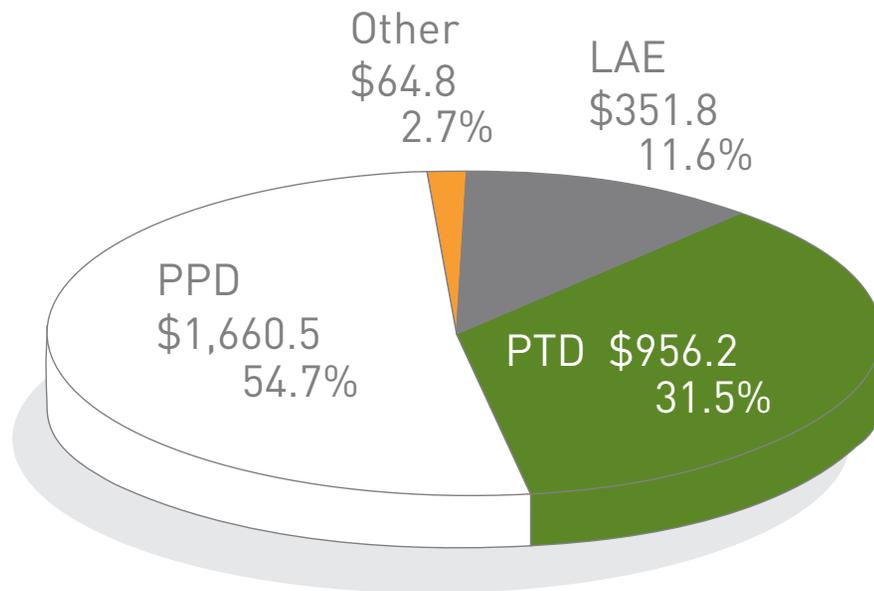
Net Realized and Unrealized Investment Gains (Losses)



Total Outstanding Unpaid Losses and LAE

As of December 31, 2011 (\$ in Millions)

Total \$3,033.3

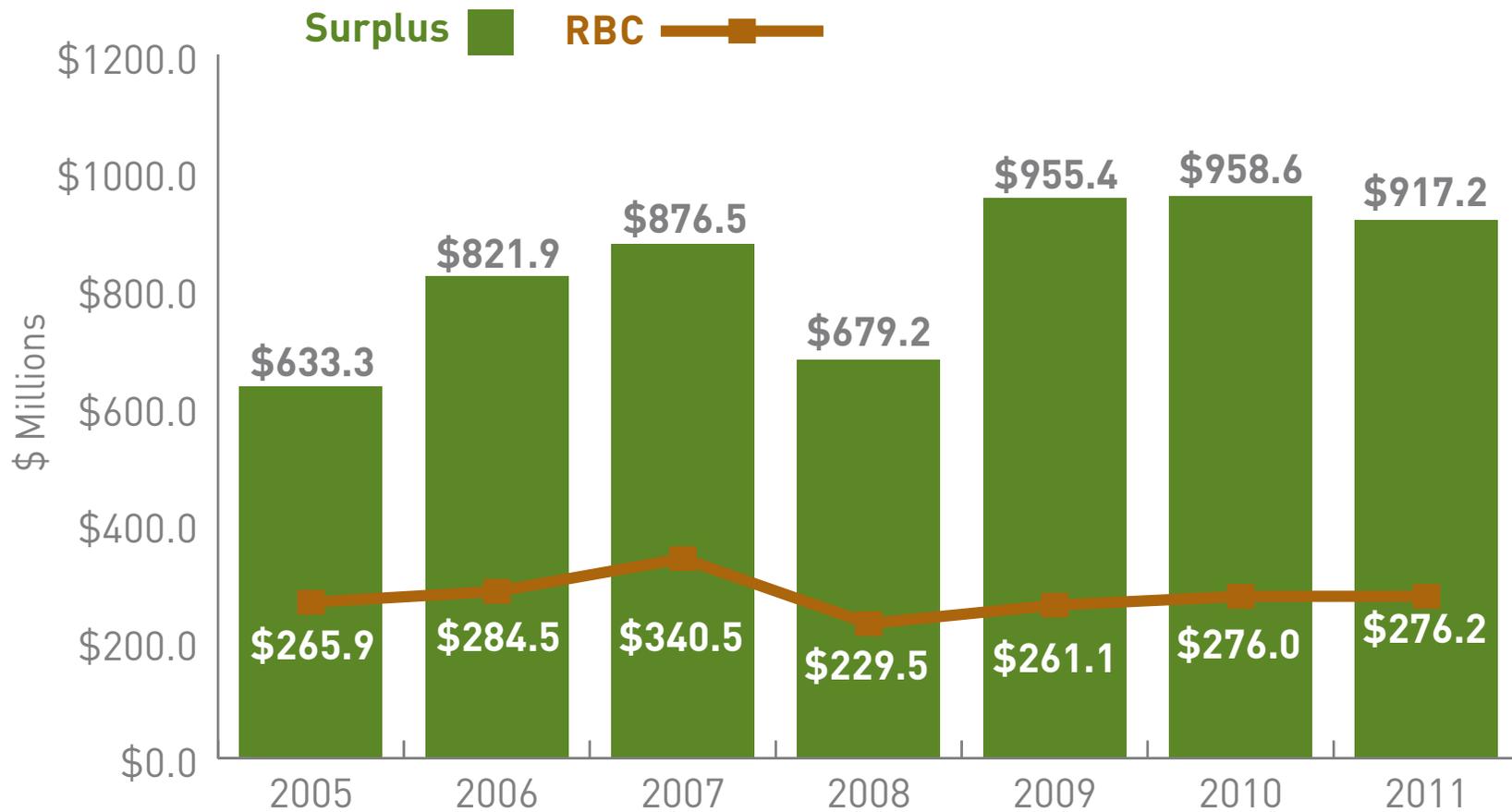


Definitions:

- LAE** (Loss Adjustment Expenses)
Reserves for the future cost of adjusting and processing claims.
- PTD** (Permanent Total Disability)
Reserves for the loss of use or function of any portion of the body which permanently incapacitates the worker from regularly performing work at a gainful and suitable occupation.
- PPD** (Permanent Partial Disability)
Reserves for permanent, complete, or partial loss of use of bodily extremities, including vision or hearing.
- Other** Reserves for claims involving fatalities, claims which only include medical costs, injured worker attorney fees, vocational rehabilitation costs, and other claims related costs.

Surplus

as of December 31



Adequacy of Surplus

- Risk-based capital (RBC) is the minimum amount of capital required by an insurance company to support its overall business operations. The formula for determining RBC is developed and maintained by the National Association of Insurance Commissioners (NAIC) and takes into consideration the size and risk profile of the company.
- A 2011 audit by an independent actuary hired by the Secretary of State Audits Division determined that SAIF's loss reserves, as of December 31, 2010, fell in the upper half of a reasonable range.
- Given SAIF's adequate loss reserves, the independent actuary concluded that SAIF's surplus appears to be sufficient to support SAIF as an ongoing concern over a five-year forecast horizon.

SAIF Investment Policy

At the January 27, 2010, meeting of the Oregon Investment Council, the council adopted the following policy.

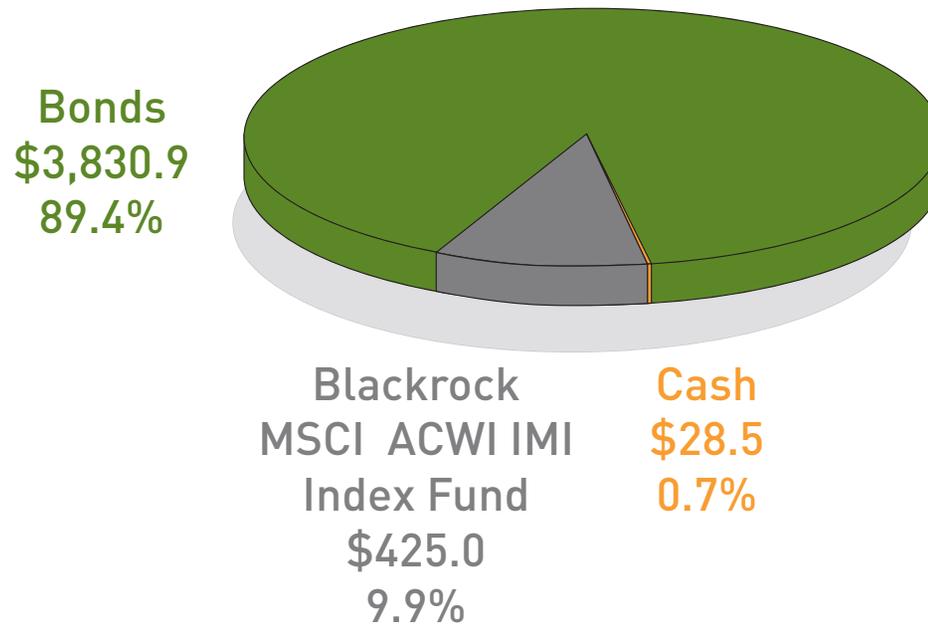
Asset Allocation

| Asset Class | Benchmark | Strategic Target Allocation | Range |
|------------------|---|-----------------------------|---------|
| Global Equities | MSCI ACWI IMI Index | 10% | 7%-13% |
| US Fixed Income* | Custom Fixed Income Benchmark | 90% | 87%-93% |
| Cash | | 0% | 0%-3% |
| Policy Mix | Weighted aggregate of indexes listed above at targeted allocation | 100% | |

* Reduce the strategic duration for fixed income from 7 years to 5 years.
Increase higher yielding assets within fixed income by 10 to 15 percent.

SAIF Invested Asset Allocation

As of March 31, 2012 (\$ in Millions) Measured at Market Value



2012 Target Allocation: 10% Equity, 90% Core Bonds

TAB 6 – OPERF ALTERNATIVE PORTFOLIO ANNUAL REVIEW



OPERF Alternatives Portfolio 2012 Plan and Review

John Hershey, Senior Alternatives Investment Officer

May 30, 2012

Table of Contents

- I. Objectives

- II. 2011-2012 YTD Review
 - New investments
 - Cash flows
 - Portfolio snap shot
 - Performance
 - Active funds review

- III. Strategy review
 - Sub-asset classes
 - Illiquid Strategies
 - Liquid Strategies

- IV. Other issues
 - Staff resources
 - Consultant
 - Reporting
 - Co-investment strategy

Alternatives Portfolio Objectives

➤ Alternatives Portfolio Objectives:

- Seek “real assets” and “real return” strategies
- Source of diversification for OPERF
- Less correlated returns
- Seek hedges against inflation
- Benchmark: CPI + 4%

➤ Strategies of interest:

- | | |
|----------------------------------|------|
| ▪ Infrastructure | 30% |
| ▪ Natural resources | |
| ▪ Oil and Gas | 15% |
| ▪ Metals and Mining | 7.5% |
| ▪ Water, Ag Land, and Timberland | 7.5% |
| ▪ Commodity trading strategies | 15% |
| ▪ Hedge funds | 20% |
| ▪ Other | 5% |

New investments/realizations/transfers 2011/2012

New Investments (commitments):

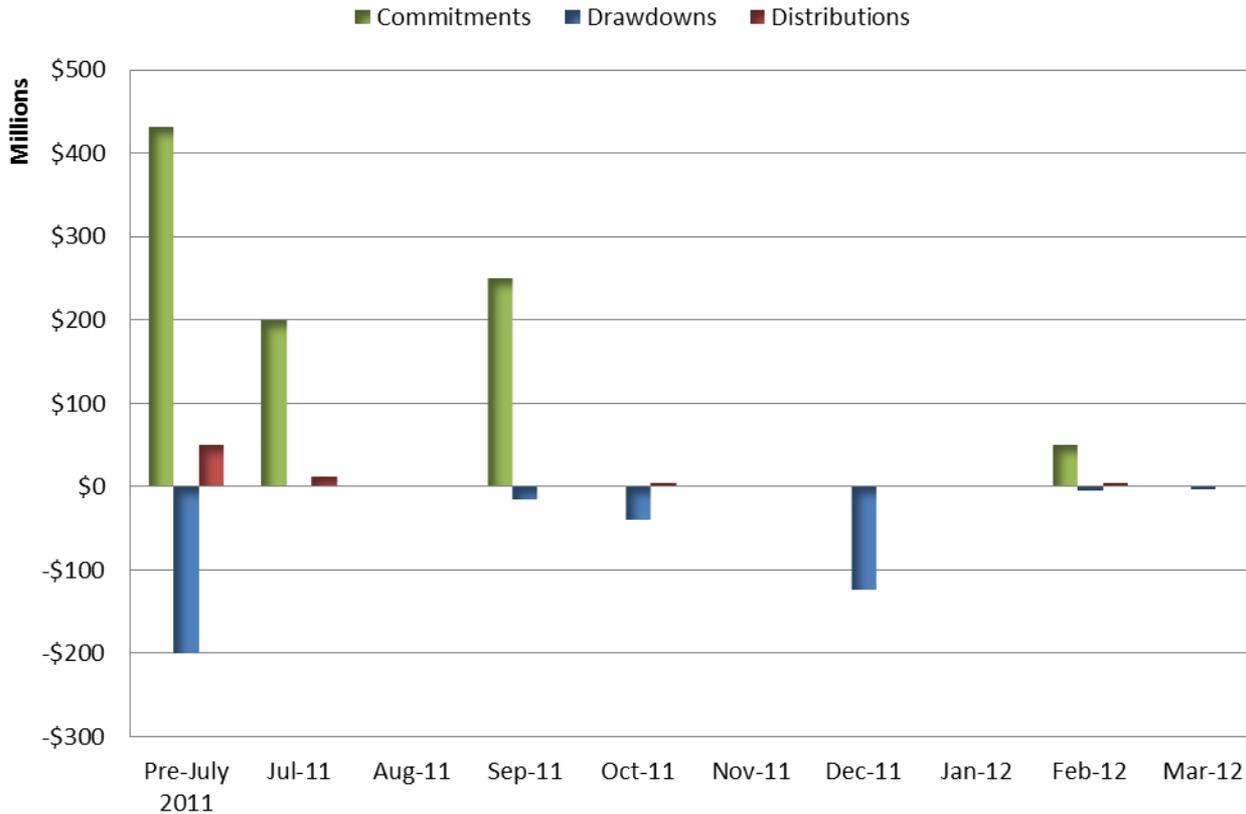
- 2011 (commitment dates)
 - NGP X (\$100 mm – May)
 - Highstar IV (\$100mm – May)
 - GIP II (\$150mm – May)
 - AQR Delta Fund (\$100mm – October)

- 2012 (commitment date)
 - Reservoir Strategic Partners (\$50mm – January)

Transfers to Alternatives Portfolio from Opportunity Portfolio:

- 2011
 - Sheridan Productions I (July)
 - Sheridan Productions II (July)
 - Alinda II (July)

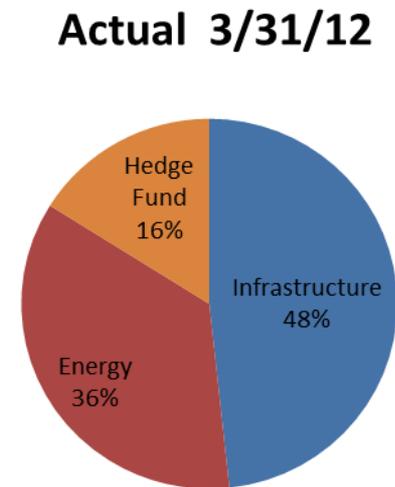
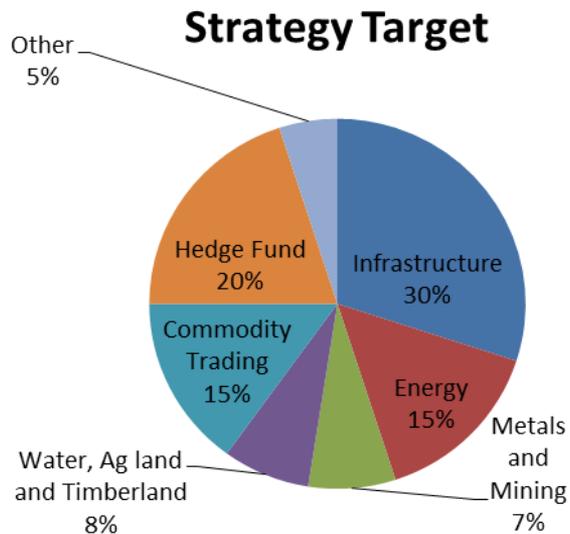
Commitments and cash flows



Portfolio (FMV Mar 31st)

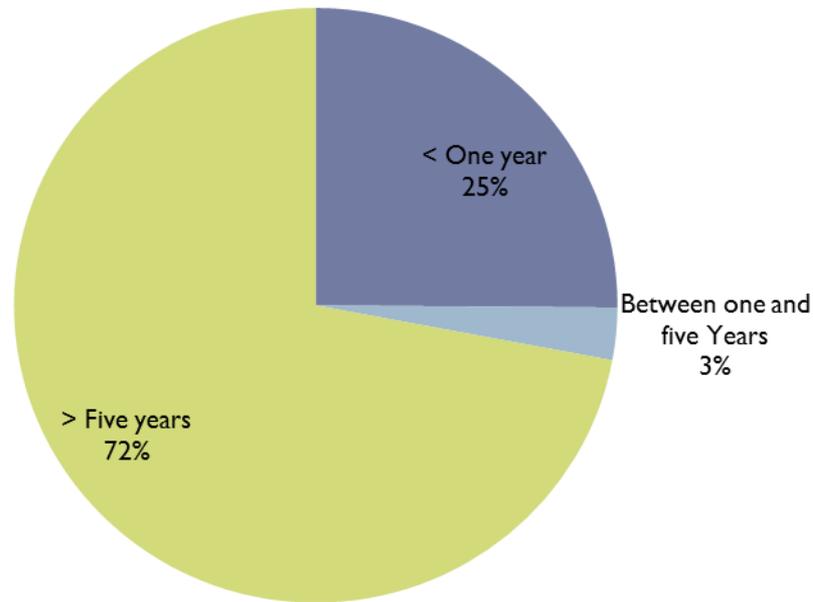
| Fund | FMV (\$ mm) | Strategy |
|---------------------------------|-------------|----------------|
| Sheridan Production Partners I | \$119.6 | Energy |
| Alinda Fund II | \$122.7 | Infrastructure |
| Sheridan Production Partners II | \$14.6 | Energy |
| NGP X | \$3.8 | Energy |
| Highstar Capital IV | \$23.7 | Infrastructure |
| AQR Delta | \$99.7 | Hedge Fund |
| Total | \$384.0 | |

Portfolio Snapshot (Strategy)



Portfolio Snapshot (Liquidity)

Portfolio Liquidity



Change in NAV (Nine Months Since 6/30/11)

| | |
|-------------------------------|---------------|
| NAV (June 30, 2011) | \$213,528,016 |
| Plus contributions | 192,324,033 |
| Minus distributions | (13,073,138) |
| Minus unrealized depreciation | (8,456,437) |
| NAV (Mar 30, 2012) | \$384,322,474 |

Active funds review

Sheridan Production Partners L.P. I

| | |
|--------------------|--|
| Strategy | Oil and gas exploration and production |
| Performance | 20.6% gross IRR, 17.2% net IRR since inception (Q2/2007) |
| Outlook | ~10% current yield; target total return 13-15% |

Alinda Infrastructure Fund II

| | |
|--------------------|---|
| Strategy | Infrastructure (value add) |
| Performance | 14% gross IRR, 5% net IRR since inception (Q3/2008) |
| Outlook | 7.6% current cash yield; target total return 15-20% |

Alternatives Portfolio Pacing

➤ 2012 Budget

- \$300-\$600 in commitments
- Implies total commitments of \$1.1 – 1.4 billion by year end
- Expected NAV should be between \$400 – 650mm by year end
- Expected percent of OPERF should be between 0.7% and 1.1% by year end
- Implies 14%-23% of the way towards 5% target allocation by year end

➤ Longer term pacing

- In no rush, given entry point risk, research and education required
- Will not reach target allocation for several years
- Can deploy “liquid strategies” such as hedge funds and commodities more quickly than “illiquid strategies” such as infrastructure and natural resources (oil & gas, metals and mining, ag and timberland)

Alternatives Portfolio strategy review

➤ Illiquid (“private market”) strategies:

Infrastructure

- Essential, relatively inelastic demand assets
 - Midstream energy (pipelines, transmission)
 - Contracted power generation
 - Airports, ports
 - Toll roads, bridges
- Core, value add, opportunistic stages
- Target portfolio ~ 30% of Alternatives Portfolio or ~ \$1 billion in NAV
- Current commitments of \$450mm (Alinda II, Highstar IV, and GIP II)
- Target return on underlying assets of 8-18%, wide range depending on type, stage and leverage
 - Target total net return of 6-15%
 - Current return a significant component of total return
- Concerns
 - Fees, particularly on committed capital
 - Shortage of experienced managers gives fee leverage to established GPs
 - Entry point risk driven by investor interest
 - Shortage of Public Private Partnerships in U.S.
 - Ability to co-investment, which could be most cost effective way of reducing fees

Alternatives Portfolio strategy review

➤ Illiquid (“private market”) strategies:

Oil and Gas

- Proved Developed Producing wells
- Proved Undeveloped wells
- Probably Undeveloped wells
- Target portfolio ~ 10-15% of Alternatives Portfolio or ~\$500mm NAV
- Current commitments of \$332mm (Sheridan Productions I and II, NGP X)
- Target return on underlying assets of 10 -13%
 - Target total net return of 10-18%, depending on stage and leverage
 - Current return a significant component of total return
- Concerns
 - Fees, particularly on committed capital
 - Entry point risk driven by increased investor demand
 - Ability to co-investment, which could be most cost effective way of reducing fees
 - Technology dislocations (can affect supply and therefore commodity price)
 - Leverage (bank borrowing base depends on commodity price “strip”)
 - Environmental (water and chemical use for unconventional drilling techniques – “fracking”)

Alternatives Portfolio strategy review

➤ Illiquid (“private market”) strategies:

Metals and mining

- Market segments: precious, base, energy, bulk and industrial metals
- Investment stages: feasibility stage, project finance, off-takes, equity in producing mines
- Target portfolio ~ 5-10% of Alternatives Portfolio or ~\$250mm in NAV
- No current commitments; in deep due diligence with one manager
- Target total net return of 10-20%, depending on stage and leverage
- Concerns
 - Entry point risk driven by investor interest in real assets
 - Competing capital from TSE, other investors
 - Ability to co-investment, which could be most cost effective way of reducing fees
 - Shortage of experienced managers, particularly in later stages
 - Global demand shifts (Emerging market demand)
 - Counterparty risk (on debt and off-take transactions)

Alternatives Portfolio strategy review

➤ Illiquid (“private market”) strategies:

Water, Ag land and Timberland

- Market segments: water rights, row crops, permanent crops, mature groves, plantations
- Target portfolio ~ 5-10% of Alternatives Portfolio or ~\$250 in NAV
- No current commitments
- Target total net return of 5-12%, depending on stage and leverage
- Concerns
 - Entry point risk driven by investor interest in real assets
 - High levels of current commodity prices (soy and corn)
 - High levels of acreage
 - Ability to co-investment, which could be most cost effective way of reducing fees
 - Shortage of experienced managers, particularly in Water and Ag Land

Alternatives Portfolio strategy review

➤ Liquid (“capital markets”) strategies:

Commodity Trading Strategies

- Trading strategies: Passive index, active management, absolute return, listed
- Strategies expressed through futures contracts, equities
- Target portfolio ~ 10-15% of Alternatives Portfolio or ~\$500mm in NAV
- No current commitments
- Target total net return of 6-10%
- Concerns
 - Volatility
 - Open interest (inflow of index funds)
 - Index construction
 - Limited number of institutional long-only managers
 - Many specialized managers
 - Contango (negative “carry”) markets
 - Underlying emerging market demand (drives spot prices)

Alternatives Portfolio strategy review

➤ Liquid (“capital markets”) strategies:

Hedge Fund Strategies

- Trading strategies:
 - Multi-strategy
 - Event drive
 - Long-short equity
 - Relative Value
 - Arbitrage
 - Global macro
 - Managed Futures
- Target portfolio ~ 20% of Alternatives Portfolio or ~\$750mm in NAV
- Current commitments (AQR, Reservoir)
- Target total net return of Libor plus 4-6%
- Concerns
 - Fees, headline risk, business/operational risk
 - Sourcing truly complementary strategies
 - Alignment of interests, transparency, custody
 - Risk management
 - Realization of low correlations

Alternatives Portfolio strategy review

➤ Other Issues

- Staff resources
 - Need additional junior investment officer and analyst
- Consultant
 - Consideration of a single consultant vs. roster of consultants (given breadth of program)
- Reporting
 - State Street (Alpha Frontier in beta)
- Co-investment approach
 - Consideration of internally managed co-investment vs. outsourced co-investment

TAB 7 – OPERF POLICY IMPLEMENTATION OVERLAY
REVIEW

OPERF Policy Implementation Overlay Manager Annual Update

Purpose

To provide the OIC an update on the OPERF Policy Implementation Overlay program, provided by Russell Investments.

Background

Beginning in late 1998, the OIC elected to have State Street Bank Trust, through State Street Global Advisors (SSgA), implement an equity manager cash equitization program. Through that program, daily, excess manager cash was invested through two different commingled investment vehicles. For domestic equities, excess cash was equitized through SSgA's Stock Performance Index Futures Fund (SPIFF) and for international equities, through their International Stock Performance Index Futures Fund (ISPIFF). The respective benchmarks for the funds were the S&P 500 Index and the MSCI EAFE Index.

In September 2005, the OIC retained Russell Investments to implement a more thoughtful overlay program that does more than blindly "equitize" excess manager cash. Through this daily effort, Russell monitors excess manager cash, cash held by the fund to meet benefit payments, and the current allocation of the fund to the OIC established strategic asset allocation targets. They then trade equity and fixed income futures to better align the fund's overall asset allocation with the OIC's targets. The OIC receives a monthly update on the overlay exposures in the asset allocation portion of the monthly agenda materials (Tab 10 on today's agenda).

As of April month end, OPERF had \$1.5 billion in long fixed income contracts and \$309 million in short global equity contracts, for a total notional exposure of \$1.8 billion.

Staff Recommendation

None. Information only.

State of Oregon

Russell Overlay Update

Steve Cauble - Regional Director

Greg Nordquist, CFA - Director, Overlay Strategies

MAY 30, 2012

Important information

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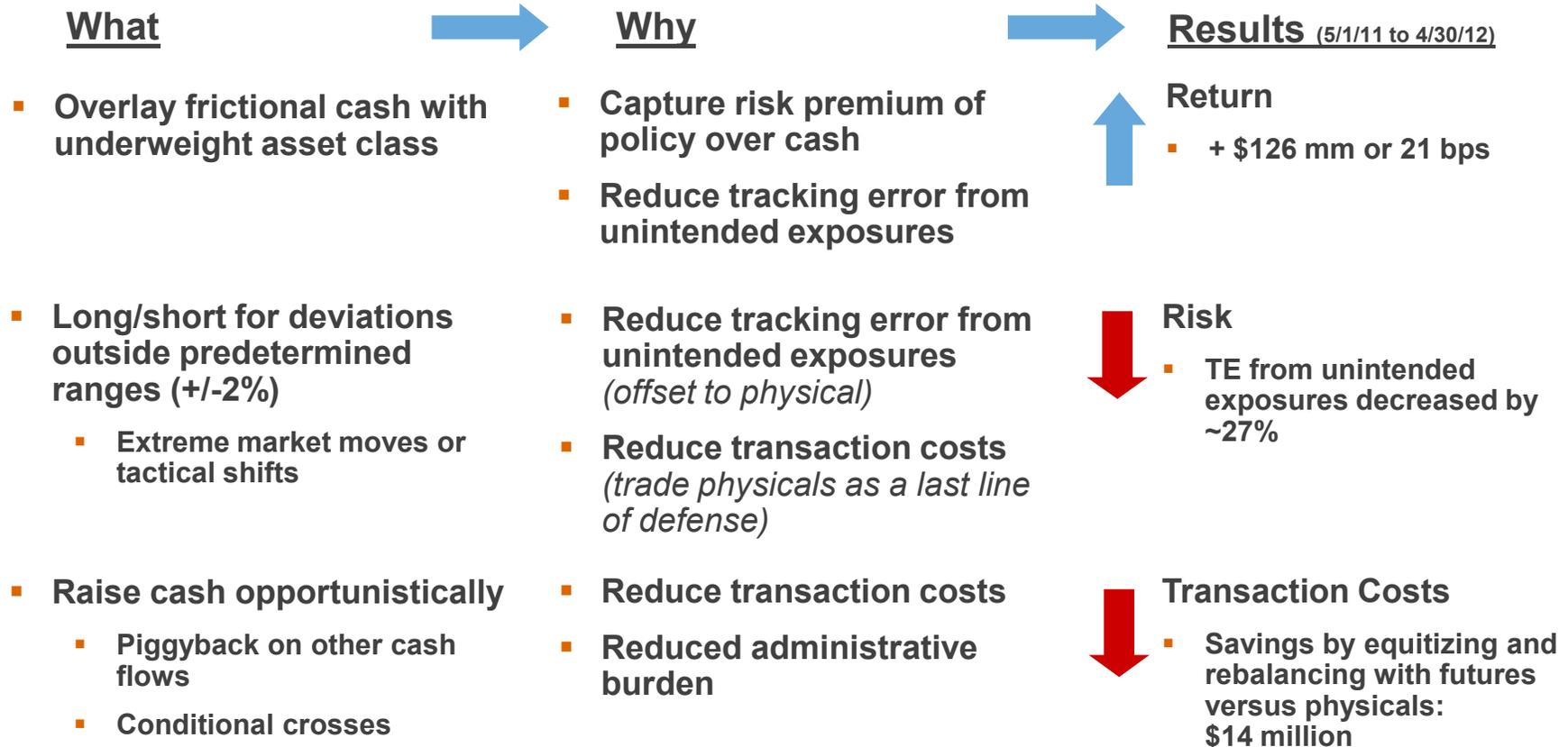
Date of first use: May 2012

RIS RC: 1676

Agenda

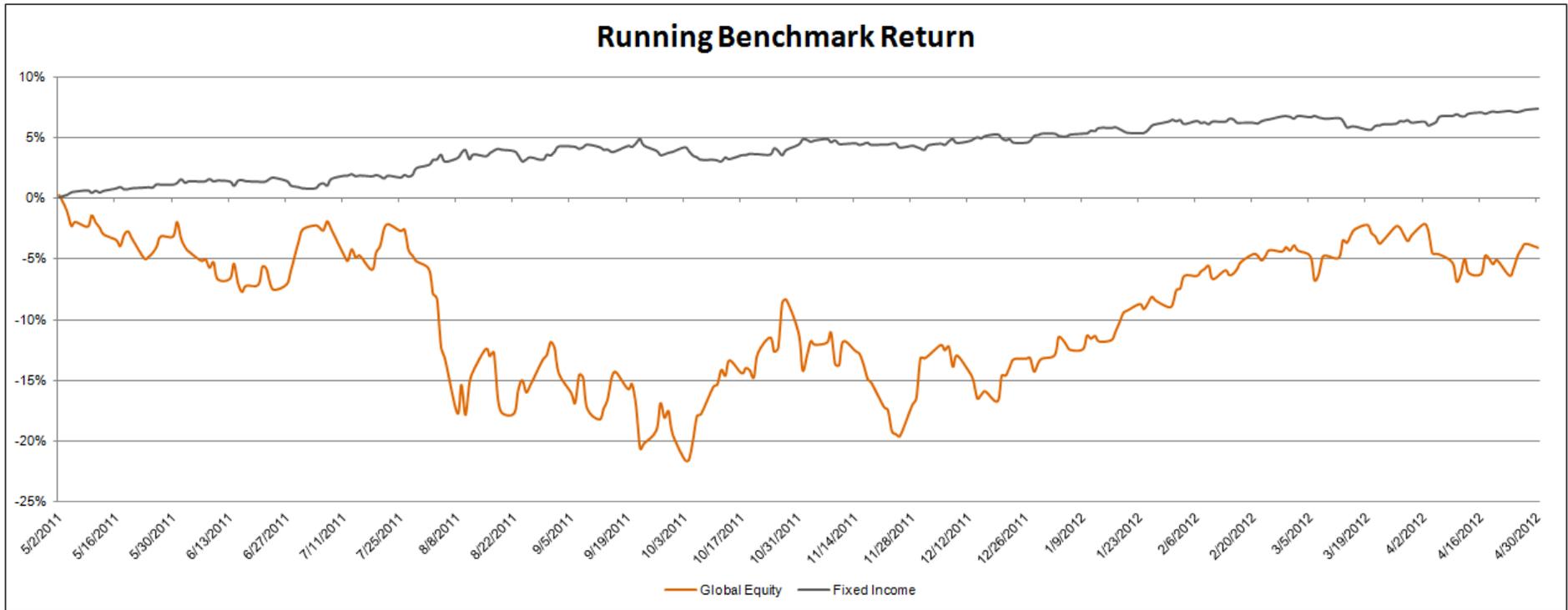
- › Current assignment
 - › What and why
- › Overlay performance: Year-in-review
 - › May 2011 to April 2012
- › Hazard report – current asset allocation

Oregon overlay highlights



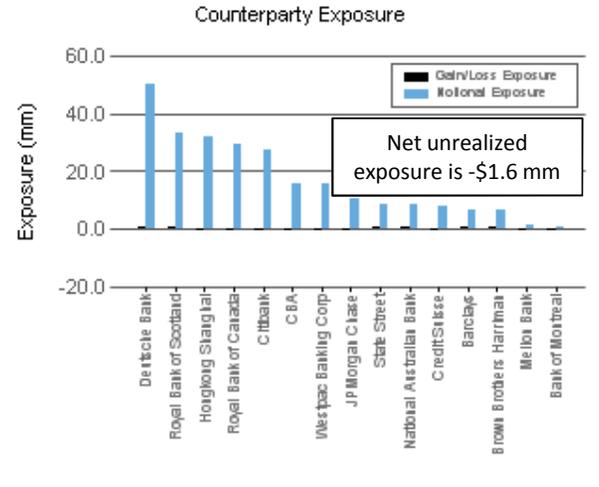
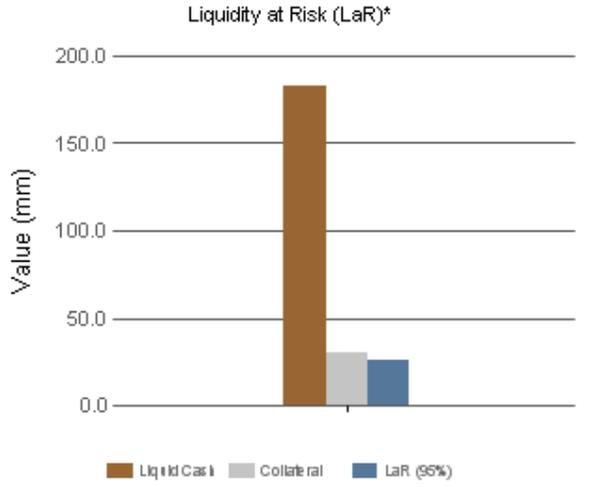
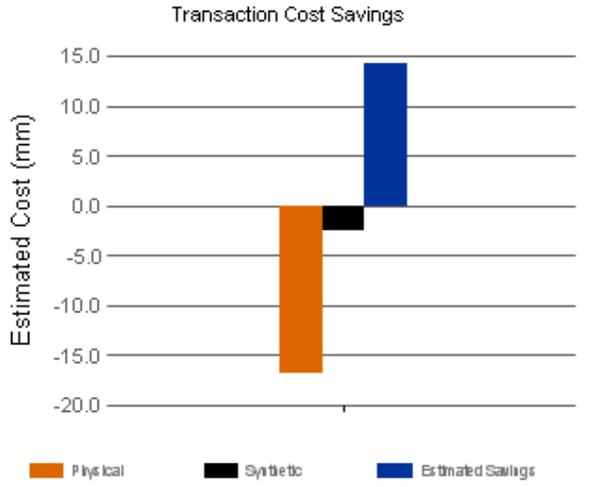
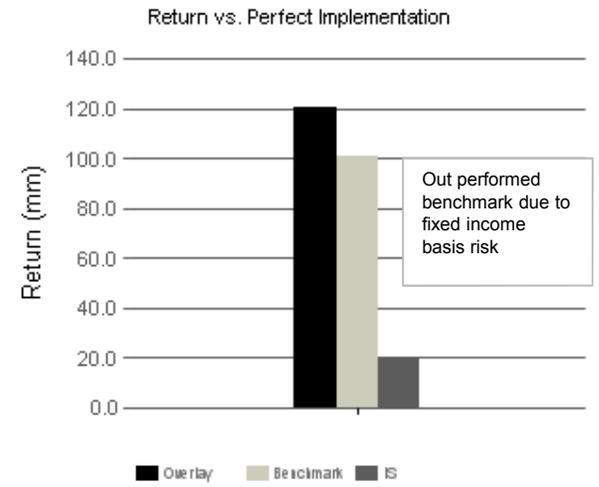
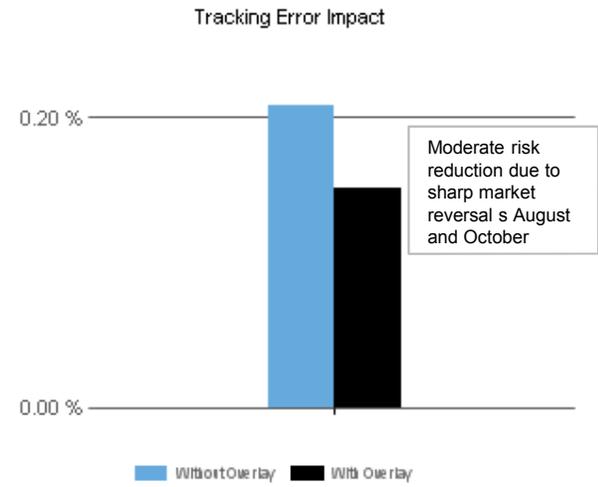
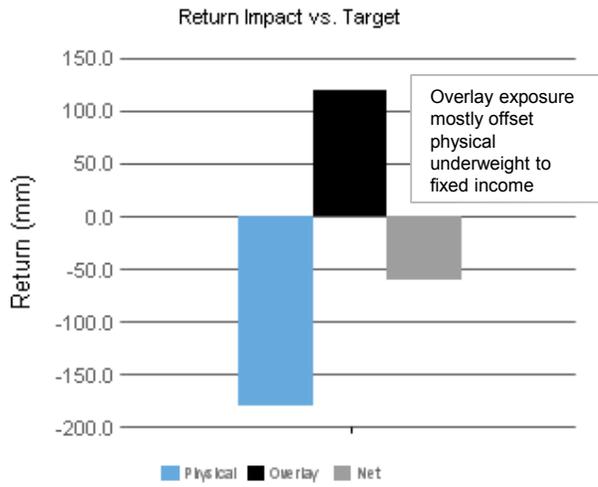
These costs assume one-way trading cost plus one quarterly roll. Indexes are unmanaged and cannot be invested in directly. For illustrative purposes only.

Benchmark returns



For illustrative purpose only.

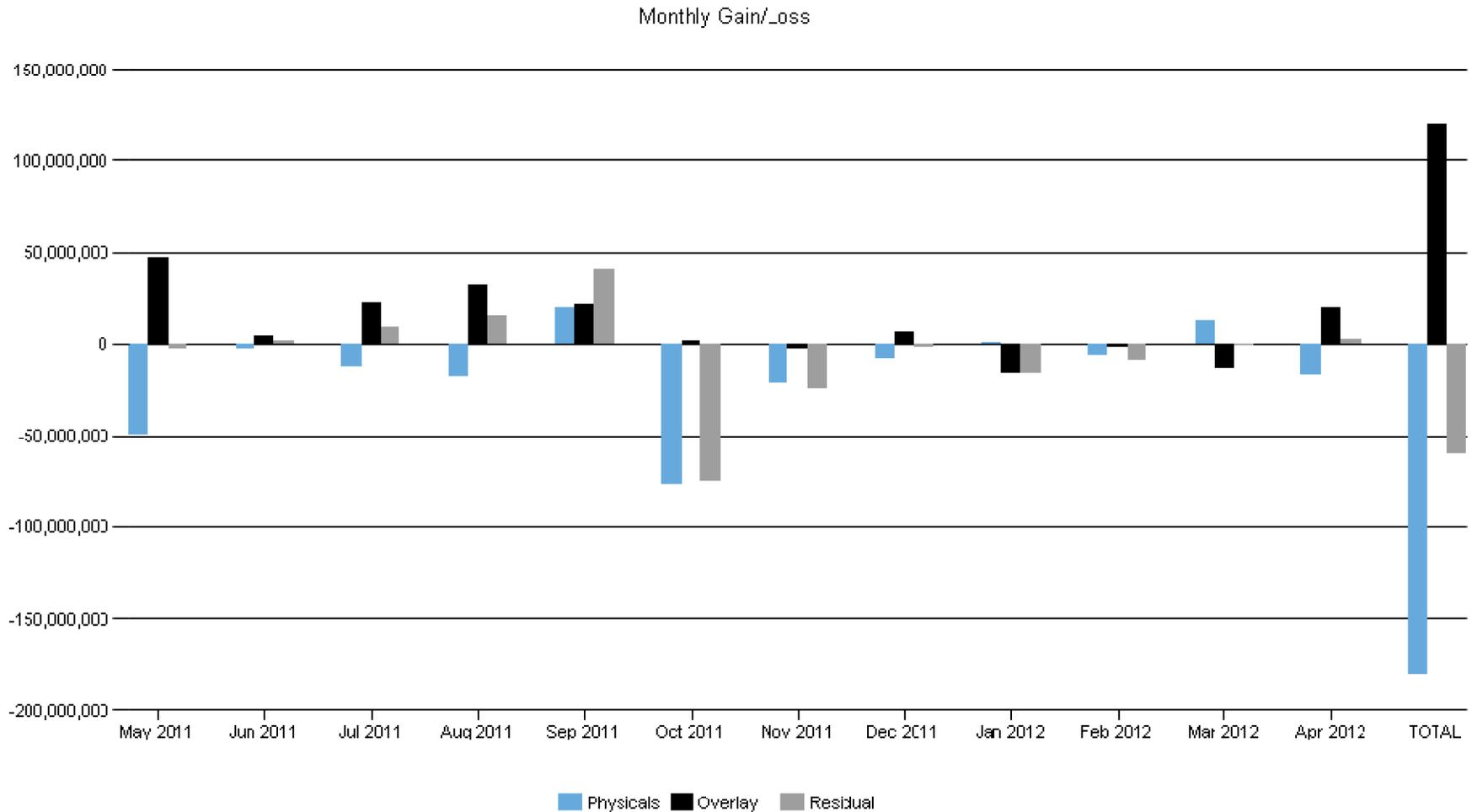
Overlay highlights



*Assumes 3 day returns

For illustrative purpose only.

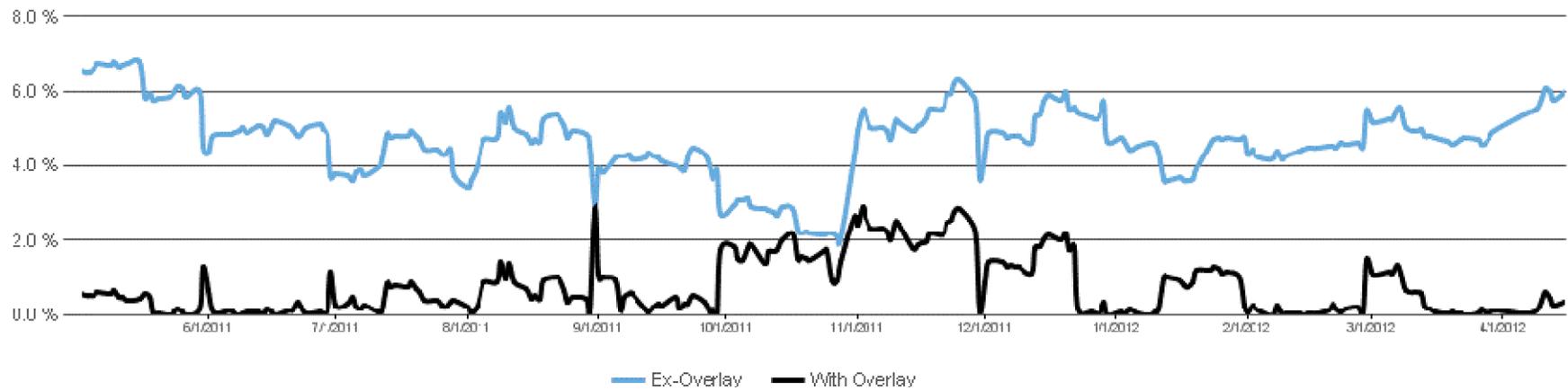
Return Impact vs. Physical Portfolio



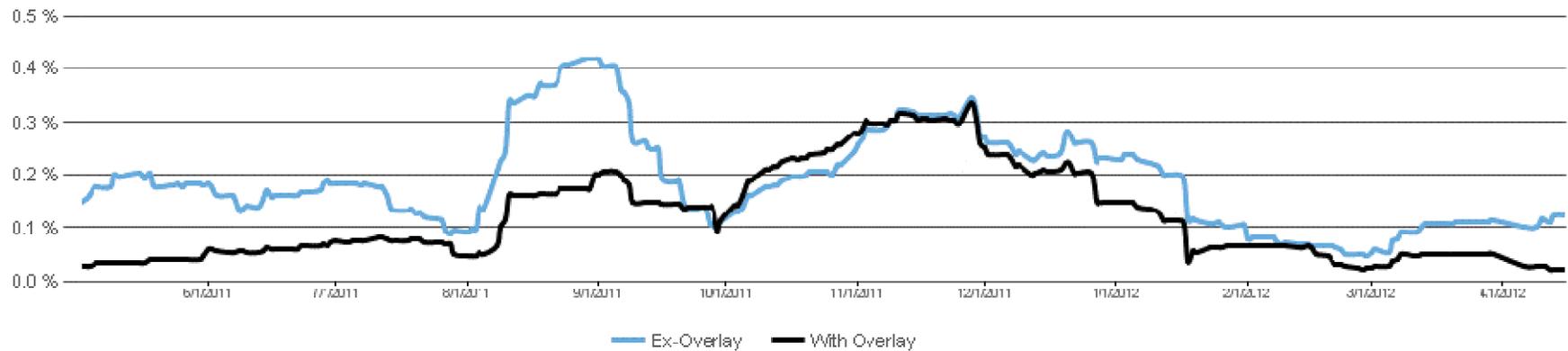
For illustrative purpose only.

Total Fund Risk Management

Daily Absolute Deviation



Rolling 23-Day Tracking Error



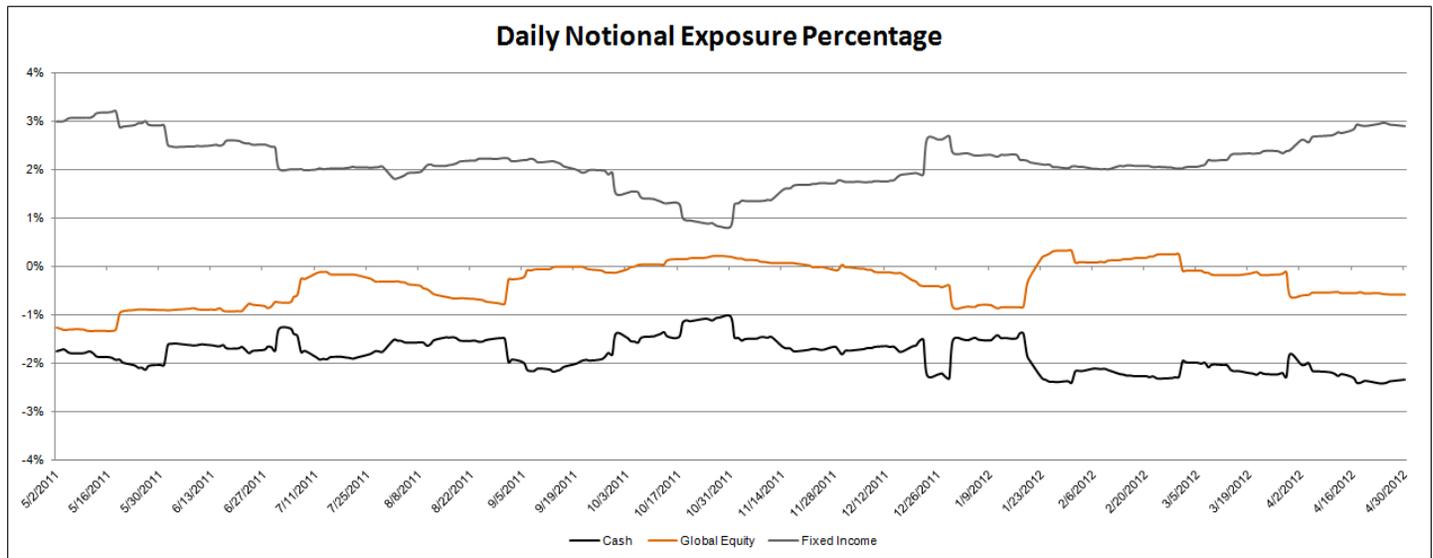
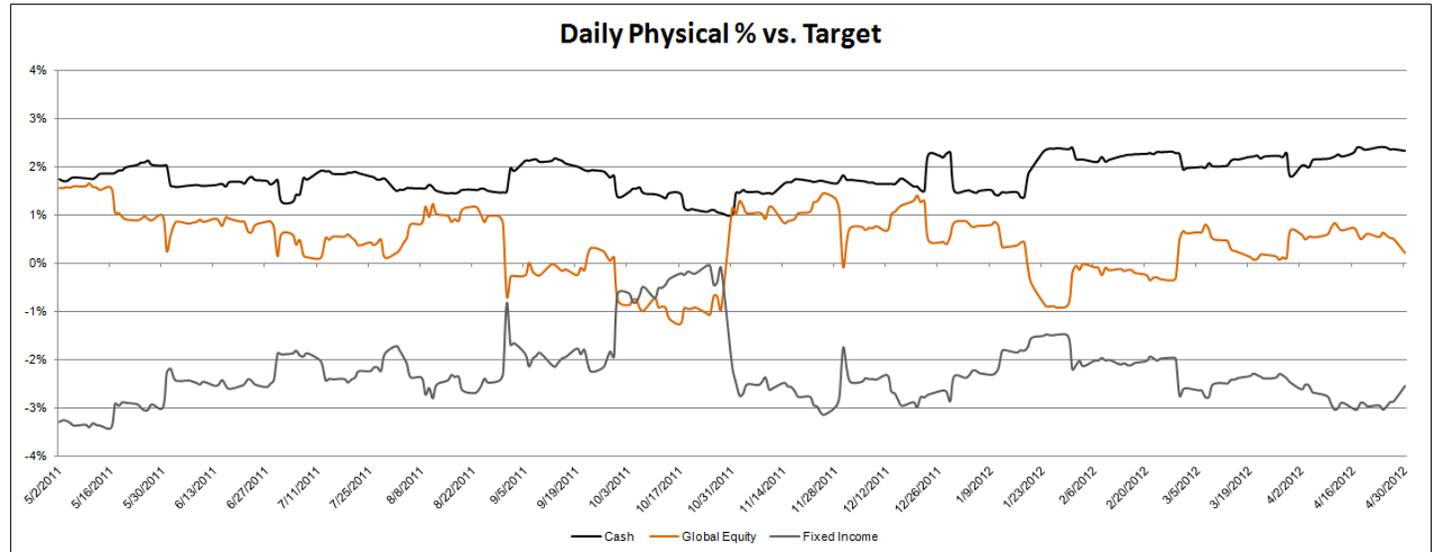
For illustrative purpose only.

Exposures

Unintended Exposures



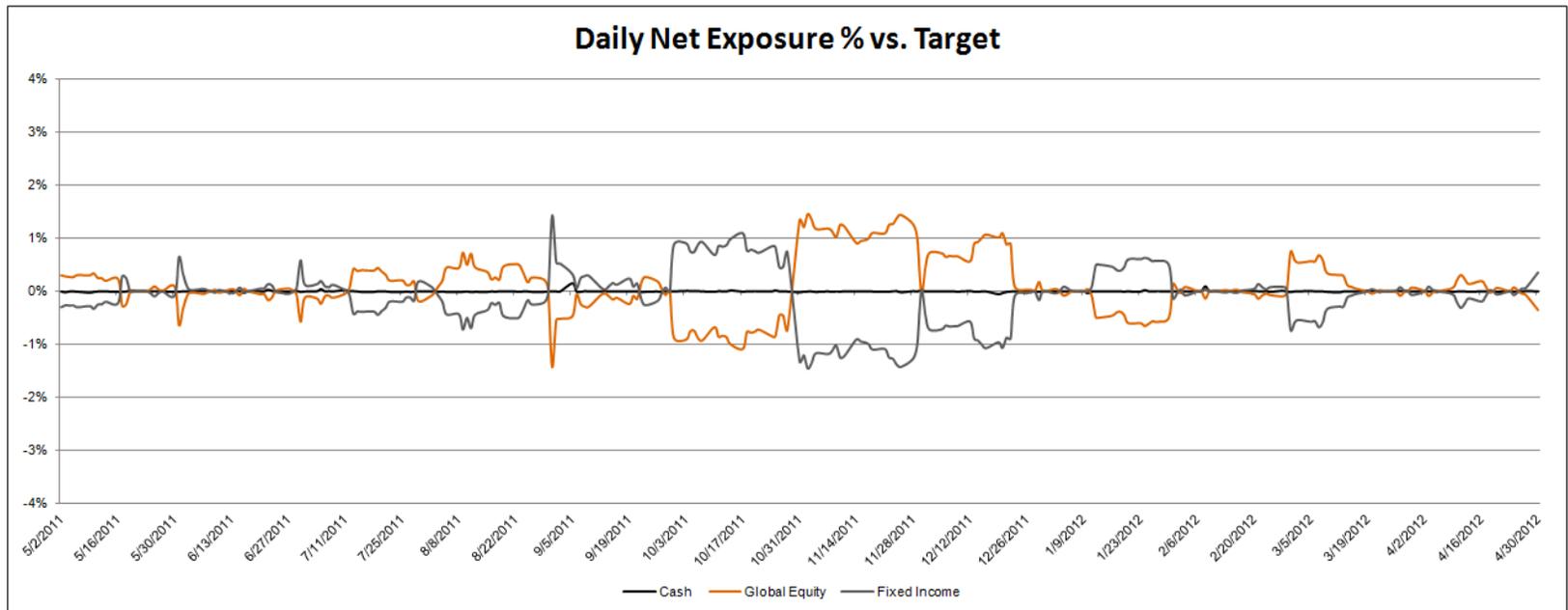
Russell Offset



For illustrative purpose only.

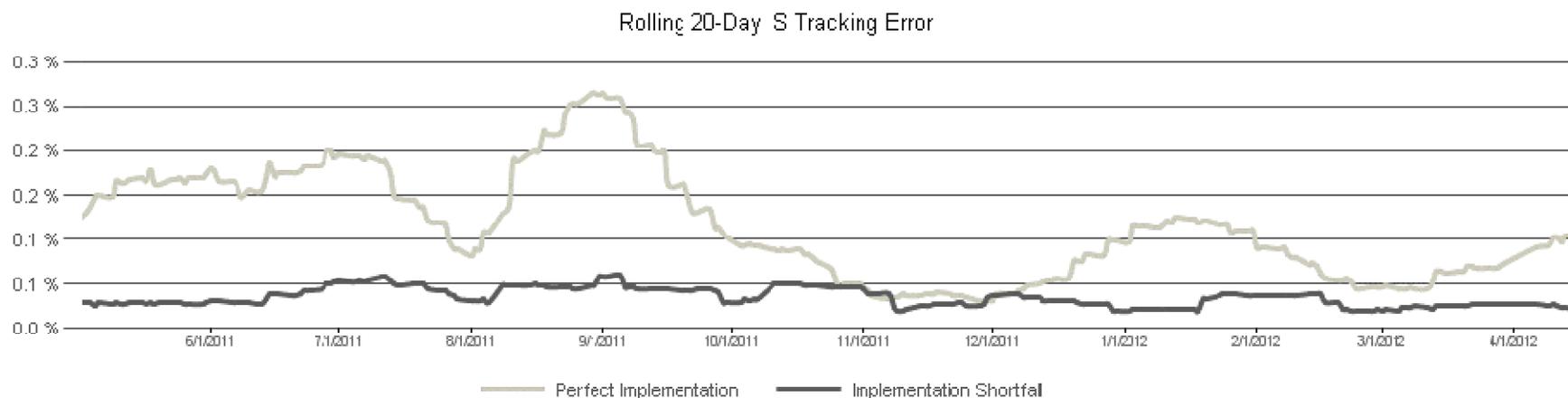
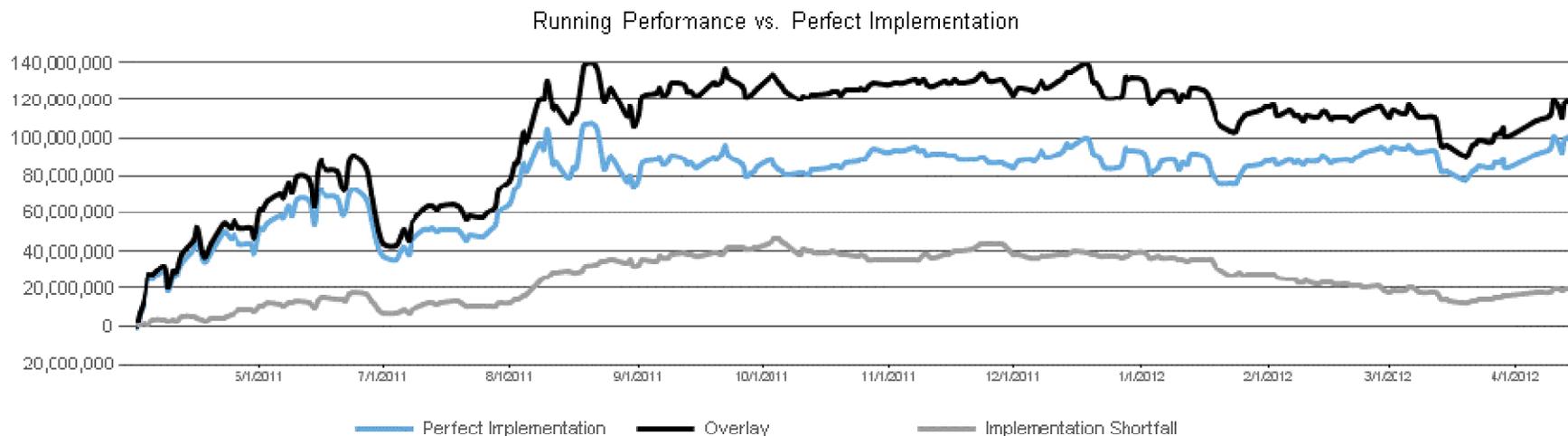
Exposures

= Net
Unintended
Exposures



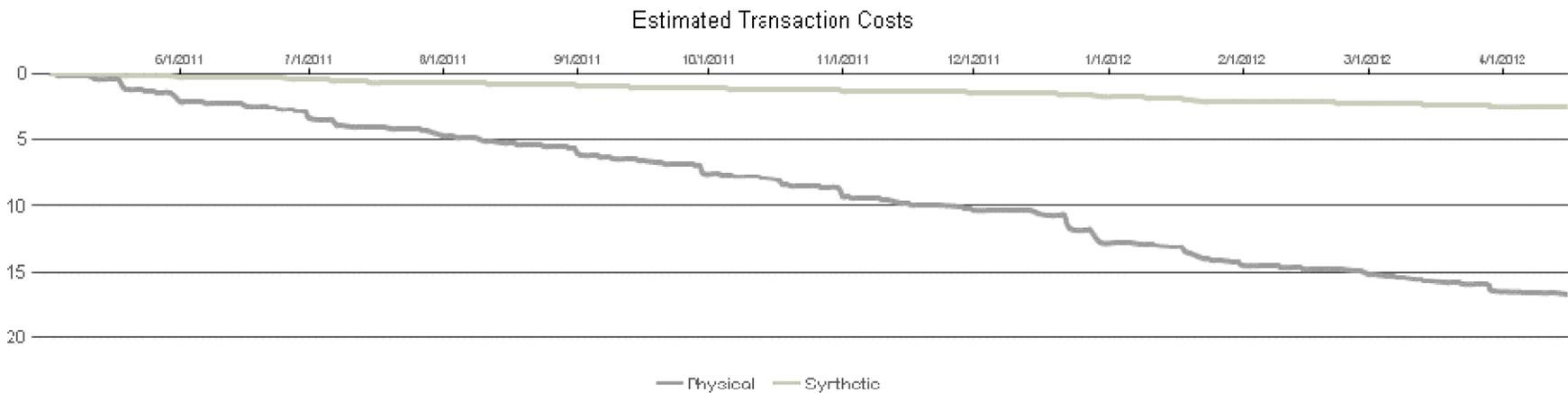
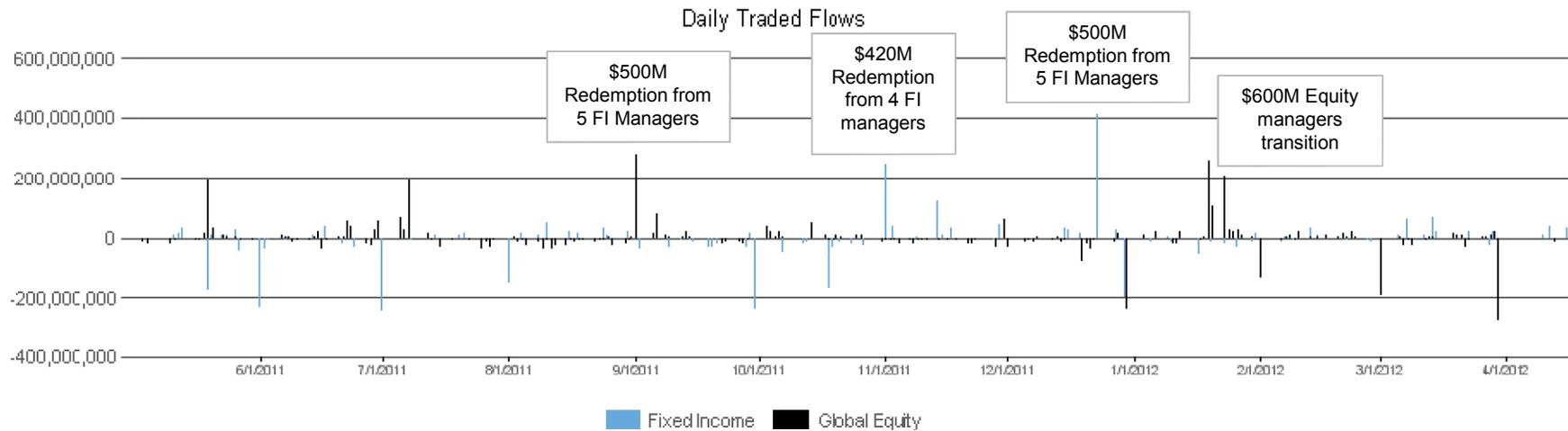
For illustrative purpose only.

Implementation efficiency



For illustrative purpose only.

Transaction cost savings



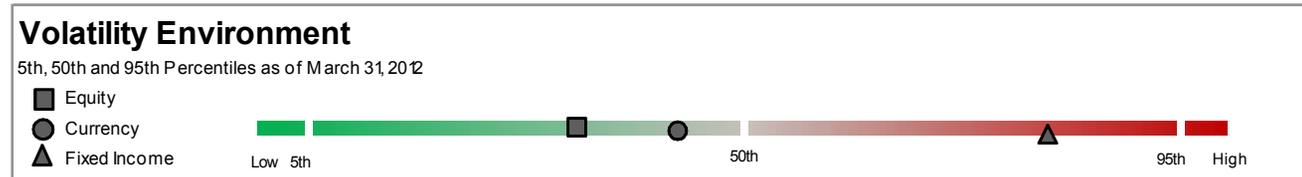
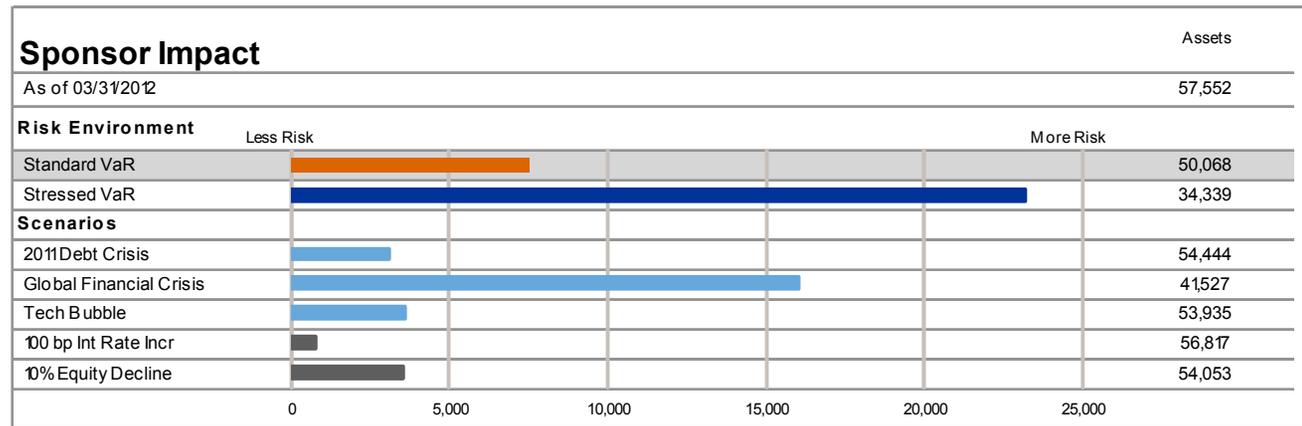
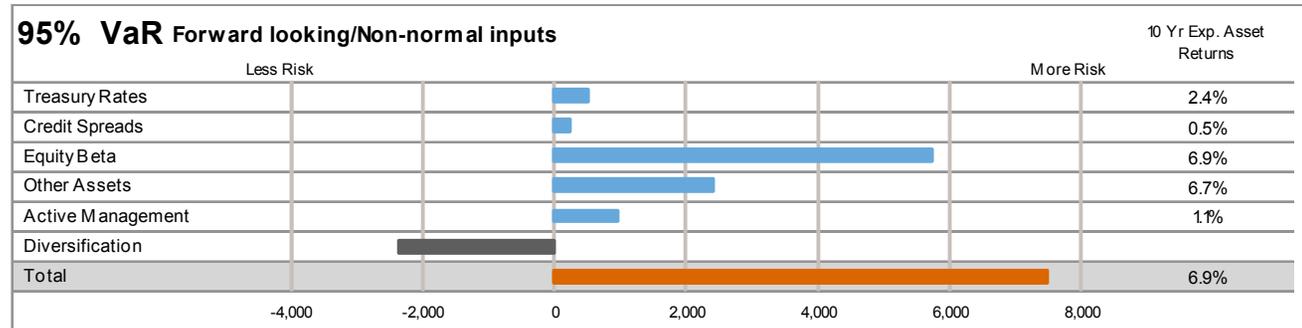
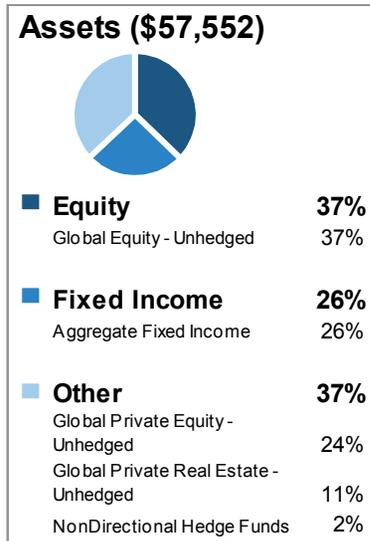
For illustrative purpose only.

Hazard report

Asset only summary risk analysis

Oregon

As of March 31, 2012



Sources: The above analysis is based primarily on Russell's Capital Markets Forecasts and data from Bloomberg and FactSet. Please see Important Information at the end of this report for additional details on the analysis provided. For illustrative purposes only.

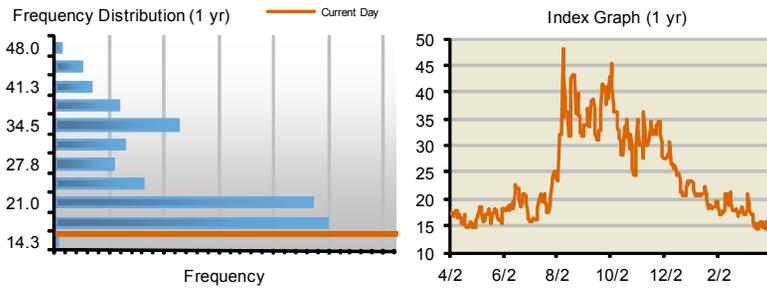
Current Risk Environment

as of 31-Mar-2012

Equity Volatility

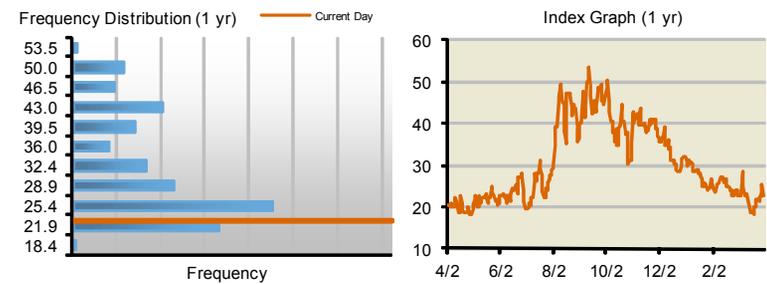
SPX Volatility

| Current | 1 Day | 1 Week | 1 Month | 1 Year |
|---------|-------|--------|---------|--------|
| 15.50 | 0.0% | 4.6% | -15.9% | -35.3% |



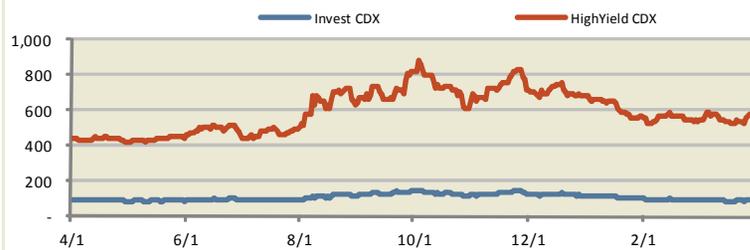
EuroStoxx Volatility

| Current | 1 Day | 1 Week | 1 Month | 1 Year |
|---------|-------|--------|---------|--------|
| 22.55 | 0.0% | 4.1% | -5.8% | -25.7% |

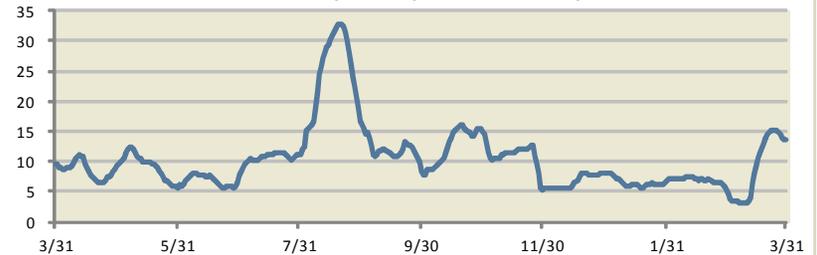


Fixed Income Spreads

Investment Grade and High Yield (spreads)



Monthly Volatility of 10-Year Treasury Yields

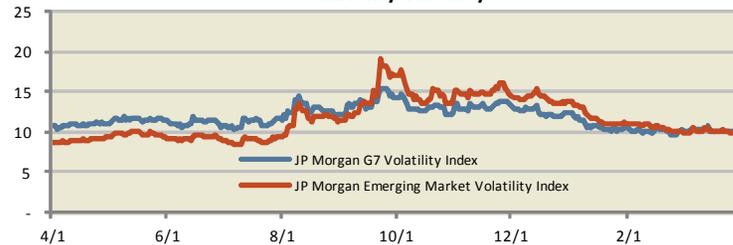


Currency Risk

Dollar Index



Currency Volatility



For illustrative purpose only.

Important information

- All values are estimates and should not be relied upon for any regulatory or financial filing.
 - Asset values are based on actual market values where available, and are otherwise estimated.
 - The value of the liability and its behavior in different environments is estimated from the generalized pension plan cash flows, reported liability values, sensitivity to interest rates, and information regarding the status of the plan. This data is typically provided by the client or the plan's actuary, or derived from corporate financial statements.
 - The alpha and tracking error assumptions used in this analysis are based on published expectations for the Russell funds in the portfolio. For investments outside of Russell funds, estimates are based on the Russell alpha assumptions for the asset class/strategy or they have been provided by the client.
- Value at Risk (VaR) calculation and decomposition is calculated following industry standards.
 - 95% VaR represents the 1 in 20 downside Value at Risk on a forward-looking, one-year basis.
 - 95% VaR calculations are based on return, standard deviations, and correlations which are generated from a non-normal asset class return distributions with fat tails as represented by Russell's capital market forecasts.
 - VaR is calculated independently for individual components, with a diversification component balancing to total VaR.
 - The VaR associated with the liabilities is captured within the Treasury and Credit Spreads components.
 - Active management is defined as the difference between the actual allocation and policy weights, combined with alpha and tracking error expectations for active managers.
- 10-Year Expected Return is the expected return for each asset and liability component (Russell's capital market forecasts).
- The Stressed VaR scenario ("2XVol/ $\rho=1.0$ ") assumes standard deviations are 2 times Russell's current forecast. Correlations between asset classes are assumed to be 1.0, except for surplus calculations, where Treasury returns are assumed to have a correlation of -1.0 with other asset classes.
- Scenario calculations are based on actual events defined as follows: Tech Bubble (March 24, 2000 through April 4, 2001), Global Financial Crisis (June 8, 2008 through March 9, 2009), 2011 Debt Crisis (April 11, 2011 through October 3, 2011).
- The volatility environment is represented as follows:
 - Equities – The average value of the VIX index over the previous month plotted against its historical range (January 1990 to present).
 - Fixed Income – The standard deviation of the yield on the 10-yr US Treasury over the previous month plotted against its historic range (January 1990 to present).
 - Currency – The average standard deviation of the JP Morgan G7 Currency Volatility Index over the previous month plotted against its historic range (June 1992 to present).

V2.0.0015



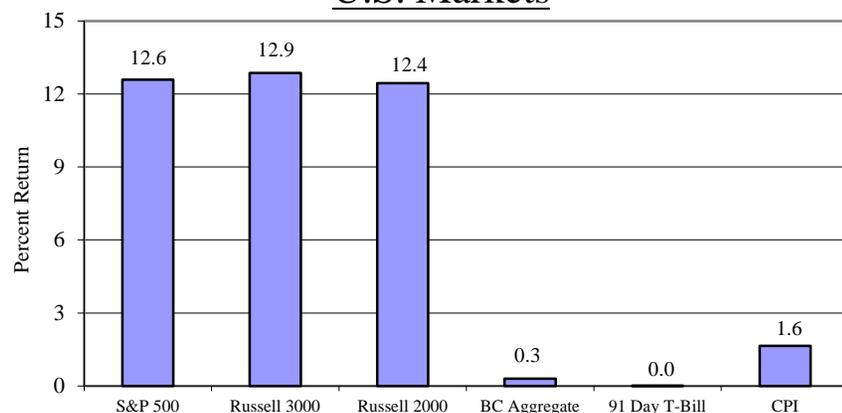
Russell
Investments

TAB 8 – OPERF 1ST QUARTER PERFORMANCE REVIEW

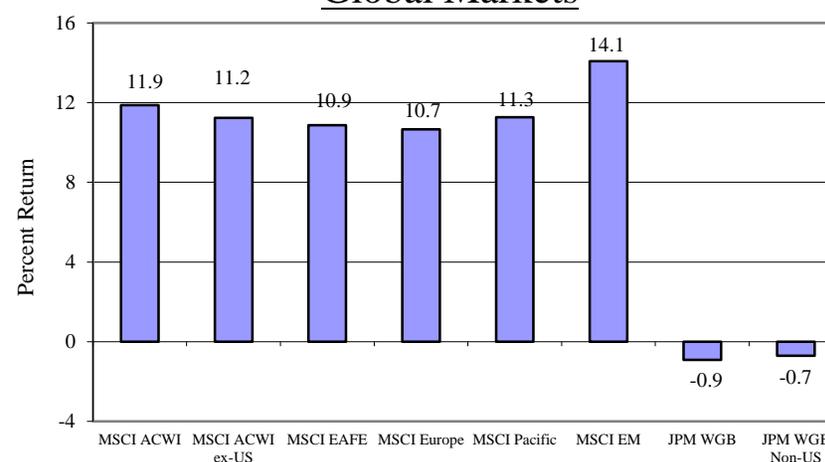
Capital Markets Review

Q1 2012

U.S. Markets



Global Markets



General Comments

The massive injection of global liquidity supplied by major central banks, and supplemented by the continuation in positive U.S. economic surprises, had a marked effect on risk appetite. This led to global equities outperforming global bonds by a wide margin. Also contributing, were renewed asset purchases by the Bank of Japan, which pushed the returns of Japanese equities into positive territory.

Improving economic data in the U.S. and European policy moves also helped to buoy equity and fixed income markets. Indeed, investors tilted their portfolios away from treasuries in the quarter and towards lower quality credits. Aligned with higher growth prospects, the U.S. yield curve steepened in the first quarter.

Aggregate commodity prices initially reacted favorably to the surge in market liquidity with commodity indices rising more than six percent at their peak in Q1. However, prices pulled back towards quarter end, holding flat versus the fourth quarter. Oil prices remained resilient, continuing to weigh on the outlook for global growth.

The second round of the Long Term Refinancing Operations, compounded by the successful resolution of the Greek debt exchange, helped lift demand for the euro in the first quarter as well as appetite for the carry strategy. Consequently, demand for funding currencies deteriorated, illustrated by the sharp decline in the Japanese yen this quarter.

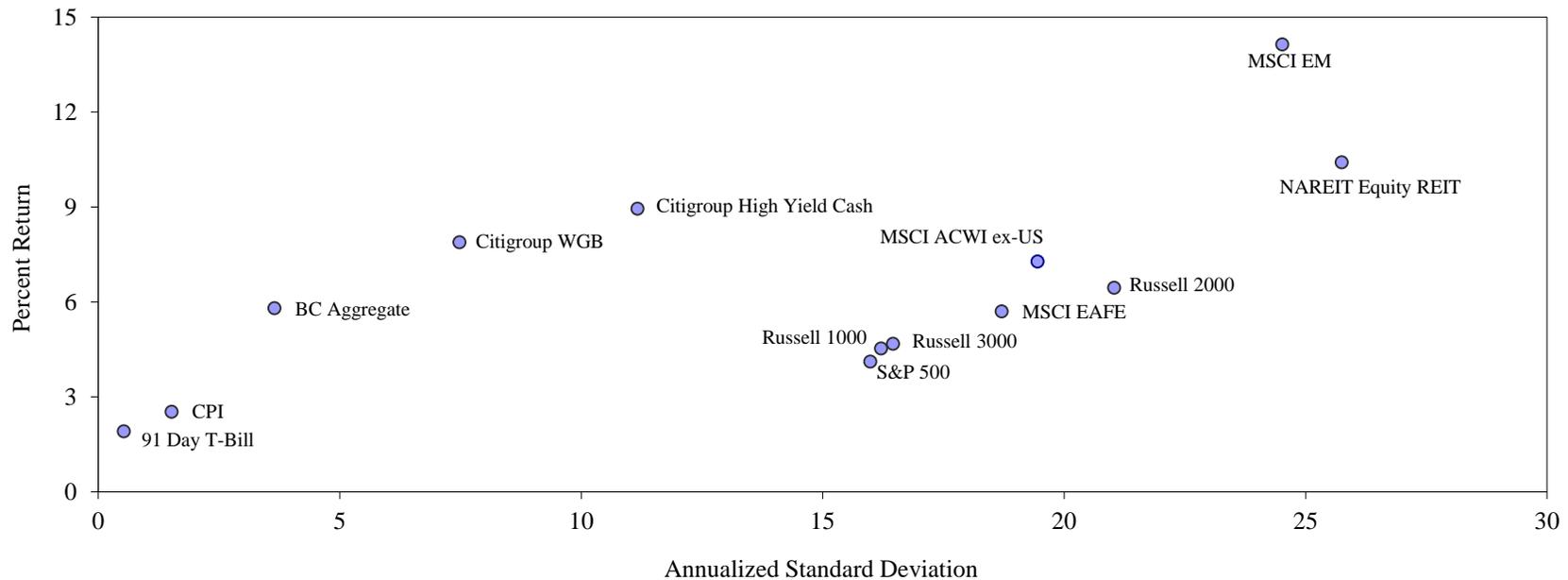
The State Street Investor Confidence Index® measures risk appetite by analyzing buying and selling patterns of institutional investors. Firmer confidence was evident in Asia this quarter, however, the improvement in sentiment for Europe was most pronounced.

Capital Markets Review

Q1 2012

| Total Returns in US\$ | Quarter | Year to Date | 1 Year | 3 Years | 5 Years | 10 Years | 20 Years | 10 Year Std. Dev. |
|----------------------------|---------|--------------|--------|---------|---------|----------|----------|-------------------|
| 91 Day T-Bill | 0.01 | 0.01 | 0.06 | 0.13 | 1.23 | 1.91 | 3.36 | 0.53 |
| BC Aggregate | 0.30 | 0.30 | 7.71 | 6.83 | 6.25 | 5.80 | 6.59 | 3.65 |
| Citigroup High Yield Cash | 5.10 | 5.10 | 6.76 | 22.72 | 7.77 | 8.95 | 8.36 | 11.17 |
| Citigroup World Gov't Bond | -0.51 | -0.51 | 5.12 | 6.24 | 6.78 | 7.89 | 6.69 | 7.48 |
| S&P 500 | 12.59 | 12.59 | 8.54 | 23.42 | 2.01 | 4.12 | 8.59 | 15.99 |
| Russell 3000 | 12.87 | 12.87 | 7.18 | 24.26 | 2.18 | 4.67 | 8.73 | 16.46 |
| Russell 1000 | 12.90 | 12.90 | 7.86 | 24.03 | 2.19 | 4.53 | 8.77 | 16.21 |
| Russell 2000 | 12.44 | 12.44 | -0.18 | 26.90 | 2.13 | 6.45 | 8.77 | 21.04 |
| MSCI ACWI ex-US | 11.23 | 11.23 | -7.17 | 19.12 | -1.56 | 7.28 | | 19.45 |
| MSCI EAFE | 10.86 | 10.86 | -5.77 | 17.13 | -3.51 | 5.70 | 5.77 | 18.71 |
| MSCI Emerging Markets | 14.08 | 14.08 | -8.80 | 25.07 | 4.67 | 14.13 | | 24.56 |
| Nareit Equity REIT | 10.49 | 10.49 | 11.29 | 42.21 | -0.12 | 10.42 | 11.42 | 25.75 |
| CPI | 1.65 | 1.65 | 2.65 | 2.55 | 2.24 | 2.52 | 2.53 | 1.52 |

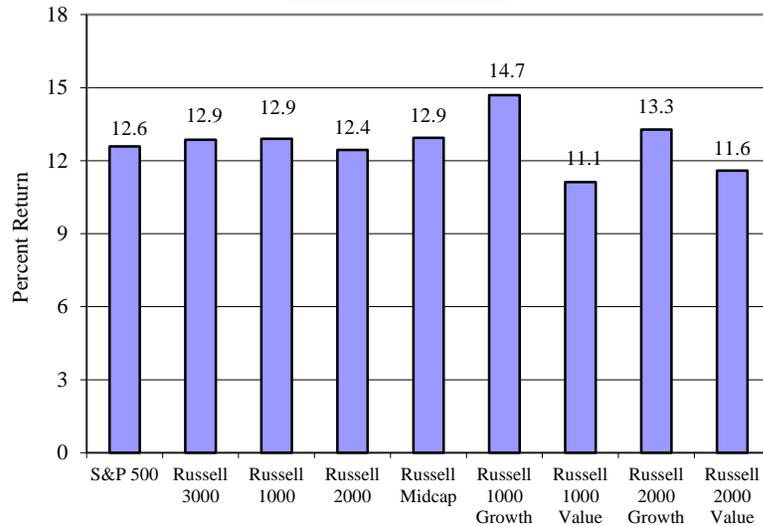
Risk vs. Return - 10 Years



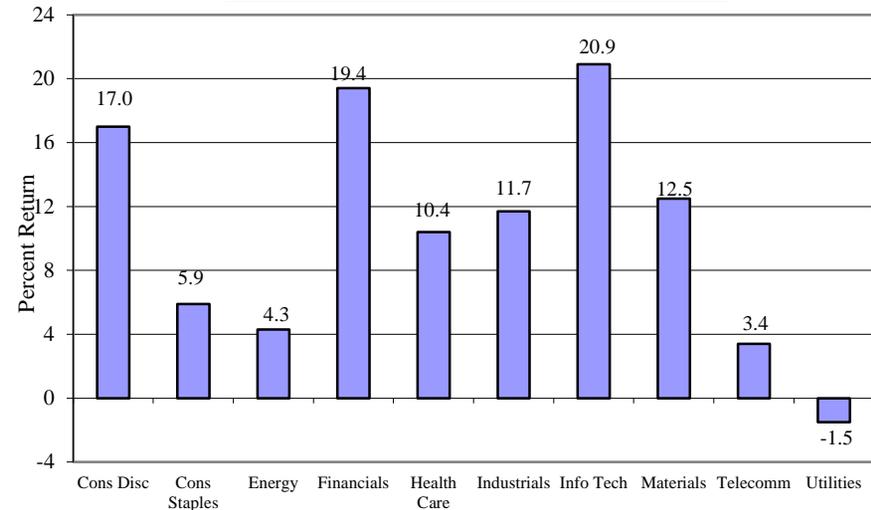
U.S. Equity Market Review

Q1 2012

U.S. Markets



Economic Sector Performance



U. S. Equity Market

In aggregate, U.S. equities generated another quarter of double-digit returns as additional liquidity-boosting measures from global central banks and improving U.S. economics strengthened risk appetite. The NASDAQ witnessed the greatest uptick in sentiment across U.S. markets, gaining 18.7% in the first quarter alone. The ten percent differential versus last quarter propelled annualized returns into positive territory. Interestingly, the blue chip stocks of the Dow Jones Industrial Average slipped slightly behind other markets as investors tilted portfolios towards the higher risk profiles.

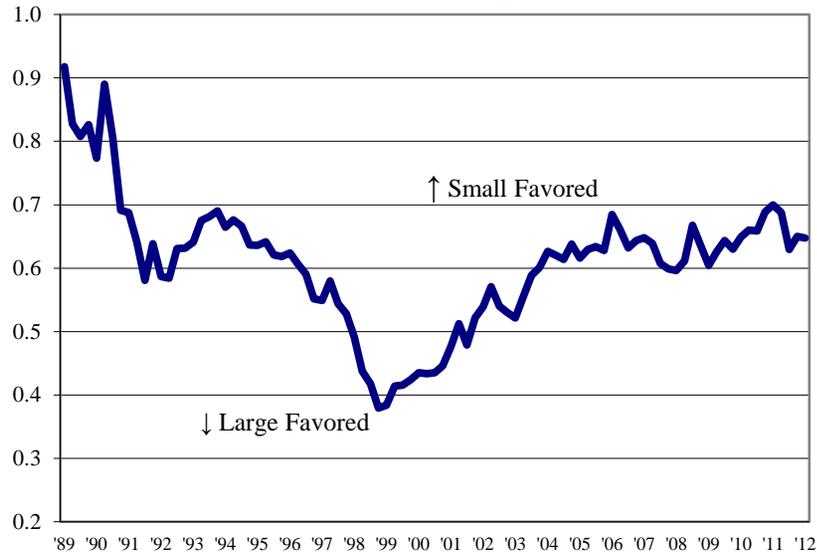
The positive trend of economic surprises continued to support U.S. stocks this year. The broad-based U.S. equity aggregate registered an impressive 12.9 percent gain in the first quarter. Outperformers included information technology, consumer discretionary and financials sectors, which all surpassed the aggregate index. Consistent with diminished enthusiasm for safer investments, utilities posted a negative quarter while consumer staples also lagged the broad index.

Equity valuations in the fourth quarter were slightly richer relative to longer term trends, with the aggregate market price-to-earnings ratio recording above its trailing five-year average of 17.21. On an annualized basis, U.S. large-caps continue to display higher returns relative to their smaller cap counterparts. Growth stocks embraced a similarly rosy first quarter, reflected through an aggregate outperformance across the style spectrum. Comparatively, demand for value stocks was slightly more restrained in the U.S. markets.

U.S. Equity Market Review

Q1 2012

Small vs. Large



Growth vs. Value

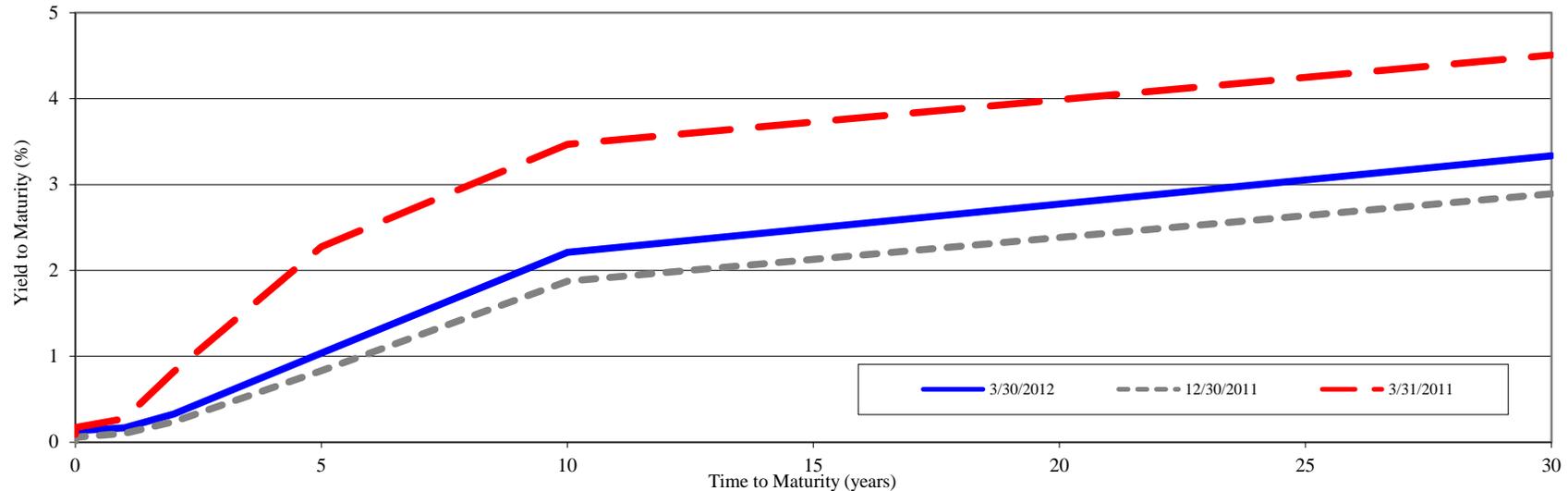


| Total Returns | Quarter | Year | 1 | 3 | 5 | 10 | 20 |
|---------------------|---------|---------|-------|-------|-------|-------|-------|
| | | to Date | Year | Years | Years | Years | Years |
| S&P 500 | 12.59 | 12.59 | 8.54 | 23.42 | 2.01 | 4.12 | 8.59 |
| Russell 3000 | 12.87 | 12.87 | 7.18 | 24.26 | 2.18 | 4.67 | 8.73 |
| Russell 1000 | 12.90 | 12.90 | 7.86 | 24.03 | 2.19 | 4.53 | 8.77 |
| Russell 2000 | 12.44 | 12.44 | -0.18 | 26.90 | 2.13 | 6.45 | 8.77 |
| Russell Midcap | 12.94 | 12.94 | 3.31 | 29.13 | 3.03 | 7.85 | 10.83 |
| Russell 1000 Growth | 14.69 | 14.69 | 11.02 | 25.28 | 5.10 | 4.28 | 7.62 |
| Russell 1000 Value | 11.12 | 11.12 | 4.79 | 22.82 | -0.81 | 4.58 | 9.42 |
| Russell 2000 Growth | 13.28 | 13.28 | 0.68 | 28.36 | 4.16 | 6.00 | 6.34 |
| Russell 2000 Value | 11.59 | 11.59 | -1.07 | 25.36 | 0.01 | 6.60 | 10.64 |

U.S. Fixed Income Market Review

Q1 2012

Treasury Yield Curve



U. S. Fixed Income Market

The first quarter of 2012 noted a higher degree of optimism in the US and Europe. While the employment conditions and growth data in the U.S. improved, the dollar swap arrangement by the ECB continued to lift investor sentiment.

Consequently, the U.S. yield curve steepened in the first quarter, with yields on longer term notes rising close to 0.5 percent relative to shorter maturities, consistent with the more confident U.S. economic outlook.

The higher degree of investor confidence translated into greater desire for lower quality credits. While demand for investable grade bonds remained intact, returns on BAA rated securities surpassed their higher-quality peers over the last three months, appreciating 2.4 percent in the quarter and 10.7 percent over the past year. Conversely, consistent with the lower appeal of the safe-havens, U.S. treasuries noted outflows over the same period with returns falling into the red.

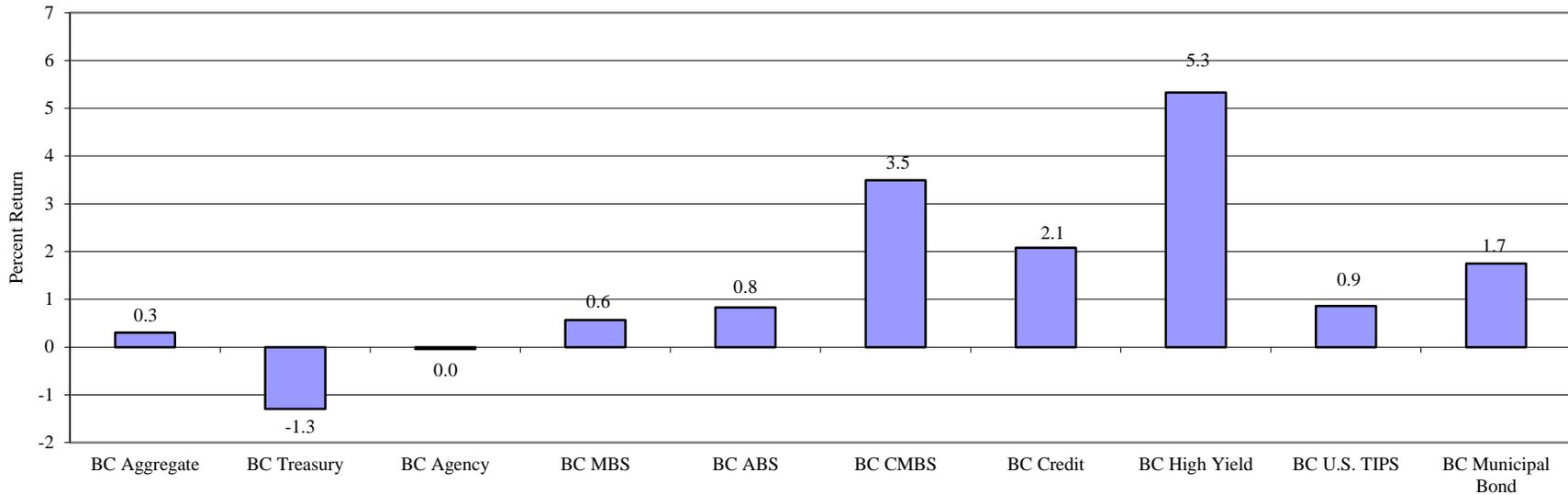
Sector-wise, CMBS bonds drove aggregate performance, gaining 3.3 percent on expectations of slower pace in defaults. Corporates earned 2.1 percent, mirroring improved sentiment expressed in equity markets. Interest in asset backed securities, however, lagged other sectors, with prices rising only 0.4 percent in the first quarter.

Interestingly, investors sold longer-term durations, particularly in the 10+ year duration category, which sustained a 2.1 percent loss in Q1.

U.S. Fixed Income Market Review

Q1 2012

U.S. Bond Sector Performance



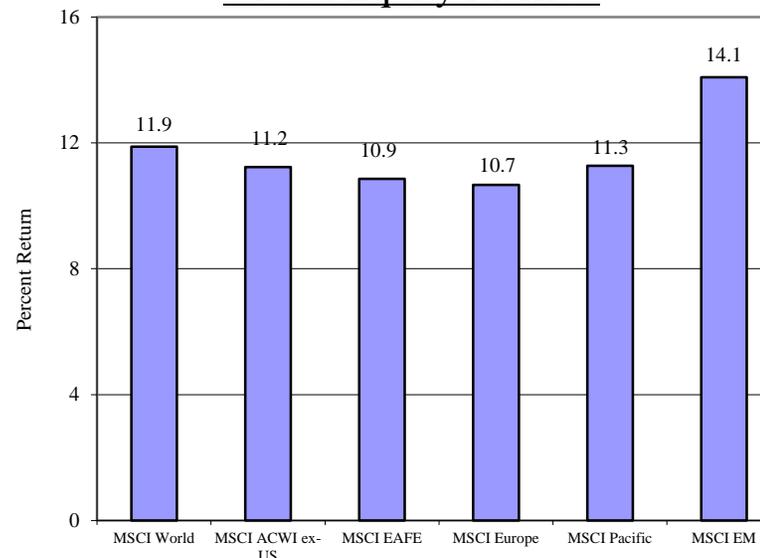
| Total Returns | Quarter | Year | 1 | 3 | 5 | 10 | 20 |
|-------------------|---------|---------|-------|-------|-------|-------|-------|
| | | to Date | Year | Years | Years | Years | Years |
| BC Aggregate | 0.30 | 0.30 | 7.71 | 6.83 | 6.25 | 5.80 | 6.59 |
| BC Treasury | -1.29 | -1.29 | 8.57 | 3.89 | 6.23 | 5.67 | 6.43 |
| BC Agency | -0.04 | -0.04 | 4.50 | 3.59 | 5.23 | 5.13 | 6.24 |
| BC MBS | 0.57 | 0.57 | 6.21 | 5.26 | 6.33 | 5.65 | 6.47 |
| BC ABS | 0.83 | 0.83 | 5.34 | 9.17 | 4.25 | 4.44 | 5.77 |
| BC CMBS | 3.49 | 3.49 | 7.62 | 20.06 | 6.34 | 6.30 | |
| BC Credit | 2.08 | 2.08 | 9.45 | 13.35 | 6.94 | 6.62 | 7.15 |
| BC High Yield | 5.33 | 5.33 | 6.56 | 23.80 | 8.13 | 9.20 | |
| BC U.S. TIPS | 0.86 | 0.86 | 12.20 | 8.74 | 7.60 | 7.51 | |
| BC Municipal Bond | 1.75 | 1.75 | 12.07 | 7.70 | 5.42 | 5.46 | 6.08 |

Global Equity Market Review

Q1 2012

| Total Net Returns in US\$ | | | 1 | 3 | 5 | 10 | 20 |
|---------------------------|---------|-------|-------|-------|-------|-------|-------|
| | Quarter | CYTD | Year | Years | Years | Years | Years |
| MSCI World | 11.88 | 11.88 | -0.73 | 20.75 | -0.19 | 5.33 | |
| MSCI ACWI ex-US | 11.23 | 11.23 | -7.17 | 19.12 | -1.56 | 7.28 | |
| MSCI EAFE | 10.86 | 10.86 | -5.77 | 17.13 | -3.51 | 5.70 | 5.77 |
| MSCI EAFE Hedged | 10.17 | 10.17 | -4.01 | 12.44 | -4.77 | 1.81 | 5.05 |
| MSCI Europe | 10.66 | 10.66 | -7.54 | 17.58 | -3.99 | 5.43 | 7.68 |
| MSCI Pacific | 11.27 | 11.27 | -2.03 | 16.57 | -2.42 | 6.41 | 3.09 |
| MSCI Emerging Markets | 14.08 | 14.08 | -8.80 | 25.07 | 4.67 | 14.13 | |
| MSCI UK | 7.63 | 7.63 | 1.05 | 22.32 | -2.34 | 5.58 | 7.42 |
| MSCI Japan | 11.26 | 11.26 | 0.26 | 11.93 | -5.20 | 3.94 | 1.25 |

Global Equity Markets



Non-US Equity Markets

Amid rising investor sentiment and firmer risk appetite, the MSCI EAFE index delivered double-digit returns in the first quarter, paring yearly losses to -5.8%, compared to the -12.1% deficit three months prior.

Regionally, European equities took the lead as the outlook for the periphery Europe showed signs of stability, appreciating 10.7% as measured by the MSCI Europe. By contrast, appetite for the U.K with a return of 7.6% lagged other developed markets, a potential consequence of higher valuations and increased concerns over higher inflation pressures.

Strong performance of Japanese equities in the first quarter lifted the trailing year into positive territory, a likely endorsement of the increased asset purchases administered by the central bank.

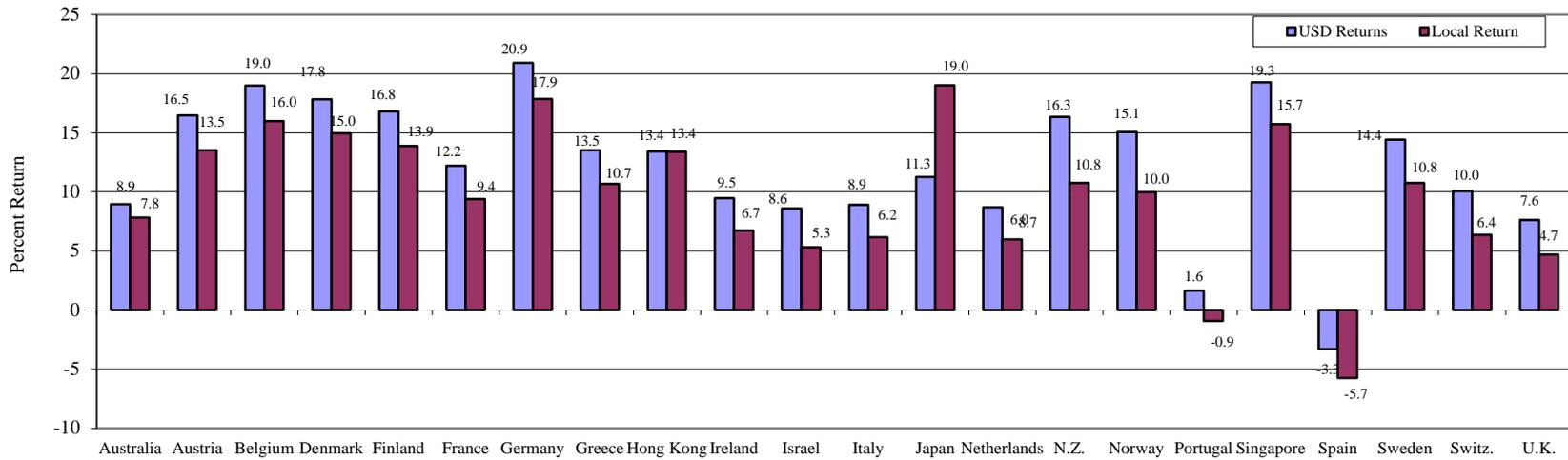
In tandem with their developed market peers, high beta emerging markets posted solid gains across the board in the first quarter of 2012 as the MSCI EM equities rose 14.1 percent on aggregate, compared to the 11.0 percent yielded in developed markets.

On a regional basis, EM Europe & Mid East outperformed, yielding an impressive 19.3 percent return and partially reversing the significant losses endured over the past 12 months. By comparison, the more defensive South Africa market trailed other emerging regions with domestic equities earning 11.2 percent for the quarter. Accommodative monetary conditions in EM Latin America continue to underpin domestic demand and support growth, a positive for local equity markets which strengthened 14.7 percent this quarter.

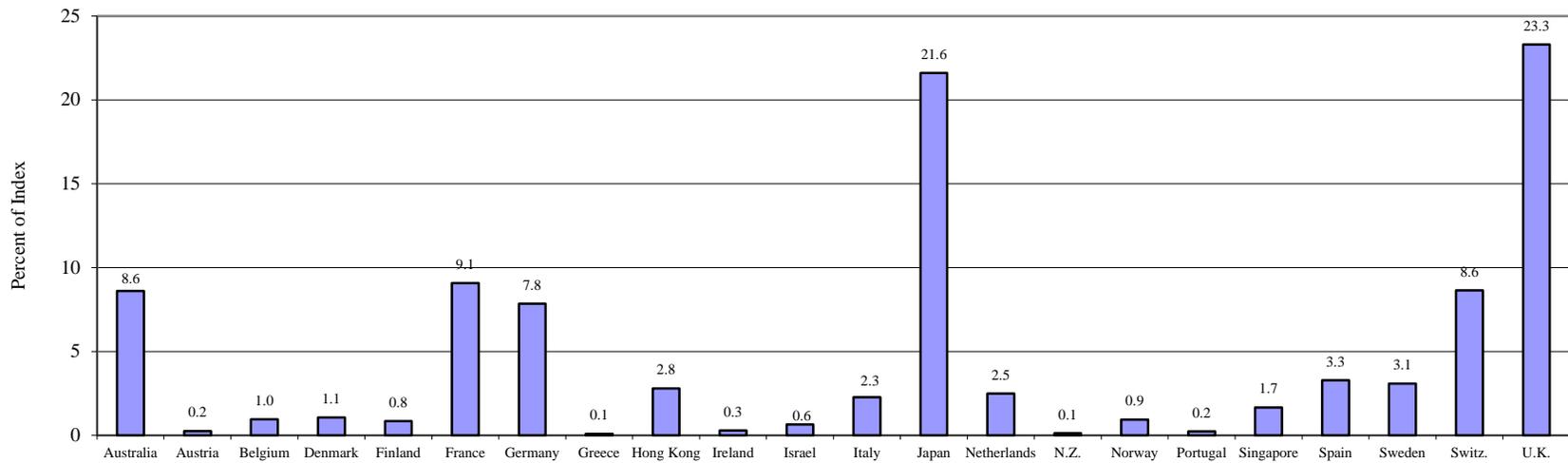
Global Equity Market Review

Q1 2012

MSCI EAFE Country Returns



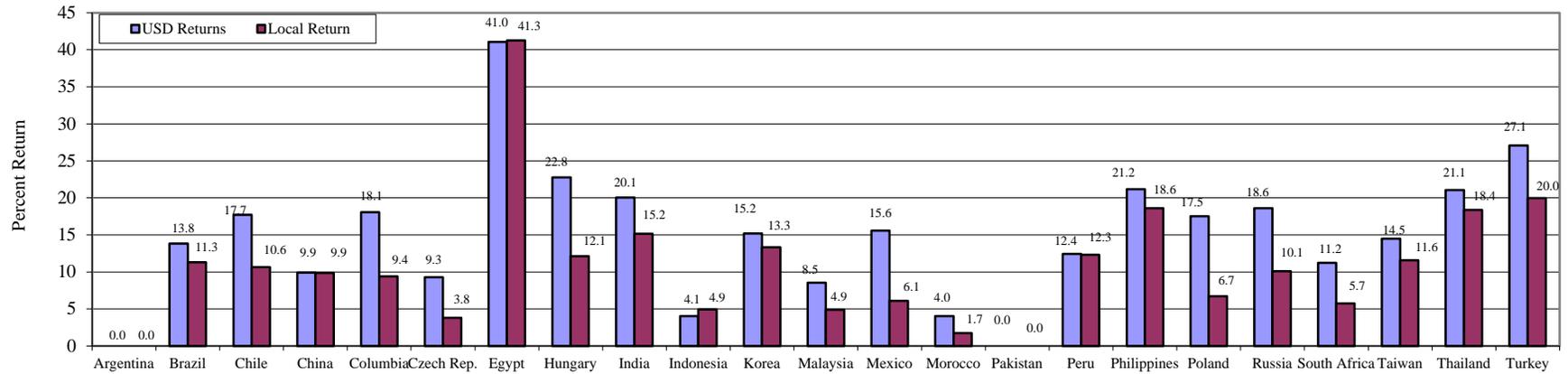
MSCI EAFE Country Weights



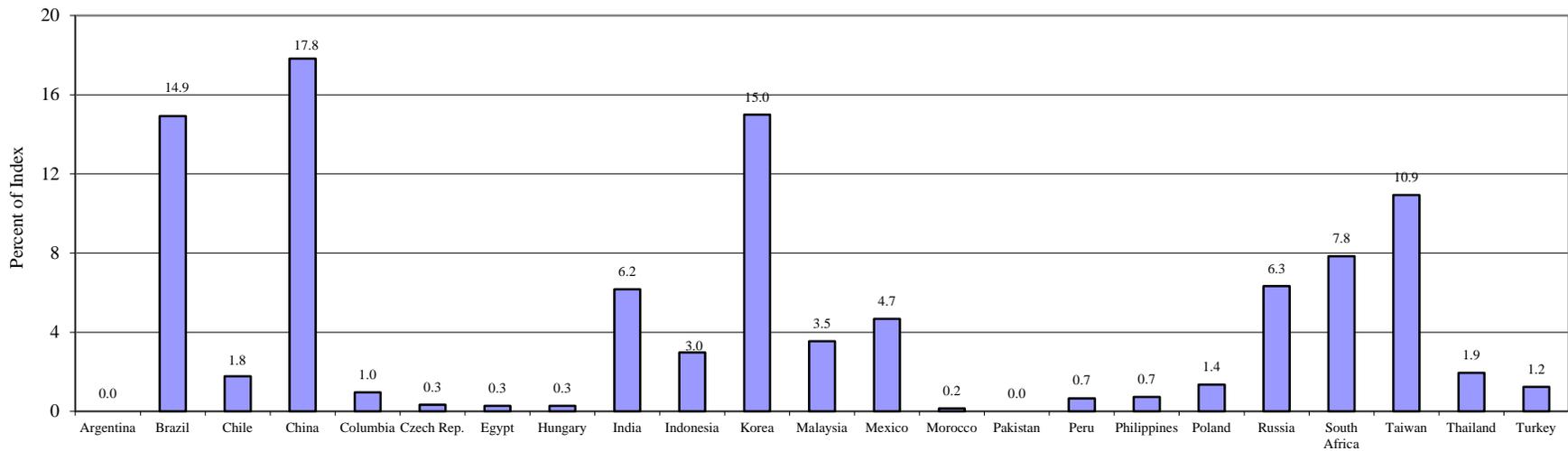
Global Equity Market Review

Q1 2012

MSCI Emerging Markets Country Returns



MSCI Emerging Markets Country Weights



OIC Regular Account Performance Report

Net of Fees

Periods Ending March 31, 2012

| | 3 Year % | 5 Year % | 7 Year % | 10 Year % |
|---|-------------|-------------|-------------|--------------|
| Have Returns affected benefit security? | | | | |
| 1. Total Regular Account | 17.31 | 2.60 | 6.20 | 6.99 |
| 2. Actuarial Discount Rate | 8.00 | 8.00 | 8.00 | 8.00 |
| 3. Out/Under Performance (1 - 2) | 9.31 | (5.40) | (1.80) | (1.01) |
| Has plan been rewarded for capital market risk? | | | | |
| 4. Policy Return | 15.43 | 3.09 | 5.96 | 6.53 |
| 5. Minimum Risk/High Cost Policy of 91-Day T-Bills | 0.13 | 1.23 | 2.10 | 1.91 |
| 6. Impact of Asset Mix Policy (4 - 5) | 15.30 | 1.86 | 3.85 | 4.62 |
| Has plan been rewarded for active management risk? | | | | |
| 7. Net Active Management Effect (1 -4) | 1.88 | (0.49) | 0.25 | 0.46 |

State of Oregon
Total Fund Summary
Quarter Ending March 31, 2012

Total Fund:

The Total Regular Account rose 6.75% in the first quarter of 2012, but trailed its benchmark, the OPERF Policy Benchmark by 178 basis points. For the trailing twelve months, the Regular Account returned 4.21%, and trailed the benchmark by 22 BP's. Compared with its Wilshire TUCS peer group of all public funds greater than \$1 Billion (page 15), the Plan placed at the 76th percentile in the first quarter and at the 31st percentile for the 12 months ending March 31. In the longer seven and ten year periods, the Plan finished at the 13th and eight percentiles, respectively.

Key Factors Contributing to Performance:

The Total Plan Attribution for the first quarter (page 16) shows that the underperformance versus the benchmark was primarily driven by the Selection factor in Private Equity, which subtracted 221 BP's. The allocation of investments (Weighting) subtracted just five BP's, with the under-allocation to Public Equity giving up 30 BP's. The over-allocation of assets to Private Equity added back 29 BP's, while the under-allocation to Fixed Income added 29 more BP's. Over the trailing twelve months, Selection in Private Equity (+70 BP's) and Public Equity (+15 BP's) contributed positively to the performance, while Selection in Real Estate (-47 BP's) and the over-weighting of Private Equity (-42 BP's) were the key detractors.

The Domestic Equity portfolio continued its bullish ways in the first quarter, rising by 13.57% and topping its benchmark, the Russell 3000, by 70 BP's. This improved the portfolio's ranking against its peers to the fifth percentile of the TUCS' rankings of US Equity pools of Public Funds. Over the trailing twelve months, the portfolio rose 5.76%, but underperformed the benchmark by 142 BP's, and placed in the 79th percentile of the TUCS universe. Over the trailing three years, the portfolio remained at the fifth percentile against its peers with an annualized return of 25.08%.

The International Equity portfolio's return climbed to 12.50% in the quarter, beating its benchmark, the MSCI ACWI ex US IMI (net) Index, by 90 BP's. This performance earned the portfolio a ranking at the 25th percentile of TUCS' International Equity pools of Public Funds. Over the trailing twelve months, the portfolio slipped -5.34%, but outperformed the benchmark by 200 BP's, which placed it at the 21st percentile against its peers. Over the longer seven and ten year periods, the international portfolio continued to hold the first place rankings in the peer group.

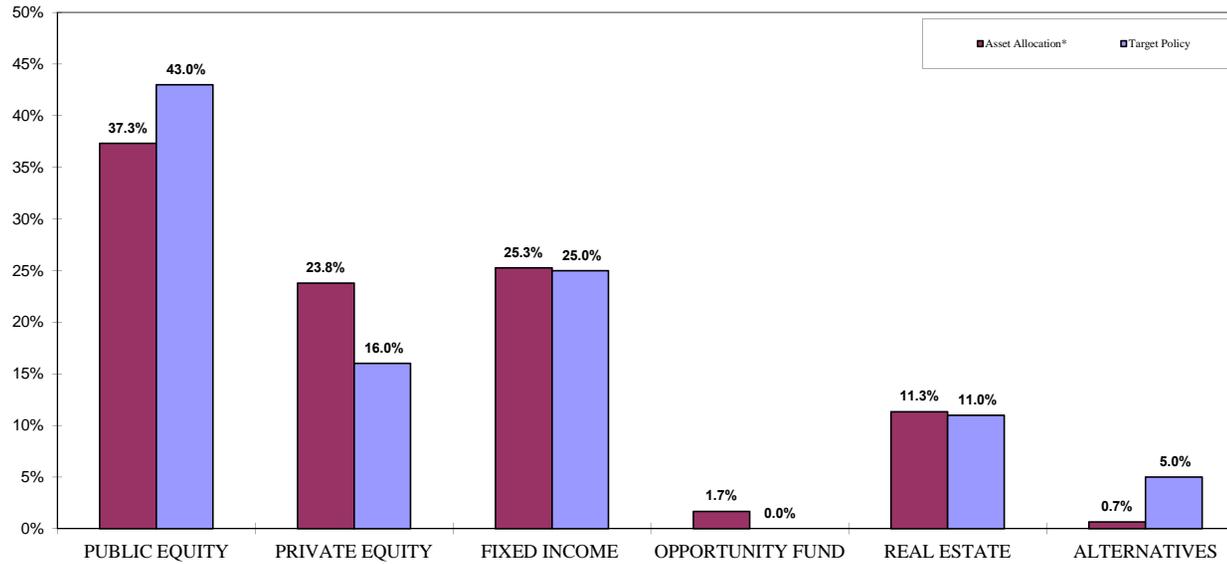
The PERS Total Fixed Income portfolio rose 3.13% in the quarter, and outperformed its benchmark, the Custom Fixed Income Benchmark (see footnote, Page 13), by 87 BP's. Against its peers in the TUCS US Fixed Income Pools the portfolio claimed the top spot in the quarter. For the trailing twelve months, the portfolio returned 7.30% and surpassed the benchmark by 30 BP's, which landed it at the 60th percentile.

The Plan's Real Estate portfolio rose 3.94% in the quarter, outperforming its benchmark, the NCREIF Property Index (1-quarter lag) by 97 BP's, and placing it at the 33rd percentile among TUCS' US Real Estate investment pools. Over the previous twelve months, the portfolio returned 9.62%, but slipped 464 BP's against the benchmark. Over the longer seven and ten year periods, the portfolio maintained its number one ranking against its peers. Meanwhile the Private Equity portfolio returned 3.31% in the first quarter, which was well behind its public equity benchmark – the Russell 3000 Index + 300 BP's (1-quarter lag) at 12.92%. Still, the portfolio managed to place in the top half against its peers at the 41st percentile.

TUCS Universe: Public Funds \$1 Billion or Larger (rankings based on gross returns)

State of Oregon
Total Regular Account Asset Allocation
As of March 31, 2012

Asset Allocation (% Percent) vs. Target Policy



| WEIGHTS | | | | |
|------------------|-------------------|---------------|------------|---|
| | Asset Allocation* | Target Policy | Difference | Median (TUCS) Public Fund > \$1 B Universe |
| PUBLIC EQUITY | 37.3% | 43.0% | -5.7% | 53.7% |
| PRIVATE EQUITY | 23.8% | 16.0% | 7.8% | 10.3% |
| FIXED INCOME | 25.3% | 25.0% | 0.3% | 23.4% |
| OPPORTUNITY FUND | 1.7% | 0.0% | 1.7% | N/A |
| REAL ESTATE | 11.3% | 11.0% | 0.3% | 2.9% |
| ALTERNATIVES | 0.7% | 5.0% | -4.3% | N/A |
| CASH | 0.0% | 0.0% | 0.0% | 4.4% |
| TOTAL PLAN | 100.0% | 100.0% | 0.0% | |

*Asset class allocations reflect the impact of the overlay program.

State Of Oregon
Total Fund Return Table
Rates Of Return
Periods Ending March 31, 2012

| | Market Value \$(M) | Current Quarter | YTD | 1 Year | 3 Years | 5 Years | 7 Years | 10 Years | Inception to Date | Inception Date |
|--|-----------------------|--------------------|-------|-----------|------------|------------|------------|-------------|----------------------|-------------------|
| FUNDS | | | | | | | | | | |
| TOTAL REGULAR ACCOUNT | \$57,552,461 | 6.75 | 6.75 | 4.21 | 17.31 | 2.60 | 6.20 | 6.99 | 7.16 | 07/01/1997 |
| <i>OPERF POLICY BENCHMARK</i> | | 8.53 | 8.53 | 4.43 | 15.43 | 3.09 | 5.96 | 6.53 | | |
| PUBLIC FUNDS > \$1 BILLION RANK* | | 76 | 76 | 31 | 19 | 58 | 13 | 8 | | |
| PUBLIC FUNDS > \$10 BILLION RANK* | | 77 | 77 | 50 | 20 | 52 | 11 | 11 | | |
| | | | | | | | | | | |
| TOTAL DOMESTIC EQUITY | \$9,840,040 | 13.57 | 13.57 | 5.76 | 25.08 | 2.07 | 5.17 | 4.89 | 9.92 | 04/01/1971 |
| <i>RUSSELL 3000</i> | | 12.87 | 12.87 | 7.18 | 24.26 | 2.18 | 5.10 | 4.67 | | |
| US EQUITY POOLS* | | 5 | 5 | 79 | 5 | 25 | 18 | 12 | | |
| | | | | | | | | | | |
| TOTAL INTERNATIONAL EQUITY | \$11,019,884 | 12.50 | 12.50 | -5.34 | 20.63 | -0.13 | 6.48 | 8.42 | 10.94 | 04/01/1985 |
| <i>OREGON MSCI ACWI EX US IMI NET</i> | | 11.60 | 11.60 | -7.34 | 19.95 | -1.07 | 5.56 | 7.76 | | |
| INTERNATIONAL EQUITY POOLS* | | 25 | 25 | 21 | 5 | 5 | 1 | 1 | | |
| | | | | | | | | | | |
| TOTAL GLOBAL EQUITY | \$901,686 | 12.70 | 12.70 | -8.38 | 17.59 | -4.55 | | | -4.25 | 03/01/2007 |
| <i>OREGON MSCI ACWI VALUE NET INDEX</i> | | 10.51 | 10.51 | -2.93 | 19.35 | -0.89 | | | | |
| | | | | | | | | | | |
| TOTAL FIXED INCOME | \$13,227,511 | 3.13 | 3.13 | 7.30 | 14.26 | 7.23 | 6.81 | 7.14 | 8.46 | 01/01/1988 |
| <i>CUSTOM FIXED INCOME 90/10 BLEND³</i> | | 2.26 | 2.26 | 7.00 | 7.33 | 5.99 | 5.68 | 5.90 | | |
| US FIXED INCOME POOLS* | | 1 | 1 | 60 | 1 | 18 | 1 | 1 | | |
| | | | | | | | | | | |
| TOTAL REAL ESTATE ¹ | \$6,568,620 | 3.94 | 3.94 | 9.62 | 9.17 | -1.71 | 7.03 | 9.78 | 9.84 | 12/01/1996 |
| <i>NCREIF PROPERTY ONE QTR LAG</i> | | 2.96 | 2.96 | 14.26 | 2.43 | 3.09 | 7.23 | 8.06 | | |
| REAL ESTATE POOLS* | | 33 | 33 | 75 | 25 | 37 | 1 | 1 | | |
| | | | | | | | | | | |
| TOTAL PRIVATE EQUITY ² | \$13,775,849 | 3.31 | 3.31 | 7.82 | 14.88 | 5.85 | 11.22 | 11.35 | 10.75 | 07/01/1997 |
| <i>BLENDED PRIVATE EQUITY INDEX QTR LAG</i> | | 12.92 | 12.92 | 4.06 | 18.46 | 3.79 | 6.62 | 7.78 | | |
| US PRIVATE EQUITY* | | 41 | 41 | 46 | 5 | 41 | 25 | 15 | | |
| | | | | | | | | | | |
| TOTAL OPPORTUNITY PORTFOLIO | \$972,520 | 6.73 | 6.73 | 0.25 | 18.93 | 4.39 | | | 4.75 | 09/01/2006 |
| <i>RUSSELL 3000</i> | | 12.87 | 12.87 | 7.18 | 24.26 | 2.18 | | | | |
| <i>CPI + 5%</i> | | 2.89 | 2.89 | 7.77 | 7.64 | 7.30 | | | | |
| | | | | | | | | | | |
| OST SHORT TERM FUND - PERS | \$562,400 | 0.81 | 0.81 | 0.60 | 1.21 | 1.88 | 2.62 | 2.33 | 4.09 | 12/01/1989 |
| <i>91 DAY T-BILL</i> | | 0.01 | 0.01 | 0.06 | 0.13 | 1.23 | 2.10 | 1.91 | | |

¹Publicly traded real estate securities are current quarter; all others are 1 quarter lagged

²Private Equity returns lagged one quarter

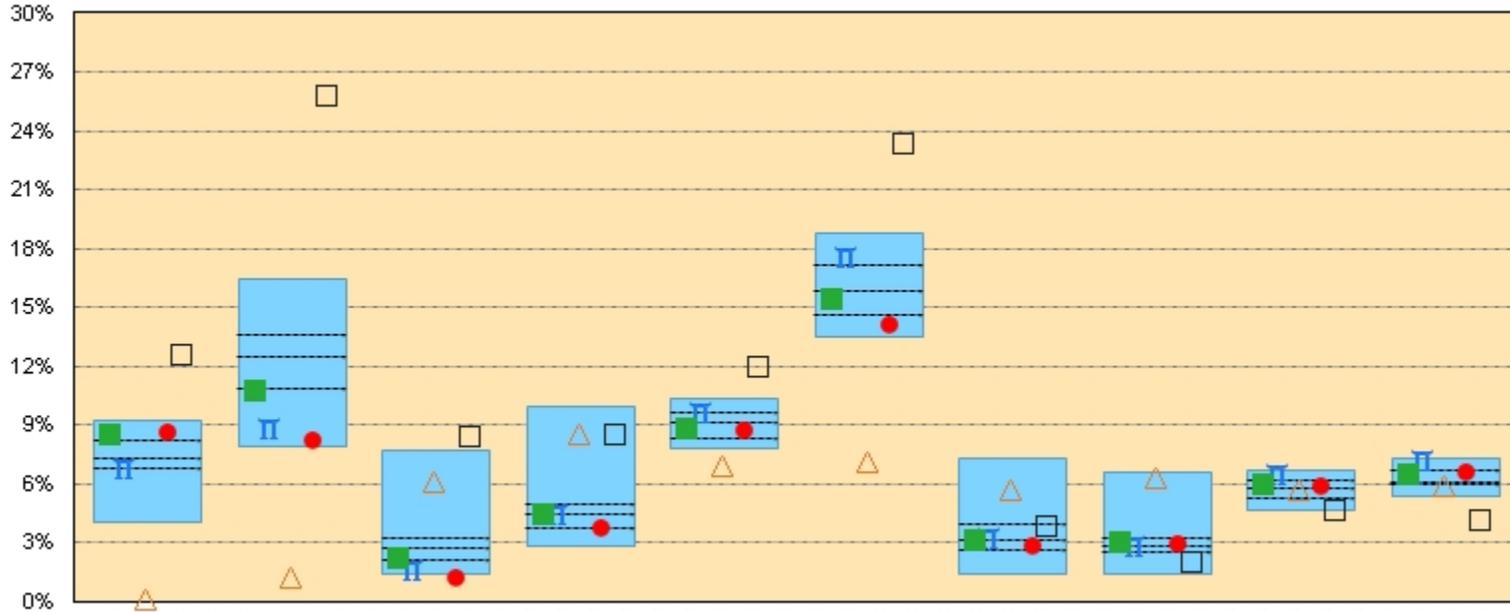
³Prior to 2/28/2011, Index is Oregon Custom FI 90/10 Benchmark (90% BC U.S. Universal/10% SSBI Non-US World Govt. Bond Hedged Index). From 3/1/2011 to current, Index is Oregon Custom FI Benchmark (60% BC US Universal Index, 20% S&P/LSTA Leveraged Loan Index, 10% JMP EMBI Global Index, and 10% BofA ML High Yield Master II Index).

*Ranking source: TUCS Universe, based on gross returns

Assets not listed above include a total of \$301,330 invested in the Overlay, Total Closed Global Equity, Transition Account, Transitional Managers, Shott Capital, and Fixed Income Transition Account.

State of Oregon Performance Comparison

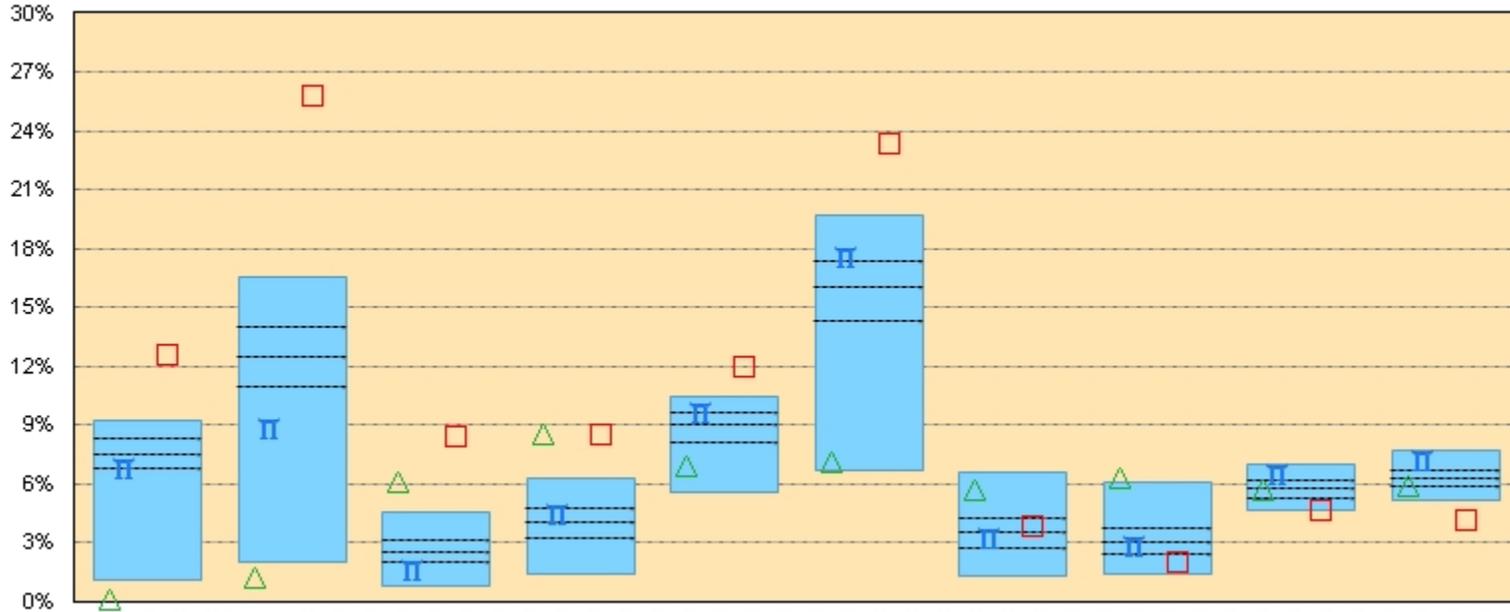
Total Returns of Public Funds > \$10 Billion
Cumulative Periods Ending : March 31, 2012



| Percentile Rankings | 1 Qtr | 2 Qtrs | 3 Qtrs | 1 Year | 2 Years | 3 Years | 4 Years | 5 Years | 7 Years | 10 Years |
|---------------------------------|------------|------------|-----------|-----------|-----------|------------|-----------|-----------|-----------|------------|
| 5th | 9.21 | 16.47 | 7.72 | 9.95 | 10.41 | 18.81 | 7.30 | 6.59 | 6.72 | 7.30 |
| 25th | 8.19 | 13.61 | 3.21 | 5.03 | 9.62 | 17.20 | 3.99 | 3.27 | 6.21 | 6.71 |
| 50th | 7.31 | 12.49 | 2.77 | 4.52 | 9.16 | 15.84 | 3.17 | 2.89 | 5.80 | 6.14 |
| 75th | 6.82 | 10.93 | 2.12 | 3.74 | 8.38 | 14.67 | 2.68 | 2.52 | 5.30 | 6.00 |
| 95th | 4.06 | 7.98 | 1.40 | 2.88 | 7.85 | 13.49 | 1.47 | 1.45 | 4.67 | 5.40 |
| No. Of Obs | 39 | 39 | 38 | 38 | 37 | 37 | 37 | 37 | 36 | 35 |
| II Total Regular Account | 6.80 (77) | 8.89 (93) | 1.67 (93) | 4.46 (50) | 9.70 (20) | 17.61 (20) | 3.23 (44) | 2.86 (52) | 6.48 (11) | 7.25 (11) |
| ● Actual Allocation Retu | 8.62 (15) | 8.27 (93) | 1.25 (99) | 3.80 (72) | 8.71 (58) | 14.11 (87) | 2.88 (63) | 2.97 (41) | 5.88 (36) | 6.61 (30) |
| ■ OPERF Policy Benchmark | 8.53 (17) | 10.73 (77) | 2.20 (72) | 4.43 (50) | 8.80 (58) | 15.43 (58) | 3.19 (44) | 3.09 (38) | 5.96 (30) | 6.53 (33) |
| □ S&P 500 | 12.58 (1) | 25.88 (1) | 8.43 (1) | 8.53 (5) | 12.03 (1) | 23.41 (1) | 3.87 (25) | 2.02 (84) | 4.72 (93) | 4.12 (100) |
| △ Barclays Govt/Credit | 0.09 (100) | 1.26 (100) | 6.06 (5) | 8.53 (5) | 6.88 (96) | 7.09 (100) | 5.74 (10) | 6.26 (5) | 5.66 (58) | 5.91 (78) |

State of Oregon Performance Comparison

Total Returns of Master Trusts - Public : Plans > \$1 Billion
Cumulative Periods Ending : March 31, 2012



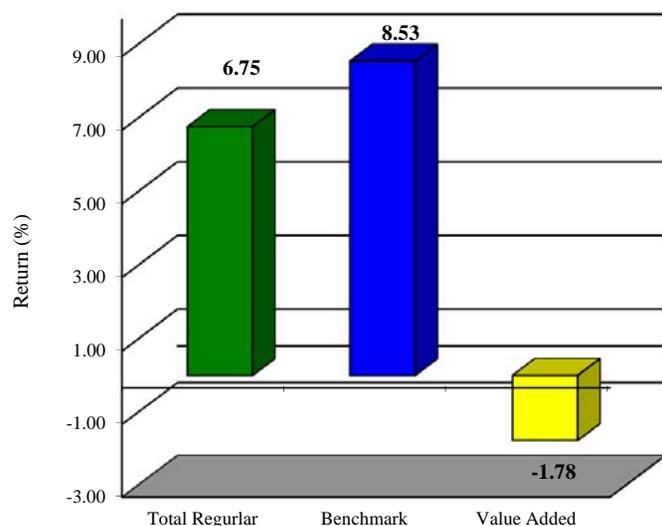
| Percentile Rankings | 1 Qtr | 2 Qtrs | 3 Qtrs | 1 Year | 2 Years | 3 Years | 4 Years | 5 Years | 7 Years | 10 Years |
|---------------------------------|------------|-----------|-----------|-----------|-----------|------------|-----------|-----------|-----------|-----------|
| 5th | 9.21 | 16.62 | 4.55 | 6.29 | 10.48 | 19.71 | 6.56 | 6.07 | 6.97 | 7.69 |
| 25th | 8.32 | 14.06 | 3.20 | 4.74 | 9.67 | 17.40 | 4.31 | 3.73 | 6.23 | 6.72 |
| 50th | 7.50 | 12.50 | 2.57 | 4.03 | 9.00 | 16.05 | 3.52 | 3.05 | 5.79 | 6.27 |
| 75th | 6.82 | 10.94 | 2.00 | 3.22 | 8.11 | 14.33 | 2.70 | 2.49 | 5.32 | 5.86 |
| 95th | 1.08 | 2.06 | 0.77 | 1.45 | 5.58 | 6.76 | 1.34 | 1.40 | 4.64 | 5.22 |
| No. Of Obs | 62 | 62 | 61 | 61 | 58 | 58 | 58 | 58 | 55 | 54 |
| II Total Regular Account | 6.80 (76) | 8.89 (86) | 1.67 (87) | 4.46 (31) | 9.70 (21) | 17.61 (19) | 3.23 (57) | 2.86 (58) | 6.48 (13) | 7.25 (8) |
| S&P 500 | 12.58 (1) | 25.88 (1) | 8.43 (1) | 8.53 (1) | 12.03 (1) | 23.41 (1) | 3.87 (35) | 2.02 (85) | 4.72 (91) | 4.12 (99) |
| △ Barclays Govt/Credit | 0.09 (100) | 1.26 (95) | 6.06 (1) | 8.53 (1) | 6.88 (87) | 7.09 (93) | 5.74 (9) | 6.26 (2) | 5.66 (57) | 5.91 (73) |

Total Plan Attribution

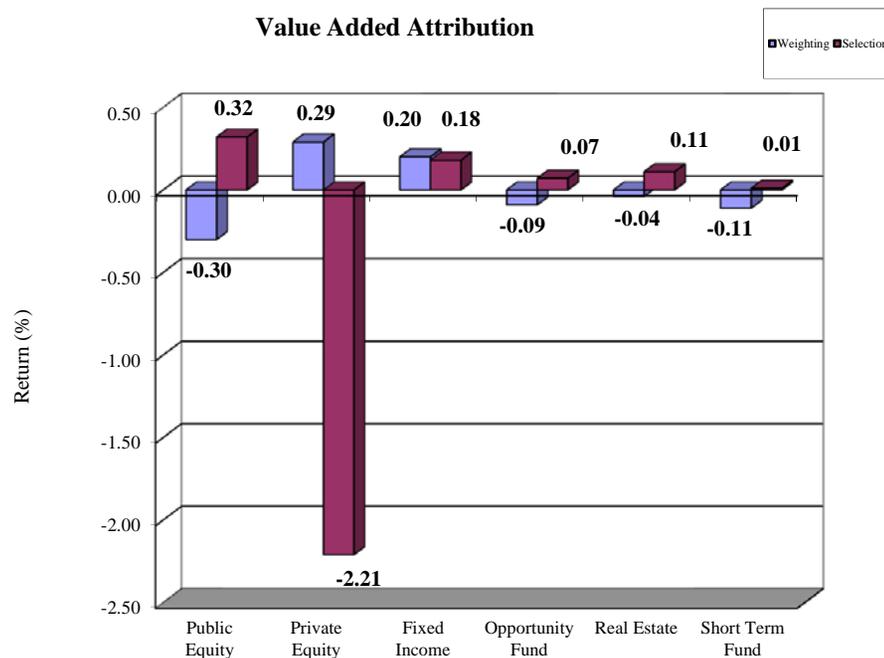
Regular Account

December 31, 2011 - March 31, 2012

Return vs. Benchmark



Value Added Attribution



| | WEIGHTS | | | RETURNS | | | VALUE ADDED | | |
|------------------------------|---------------|---------------|-------------|--------------|-------------|--------------|--------------|--------------|--------------|
| | Portfolio* | Benchmark** | Difference | Portfolio*** | Benchmark | Difference | Weighting | Selection | Timing |
| Public Equity | 36.84 | 46.00 | -9.16 | 12.81 | 11.88 | 0.93 | -0.30 | 0.32 | |
| Private Equity | 24.72 | 16.00 | 8.72 | 3.31 | 12.92 | -9.61 | 0.29 | -2.21 | |
| Fixed Income | 23.81 | 27.00 | -3.19 | 3.02 | 2.26 | 0.76 | 0.20 | 0.18 | |
| Opportunity Fund | 1.73 | 0.00 | 1.73 | 6.73 | 2.89 | 3.84 | -0.09 | 0.07 | |
| Real Estate | 11.79 | 11.00 | 0.79 | 3.94 | 2.96 | 0.98 | -0.04 | 0.11 | |
| Short Term Fund | 1.11 | 0.00 | 1.11 | 0.71 | 0.01 | 0.70 | -0.11 | 0.01 | |
| Total Regular Account | 100.00 | 100.00 | 0.00 | 6.75 | 8.53 | -1.78 | -0.05 | -1.54 | -0.05 |

* Weights of Portfolios based on beginning of period valuations.

** Weights of Benchmarks based on Average weights over entire period.

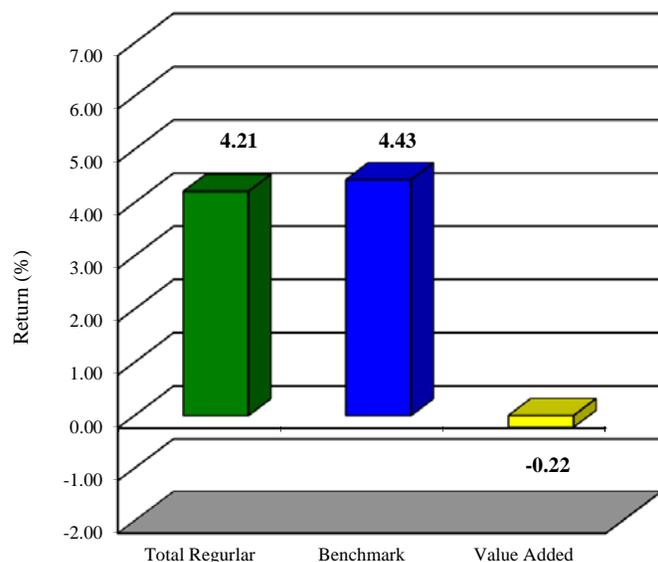
*** Asset Class Returns reflect the impact of the overlay program.

Total Plan Attribution

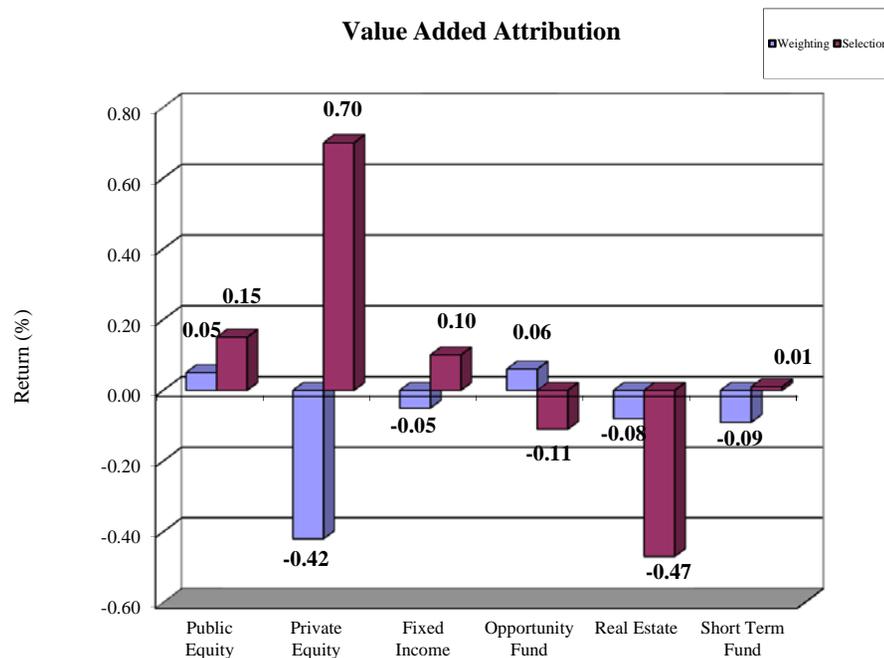
Regular Account

March 31, 2011 - March 31, 2012

Return vs. Benchmark



Value Added Attribution



| | WEIGHTS | | | RETURNS | | | VALUE ADDED | | |
|------------------------------|---------------|---------------|-------------|--------------|-------------|--------------|--------------|-------------|--------------|
| | Portfolio* | Benchmark** | Difference | Portfolio*** | Benchmark | Difference | Weighting | Selection | Timing |
| Public Equity | 40.94 | 46.00 | -5.06 | -0.40 | -0.73 | 0.33 | 0.05 | 0.15 | |
| Private Equity | 21.84 | 16.00 | 5.84 | 7.82 | 4.06 | 3.76 | -0.42 | 0.70 | |
| Fixed Income | 23.73 | 27.00 | -3.27 | 7.54 | 7.00 | 0.54 | -0.05 | 0.10 | |
| Opportunity Fund | 1.93 | 0.00 | 1.93 | 0.25 | 7.77 | -7.52 | 0.06 | -0.11 | |
| Real Estate | 10.02 | 11.00 | -0.98 | 9.62 | 14.26 | -4.64 | -0.08 | -0.47 | |
| Short Term Fund | 1.55 | 0.00 | 1.55 | 0.87 | 0.06 | 0.81 | -0.09 | 0.01 | |
| Total Regular Account | 100.00 | 100.00 | 0.00 | 4.21 | 4.43 | -0.22 | -0.53 | 0.38 | -0.06 |

* Weights of Portfolios based on beginning of period valuations.

** Weights of Benchmarks based on Average weights over entire period.

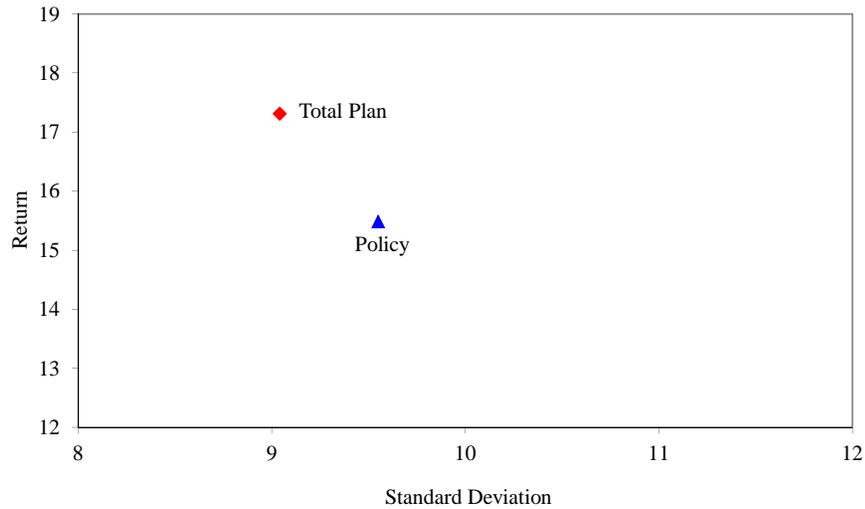
*** Asset Class Returns reflect the impact of the overlay program.

Total Regular Account

Total Risk vs. Return (OPERF Policy)

As of March 31, 2012

3 Year Risk Analysis



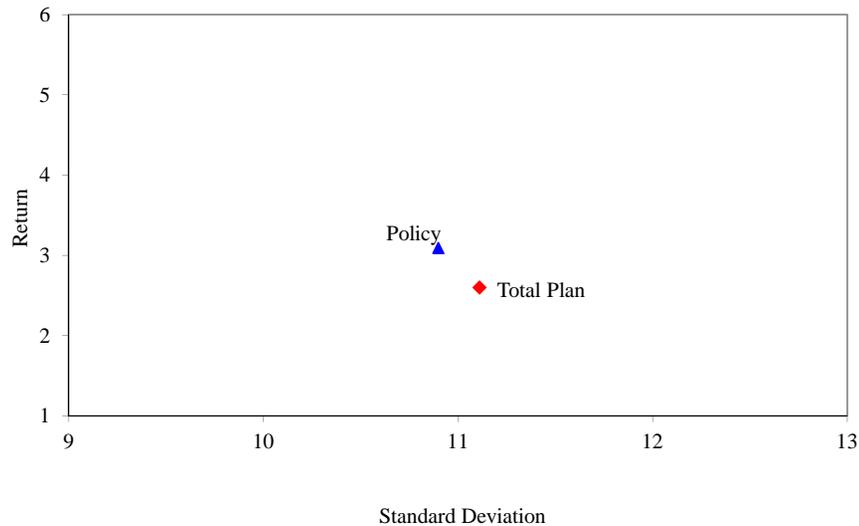
Risk Information

| | |
|------------------------------|-------|
| Portfolio Return | 17.31 |
| Benchmark Return | 15.43 |
| Return Difference | 1.88 |
| Portfolio Standard Deviation | 9.04 |
| Benchmark Standard Deviation | 9.55 |
| Tracking Error | 2.08 |

Risk Statistics

| | |
|-------------------|-------|
| Historic Beta | 0.92 |
| R-Squared | 0.95 |
| Jensens Alpha | 3.04 |
| Sharpe Ratio | 1.90 |
| Treynor Ratio | 18.58 |
| Information Ratio | 0.90 |

5 Year Risk Analysis



Risk Information

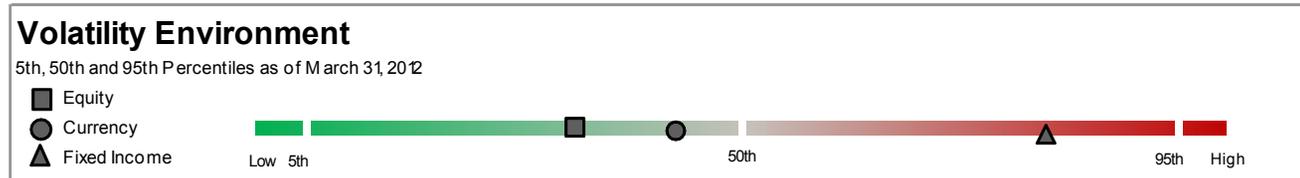
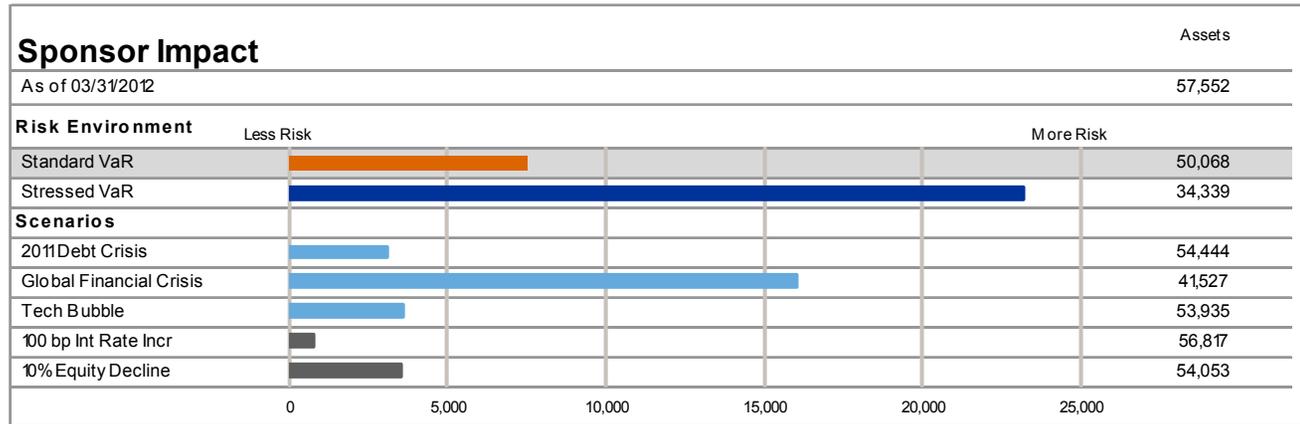
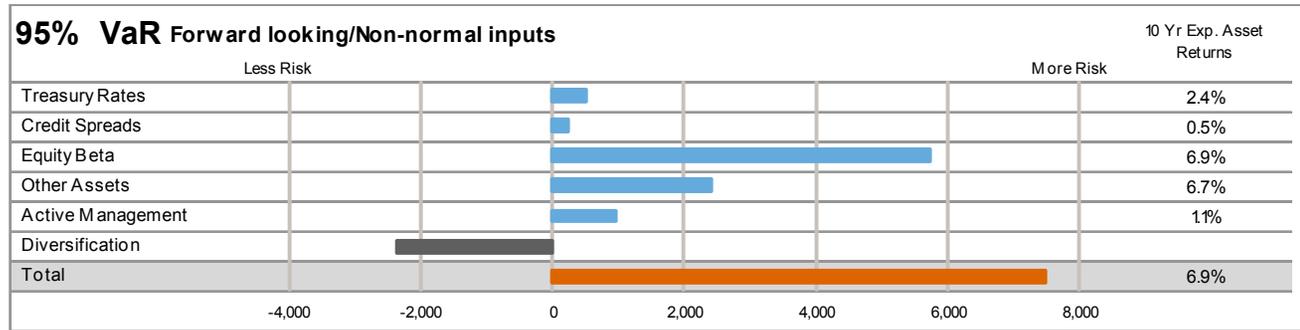
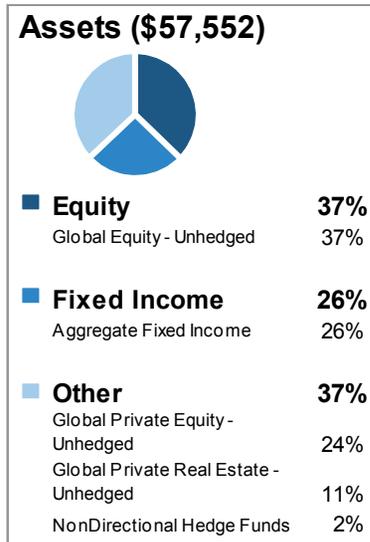
| | |
|------------------------------|-------|
| Portfolio Return | 2.60 |
| Benchmark Return | 3.09 |
| Return Difference | -0.49 |
| Portfolio Standard Deviation | 11.11 |
| Benchmark Standard Deviation | 10.90 |
| Tracking Error | 2.44 |

Risk Statistics

| | |
|-------------------|-------|
| Historic Beta | 1.00 |
| R-Squared | 0.95 |
| Jensens Alpha | -0.49 |
| Sharpe Ratio | 0.12 |
| Treynor Ratio | 1.37 |
| Information Ratio | -0.20 |

Asset Only Summary Risk Analysis

Oregon
As of March 31, 2012



Sources: The above analysis is based primarily on Russell's Capital Markets Forecasts and data from Bloomberg and FactSet. Please see Important Information at the end of this report for additional details on the analysis provided.

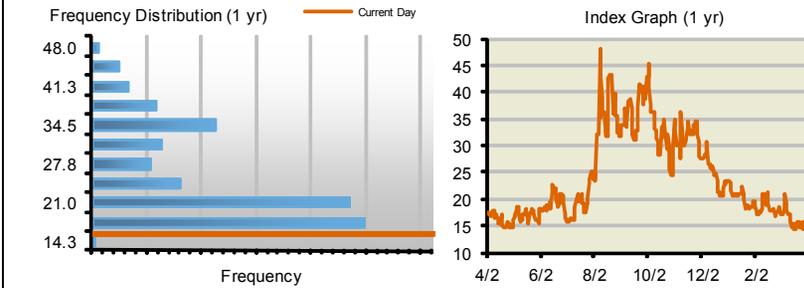
Current Risk Environment

as of 31-Mar-2012

Equity Volatility

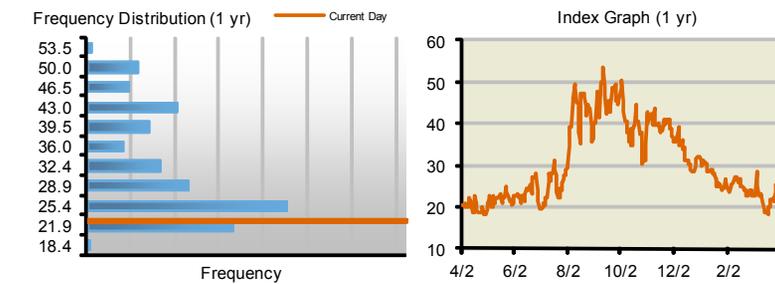
SPX Volatility

| Current | 1 Day | 1 Week | 1 Month | 1 Year |
|--------------|-------|--------|---------|--------|
| 15.50 | 0.0% | 4.6% | -15.9% | -35.3% |



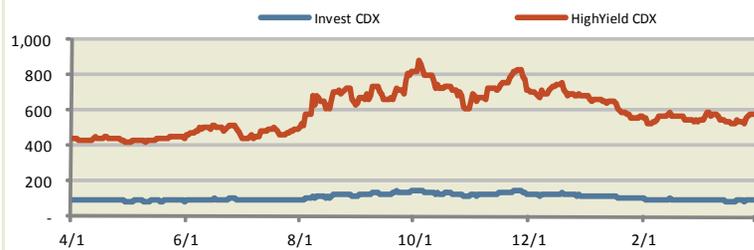
EuroStoxx Volatility

| Current | 1 Day | 1 Week | 1 Month | 1 Year |
|--------------|-------|--------|---------|--------|
| 22.55 | 0.0% | 4.1% | -5.8% | -25.7% |

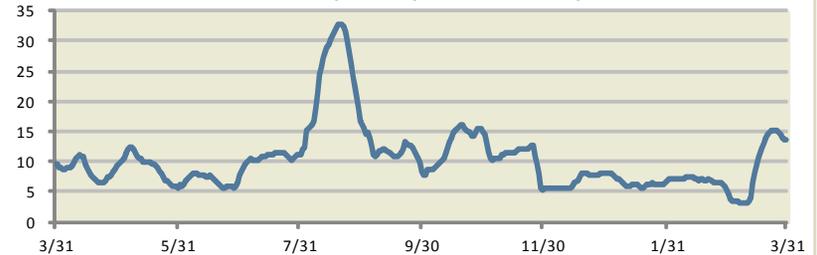


Fixed Income Spreads

Investment Grade and High Yield (spreads)



Monthly Volatility of 10-Year Treasury Yields

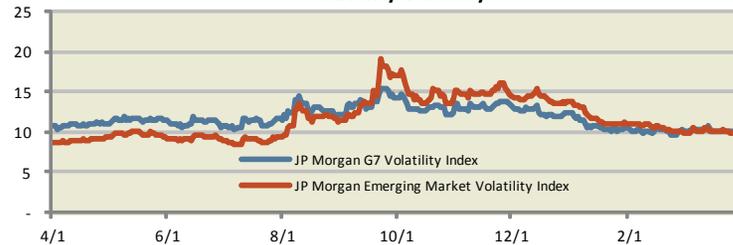


Currency Risk

Dollar Index



Currency Volatility



Important Information

- All values are estimates and should not be relied upon for any regulatory or financial filing.
 - Asset values are based on actual market values where available, and are otherwise estimated.
 - The value of the liability and its behavior in different environments is estimated from the generalized pension plan cash flows, reported liability values, sensitivity to interest rates, and information regarding the status of the plan. This data is typically provided by the client or the plan's actuary, or derived from corporate financial statements.
 - The alpha and tracking error assumptions used in this analysis are based on published expectations for the Russell funds in the portfolio. For investments outside of Russell funds, estimates are based on the Russell alpha assumptions for the asset class/strategy or they have been provided by the client.
- Value at Risk (VaR) calculation and decomposition is calculated following industry standards.
 - 95% VaR represents the 1 in 20 downside Value at Risk on a forward-looking, one-year basis.
 - 95% VaR calculations are based on return, standard deviations, and correlations which are generated from a non-normal asset class return distributions with fat tails as represented by Russell's capital market forecasts.
 - VaR is calculated independently for individual components, with a diversification component balancing to total VaR.
 - The VaR associated with the liabilities is captured within the Treasury and Credit Spreads components.
 - Active management is defined as the difference between the actual allocation and policy weights, combined with alpha and tracking error expectations for active managers.
- 10-Year Expected Return is the expected return for each asset and liability component (Russell's capital market forecasts).
- The Stressed VaR scenario ("2XVol/ $\rho=1.0$ ") assumes standard deviations are 2 times Russell's current forecast. Correlations between asset classes are assumed to be 1.0, except for surplus calculations, where Treasury returns are assumed to have a correlation of -1.0 with other asset classes.
- Scenario calculations are based on actual events defined as follows: Tech Bubble (March 24, 2000 through April 4, 2001), Global Financial Crisis (June 8, 2008 through March 9, 2009), 2011 Debt Crisis (April 11, 2011 through October 3, 2011).
- The volatility environment is represented as follows:
 - Equities – The average value of the VIX index over the previous month plotted against its historical range (January 1990 to present).
 - Fixed Income – The standard deviation of the yield on the 10-yr US Treasury over the previous month plotted against its historic range (January 1990 to present).
 - Currency – The average standard deviation of the JP Morgan G7 Currency Volatility Index over the previous month plotted against its historic range (June 1992 to present).

V2.0.0015

Important Information

Nothing contained in this material is intended to constitute legal, tax, securities, or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. The general information contained in this publication should not be acted upon without obtaining specific legal, tax, and investment advice from a licensed professional.

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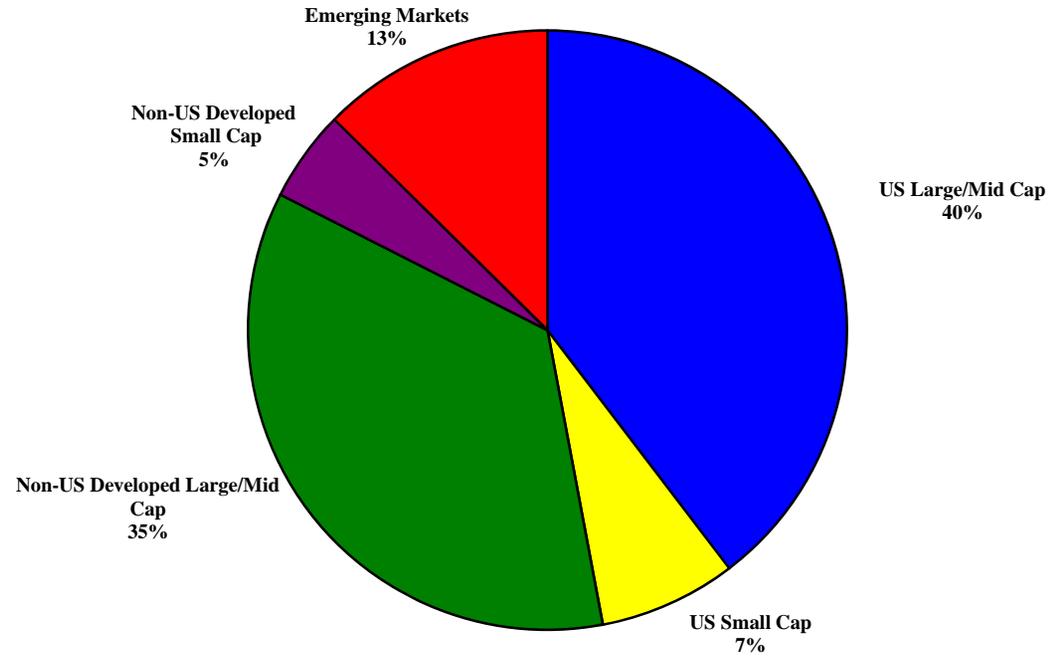
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USI-12545-12-13

State of Oregon

Public Equity Regional Allocation*

As of March 31, 2012



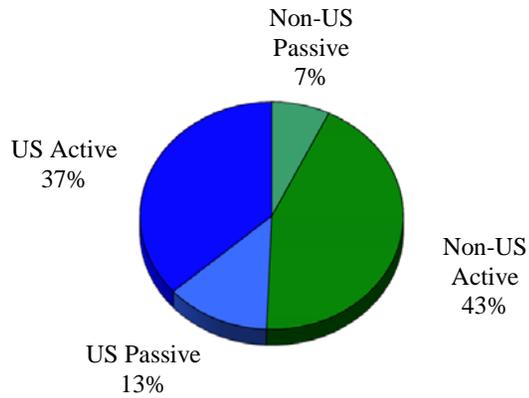
| <u>Target</u> | |
|-----------------------------|-----|
| US Large/Mid: | 40% |
| US Small: | 7% |
| Non-US Developed Large/Mid: | 35% |
| Non-US Developed Small: | 5% |
| Emerging Markets: | 13% |

* Based on SIS's analysis of historical manager holdings for market capitalization and style characteristics.

State of Oregon

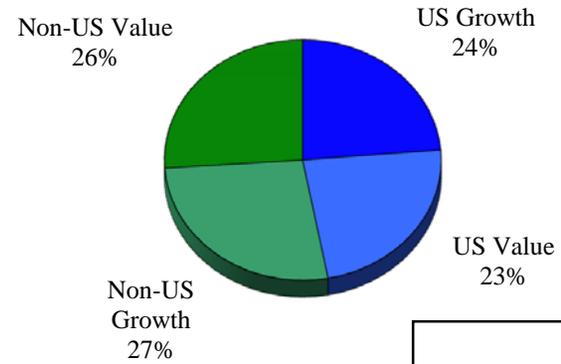
Public Sector Manager Allocation as of March 31, 2012

Active vs. Passive



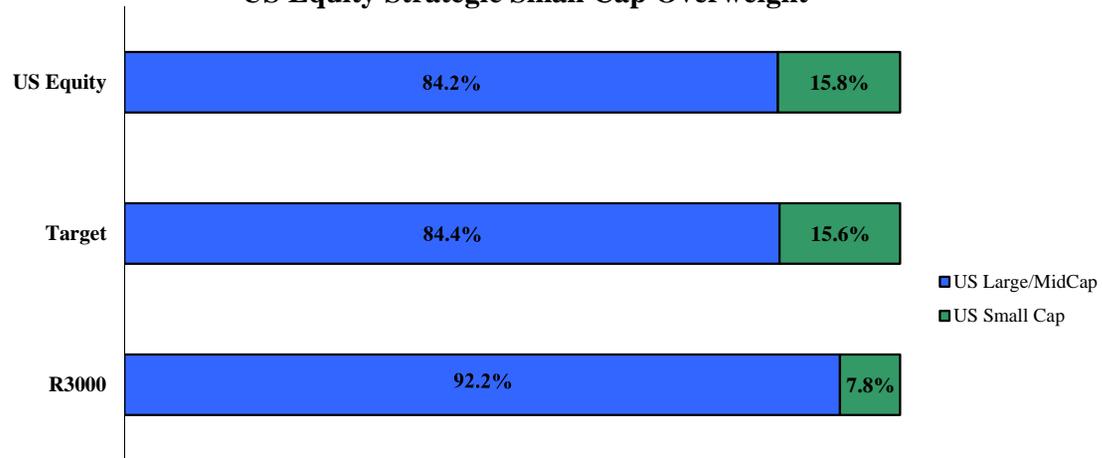
| <u>Target</u> | |
|---------------|-----|
| Active: | 75% |
| Passive: | 25% |

Value vs. Growth



| <u>Target</u> | |
|---------------|-----|
| Growth: | 50% |
| Value: | 50% |

US Equity Strategic Small Cap Overweight



Target: 100% Overweight of Russell 2000 as a Percent of Russell 3000

Figures May not sum to 100% due to rounding.

Total Public Equity
Individual Manager Allocations
As of March 31, 2012

| Manager | Market Value (\$M) | Current % of Equities |
|---------------------------------|--------------------|-----------------------|
| Total Domestic Equity | | |
| U.S. Large Cap: | 7,893,914 | 36.3% |
| Aletheia Research | 322,530 | 1.5% |
| Aronson+Johnson+Ortiz | 747,064 | 3.4% |
| Blackrock Russell 1000 Growth | 891,508 | 4.1% |
| Blackrock Russell 1000 Value | 660,113 | 3.0% |
| Delaware | 503,309 | 2.3% |
| MFS | 750,233 | 3.4% |
| Northern Trust | 737,419 | 3.4% |
| PIMCO | 523,060 | 2.4% |
| Russell Fundamental | 583,405 | 2.7% |
| Pyramis US Core | 397,721 | 1.8% |
| S&P 400 Index | 179,499 | 0.8% |
| S&P 500 Index | 915,408 | 4.2% |
| Wells Capital Select | 682,646 | 3.1% |
| U.S. Small and SMID Cap: | 1,946,119 | 8.9% |
| AQR | 180,351 | 0.8% |
| Boston Company | 195,476 | 0.9% |
| Eudaimonia | 102,049 | 0.5% |
| Next Century Micro | 120,014 | 0.6% |
| Next Century Small | 115,279 | 0.5% |
| R2000 Synthetic | 133,830 | 0.6% |
| Wanger | 740,462 | 3.4% |
| Wellington | 358,658 | 1.6% |
| Passive | 4,335,594 | 19.9% |
| Active | 17,426,009 | 80.1% |
| Total Equities* | 21,761,610 | 100.0% |

| Manager | Market Value (\$M) | Current % of Equities |
|-------------------------------|--------------------|-----------------------|
| Total Non-US Equity | | |
| Non-U.S. Large Cap: | 8,475,595 | 38.9% |
| Acadian | 700,395 | 3.2% |
| AQR (Non-US LC) | 864,476 | 4.0% |
| Arrowstreet | 1,085,759 | 5.0% |
| Brandes | 678,787 | 3.1% |
| Lazard | 746,560 | 3.4% |
| Northern Trust (Non-US) | 221,584 | 1.0% |
| Pyramis Global Advisors | 953,290 | 4.4% |
| SSgA | 1,555,237 | 7.1% |
| TT International | 561,118 | 2.6% |
| UBS | 446,795 | 2.1% |
| Walter Scott | 661,594 | 3.0% |
| Non-U.S. Small Cap: | 875,367 | 4.0% |
| DFA | 189,105 | 0.9% |
| Harris | 217,960 | 1.0% |
| Pyramis Select (Non-US Smcap) | 290,428 | 1.3% |
| Victory | 177,875 | 0.8% |
| Emerging Markets: | 1,668,921 | 7.7% |
| Arrowstreet (EM) | 422,569 | 1.9% |
| Blackrock TEMs | 220,394 | 1.0% |
| DFA SC | 114,352 | 0.5% |
| Genesis | 603,055 | 2.8% |
| Westwood | 114,193 | 0.5% |
| William Blair | 194,358 | 0.9% |
| Global: | 901,686 | 4.1% |
| AllianceBernstein GSV | 901,686 | 4.1% |

* Includes \$7 in other Equity assets not listed above

State of Oregon

Total Active Domestic Equity Characteristics Summary First Quarter 2012

Top 10 Holdings

| | Mkt. Value (\$M) | % of Portfolio |
|-------------------------|---------------------|-------------------|
| APPLE INC | 178,330 | 2.5 |
| EXXON MOBIL CORP | 92,990 | 1.3 |
| CHEVRON CORP | 79,640 | 1.1 |
| JPMORGAN CHASE + CO | 76,040 | 1.1 |
| QUALCOMM INC | 66,000 | 0.9 |
| GOOGLE INCL A | 62,590 | 0.9 |
| PFIZER INC | 59,100 | 0.8 |
| VISA INC CLASS A SHARES | 57,240 | 0.8 |
| MASTERCARD INC CLASS A | 56,980 | 0.8 |
| AT+T INC | 49,380 | 0.7 |

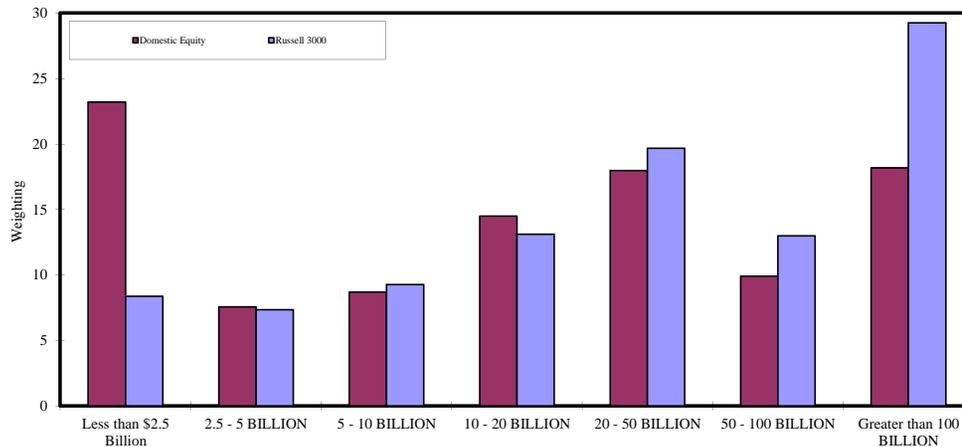
Characteristics

| | Domestic Equity | Russell 3000 |
|-----------------------------|--------------------|-----------------|
| P/E Ratio | 20.3 | 18.5 |
| P/B Ratio | 3.9 | 3.7 |
| 5 Year EPS Growth (%) | 11.1 | 8.6 |
| Market Cap - cap wtd (\$MM) | 61.4 | 90.8 |
| Dividend Yield (%) | 1.4 | 1.9 |

Risk Statistics

| | 3 Year | 5 Year |
|------------------------------|--------|--------|
| Portfolio Return | 25.25 | 1.99 |
| Benchmark Return | 24.26 | 2.18 |
| Portfolio Standard Deviation | 18.12 | 21.02 |
| Benchmark Standard Deviation | 17.03 | 19.82 |
| Tracking Error | 2.09 | 2.45 |
| Historic Beta | 1.06 | 1.06 |
| R-Squared | 0.99 | 0.99 |
| Jensen's Alpha | -0.42 | -0.24 |
| Sharpe Ratio | 1.39 | 0.04 |
| Information Ratio | 0.48 | -0.07 |

Market Capitalization



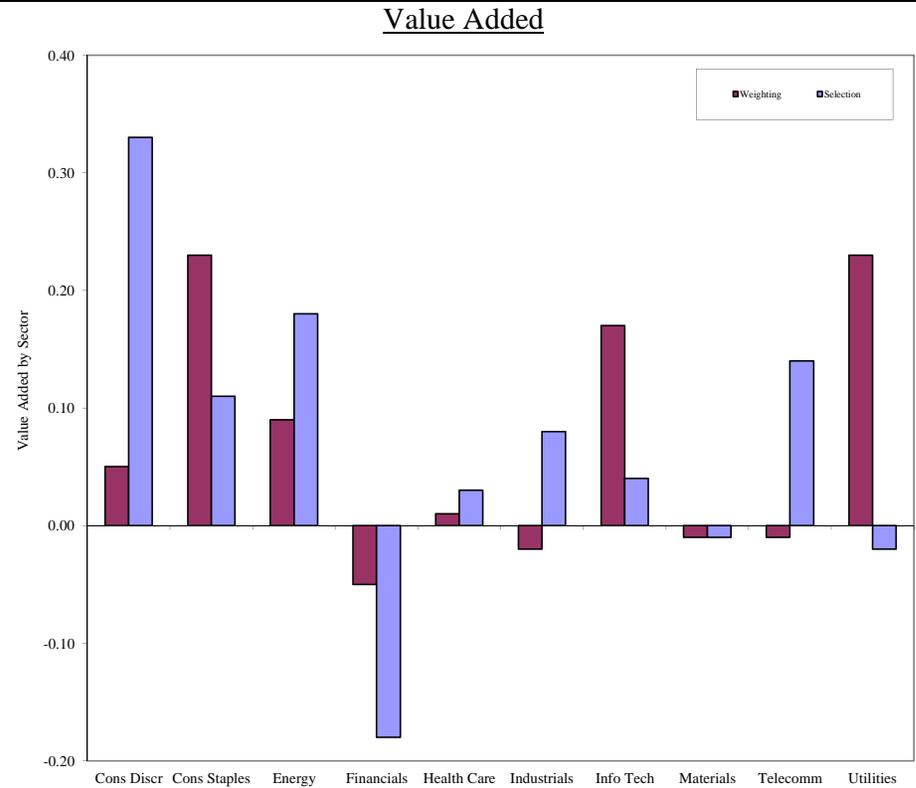
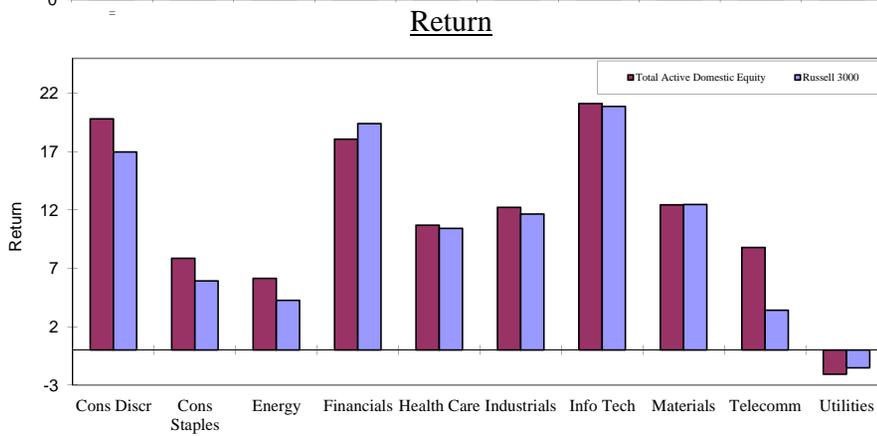
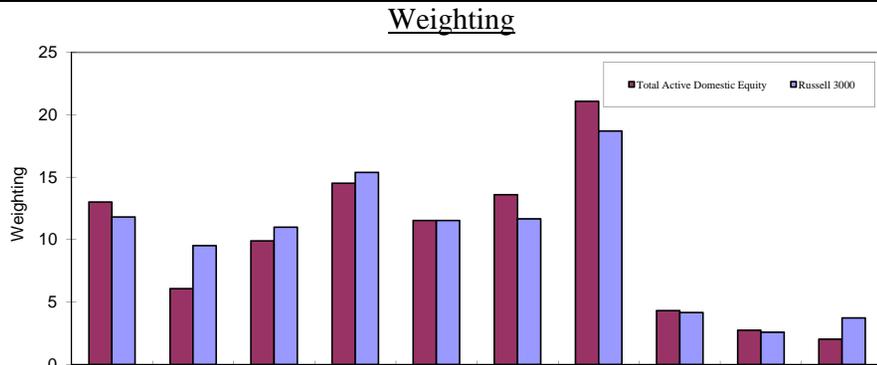
Market Capitalization

| | Domestic Equity | Russell 3000 |
|--------------------------|--------------------|-----------------|
| Less than \$2.5 Billion | 23.2 | 8.4 |
| 2.5 - 5 BILLION | 7.6 | 7.3 |
| 5 - 10 BILLION | 8.7 | 9.3 |
| 10 - 20 BILLION | 14.5 | 13.1 |
| 20 - 50 BILLION | 18.0 | 19.7 |
| 50 - 100 BILLION | 9.9 | 13.0 |
| Greater than 100 BILLION | 18.2 | 29.3 |

State of Oregon

Total Active Domestic Equity Sector Attribution

First Quarter 2012



| | BEGINNING WEIGHTS | | | RETURNS | | | VALUE ADDED | | |
|------------------------|-------------------|--------------|------------|--------------|-------------|------------|-------------|------------|-------------|
| | Total Active | Russell | Difference | Total Active | Russell | Difference | Allocation | Selection | Timing |
| | Dom Equity* | 3000 | | Dom Equity | 3000 | | Allocation | Selection | |
| Consumer Discretionary | 13.0 | 11.8 | 1.2 | 19.8 | 17.0 | 2.4 | 0.1 | 0.3 | |
| Consumer Staples | 6.1 | 9.5 | -3.4 | 7.9 | 5.9 | 1.8 | 0.2 | 0.1 | |
| Energy | 9.9 | 11.0 | -1.1 | 6.2 | 4.3 | 1.8 | 0.1 | 0.2 | |
| Financials | 14.5 | 15.4 | -0.9 | 18.1 | 19.4 | -1.1 | -0.1 | -0.2 | |
| Health Care | 11.5 | 11.5 | 0.0 | 10.7 | 10.4 | 0.2 | 0.0 | 0.0 | |
| Industrials | 13.6 | 11.6 | 1.9 | 12.2 | 11.7 | 0.5 | 0.0 | 0.1 | |
| Info Technology | 21.1 | 18.7 | 2.4 | 21.1 | 20.9 | 0.2 | 0.2 | 0.0 | |
| Materials | 4.3 | 4.2 | 0.1 | 12.4 | 12.5 | 0.0 | 0.0 | 0.0 | |
| Telecommunication | 2.7 | 2.6 | 0.2 | 8.8 | 3.4 | 5.2 | 0.0 | 0.1 | |
| Utilities | 2.0 | 3.7 | -1.7 | -2.1 | -1.5 | -0.5 | 0.2 | 0.0 | |
| Total Fund | 100.0 | 100.0 | 0.0 | 14.2 | 12.9 | 1.1 | 0.5 | 0.9 | -0.3 |

Note: Attribution is based on the invested portfolio's gross performance returns at the security level. Weighting is based on beginning of period holdings.

*Excludes 1.3% in Cash Equivalent, Commingled Funds, Private Placement, Real Estate, & Rights/Warrants investments.

State of Oregon International Equity Attribution Summary First Quarter 2012

Top Ten Holdings

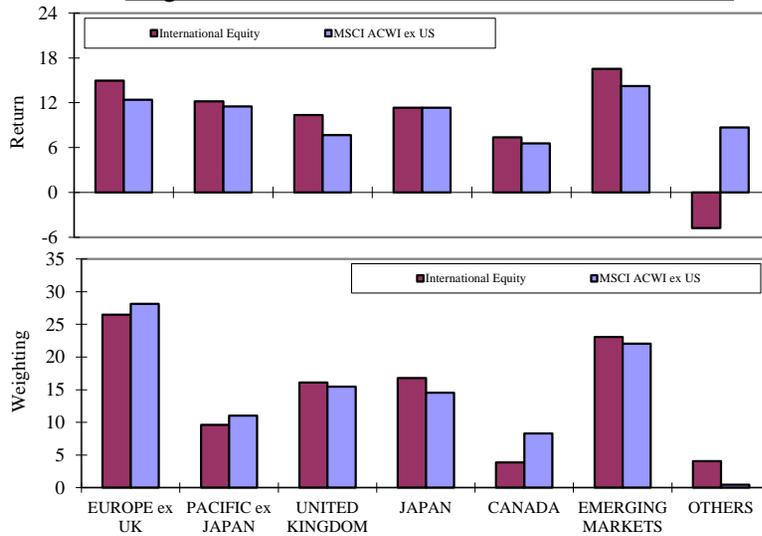
| | Mkt. Value (\$M) | % of Portfolio |
|-------------------------------|---------------------|-------------------|
| SAMSUNG ELECTRONICS CO LTD | 79,660 | 0.8 |
| CHINA MOBILE LTD | 71,860 | 0.8 |
| NESTLE SAREG | 70,630 | 0.7 |
| NOVO NORDISK A/S B | 59,970 | 0.6 |
| GLAXOSMITHKLINE PLC | 54,920 | 0.6 |
| SAP AG | 50,660 | 0.5 |
| ROCHE HOLDING AG GENUSSSCHEIN | 48,560 | 0.5 |
| HSBC HOLDINGS PLC | 47,250 | 0.5 |
| BG GROUP PLC | 46,430 | 0.5 |
| BP PLC | 45,330 | 0.5 |

*Excludes holdings of funds or ETF's

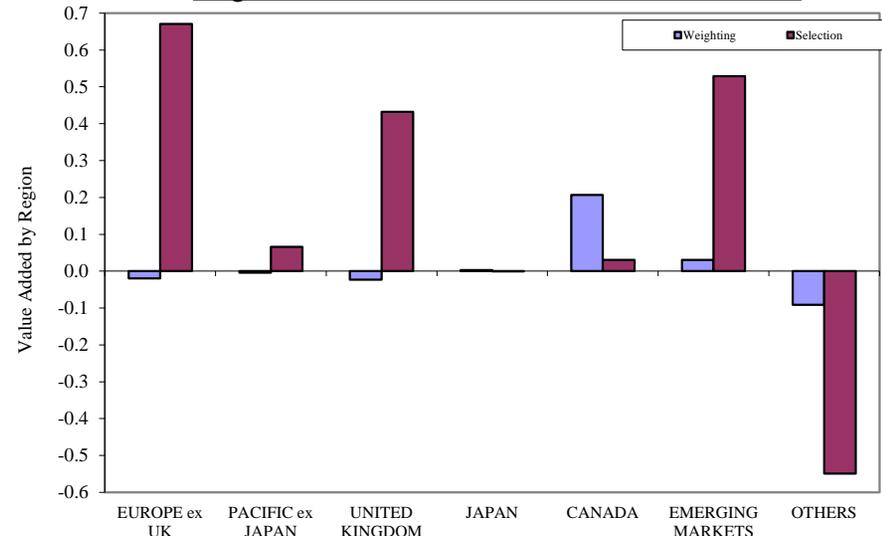
Market Capitalization

| | International Equity | MSCI AC WORLD ex US |
|--------------------------|-------------------------|---------------------------|
| Less than 2.5 BILLION | 15.0 | 2.2 |
| 2.5 - 5 BILLION | 9.8 | 8.0 |
| 5 - 10 BILLION | 13.9 | 14.1 |
| 10 - 20 BILLION | 15.7 | 18.1 |
| 20 - 50 BILLION | 19.6 | 25.6 |
| 50 - 100 BILLION | 16.2 | 19.4 |
| Greater than 100 BILLION | 9.9 | 12.6 |

Regional Attribution vs. MSCI ACWI ex US



Regional Attribution vs. MSCI ACWI ex US



Note: Attribution is based on the invested portfolio's gross performance returns at the security level. Weighting is based on beginning of period holdings.

State of Oregon International Equity Attribution Summary First Quarter 2012

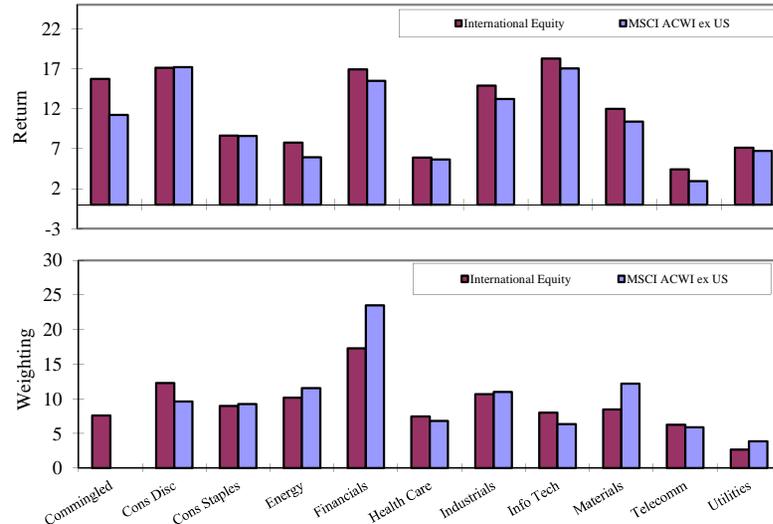
Risk Statistics

| | 3 Year | 5 Year |
|------------------------------|--------|--------|
| Portfolio Return | 20.63 | -0.13 |
| Benchmark Return | 19.95 | -1.07 |
| Portfolio Standard Deviation | 21.04 | 23.35 |
| Benchmark Standard Deviation | 21.59 | 24.17 |
| Tracking Error | 1.50 | 1.56 |
| Historic Beta | 0.97 | 0.97 |
| R-Squared | 1.00 | 1.00 |
| Jensen's Alpha | 1.23 | 0.86 |
| Sharpe Ratio | 0.97 | -0.06 |
| Information Ratio | 0.45 | 0.60 |

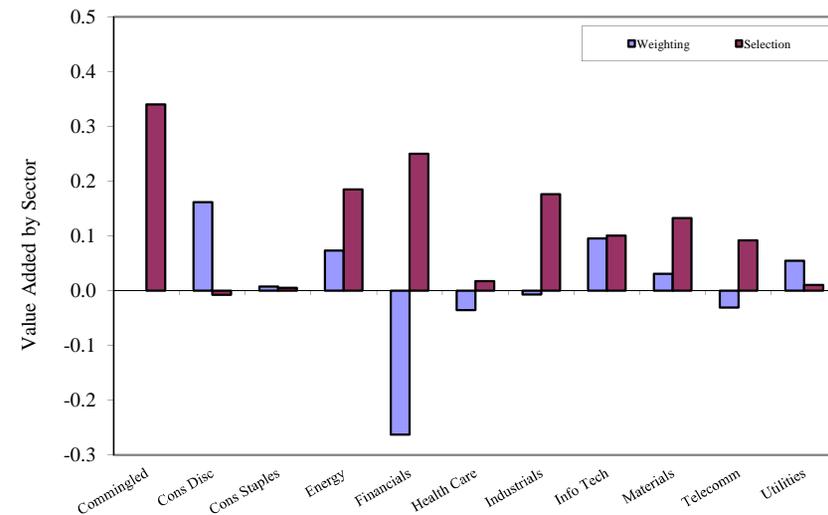
Characteristics

| | International Equity | MSCI AC WORLD ex US |
|---------------------------------|-------------------------|---------------------------|
| P/E Ratio | 13.4 | 13.3 |
| P/B Ratio | 2.5 | 2.5 |
| 5 Year EPS Growth (%) | 4.7 | 3.0 |
| Market Cap - cap weighted (\$B) | 36.8 | 44.8 |
| Dividend Yield (%) | 2.9 | 3.3 |

Sector Attribution vs. MSCI ACWI ex US



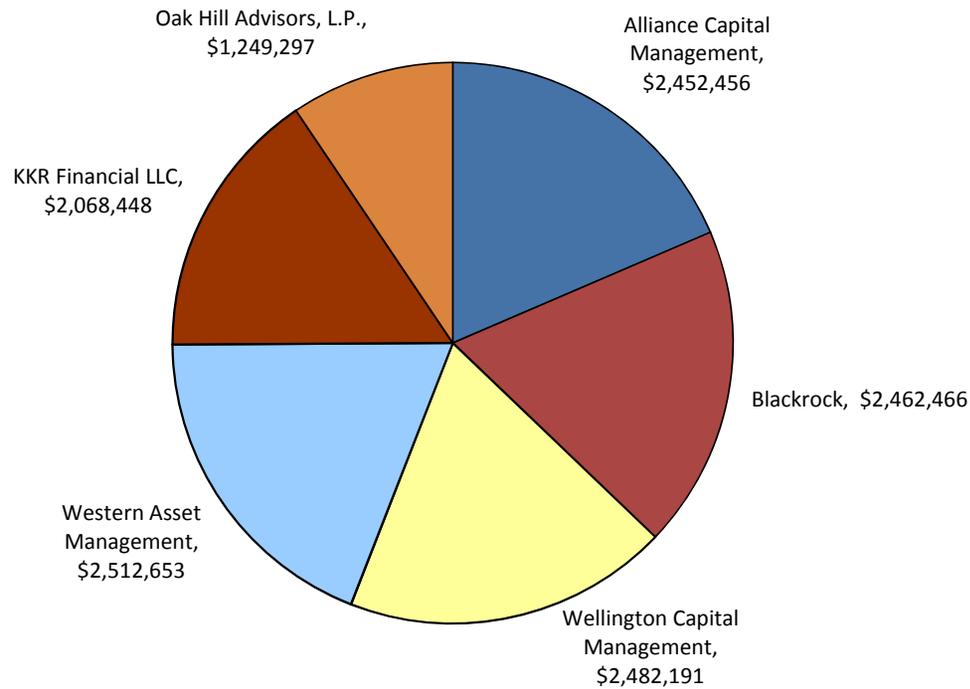
Sector Attribution vs. MSCI ACWI ex US



Note: All risk statistics are based on net performance returns and attribution is based on gross performance returns at the security level. Weighting is based on beginning of period holdings.

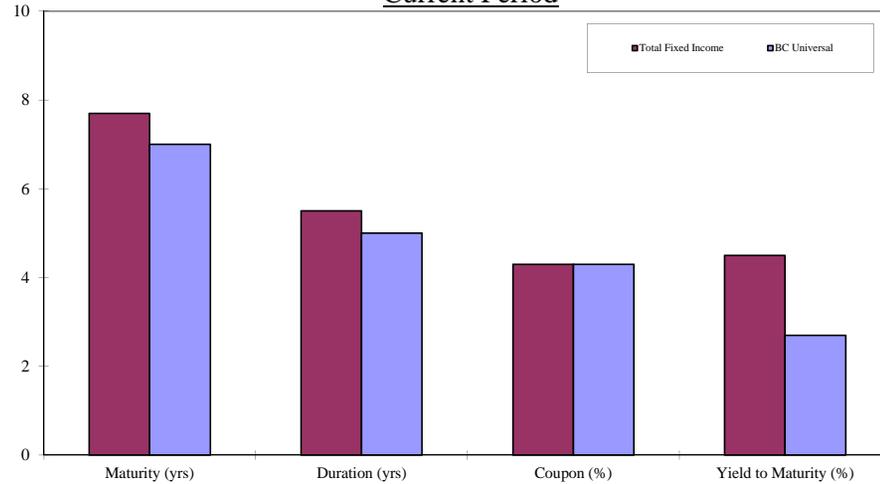
Total Fixed Income
Individual Manager Allocation
As of March 31, 2012

| <u>Portfolio</u> | <u>\$M</u> | <u>% Allocation</u> |
|-------------------------------|----------------------|---------------------|
| External Fixed Income | | |
| Alliance Capital Management | \$ 2,452,456 | 18.5% |
| Blackrock | \$ 2,462,466 | 18.6% |
| Wellington Capital Management | \$ 2,482,191 | 18.8% |
| Western Asset Management | \$ 2,512,653 | 19.0% |
| KKR Financial LLC | \$ 2,068,448 | 15.6% |
| Oak Hill Advisors, L.P. | \$ 1,249,297 | 9.4% |
| Total Fixed Income | \$ 13,227,511 | |



State of Oregon
Fixed Income Characteristics Summary
First Quarter 2012

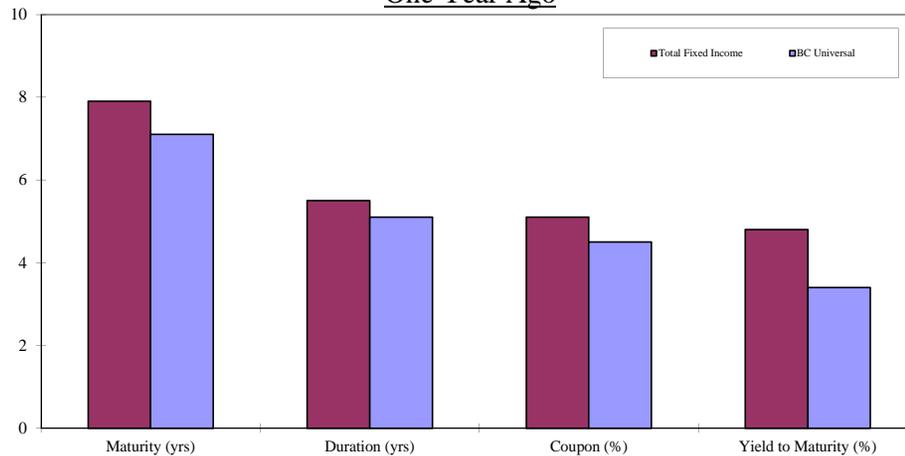
Current Period



Characteristics

| Characteristics | 3/31/12 | | 3/31/11 | |
|------------------------|-----------|--------------|-----------|--------------|
| | Portfolio | BC Universal | Portfolio | BC Universal |
| Maturity (yrs) | 7.7 | 7.0 | 7.9 | 7.1 |
| Duration (yrs) | 5.5 | 5.0 | 5.5 | 5.1 |
| Coupon (%) | 4.3 | 4.3 | 5.1 | 4.5 |
| Yield to Maturity (%) | 4.5 | 2.7 | 4.8 | 3.4 |
| Moody's Quality Rating | A-2 | AA-3 | A-2 | AA-2 |
| S&P Quality Rating | A- | AA- | A | AA |

One Year Ago

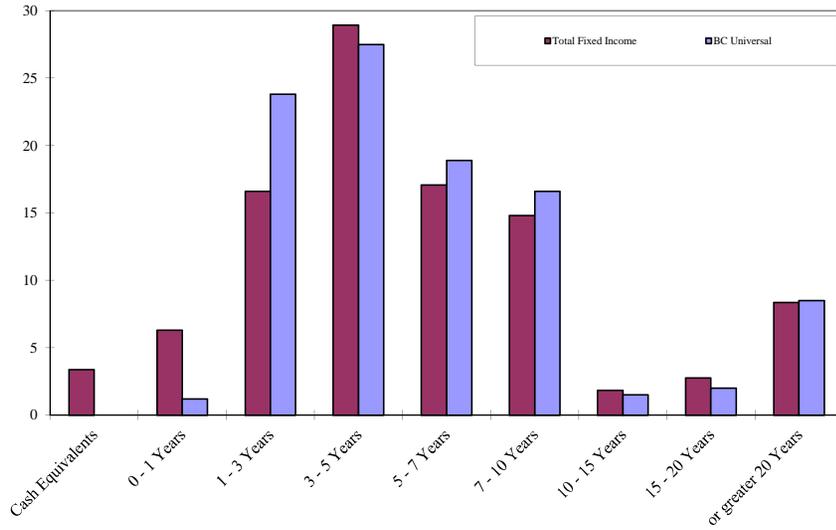


Risk Statistics

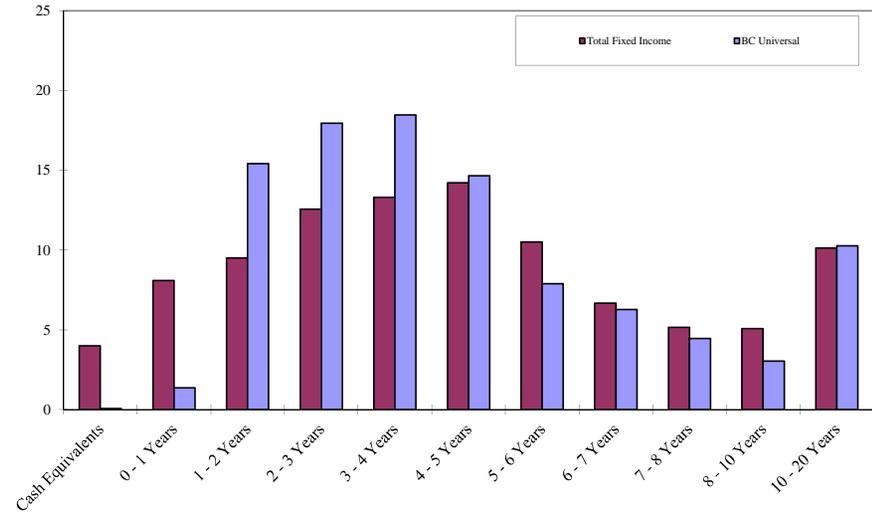
| | 3 Year | 5 Year |
|------------------------------|--------|--------|
| Portfolio Return | 14.26 | 7.23 |
| Benchmark Return | 7.33 | 5.99 |
| Portfolio Standard Deviation | 4.21 | 5.76 |
| Benchmark Standard Deviation | 2.77 | 3.65 |
| Tracking Error | 3.12 | 4.20 |
| Historic Beta | 1.02 | 1.13 |
| R-Squared | 0.45 | 0.50 |
| Jensen's Alpha | 6.78 | 0.63 |
| Sharpe Ratio | 3.35 | 1.04 |
| Information Ratio | 2.23 | 0.29 |

State of Oregon
 Fixed Income Characteristics Detail
 First Quarter 2012

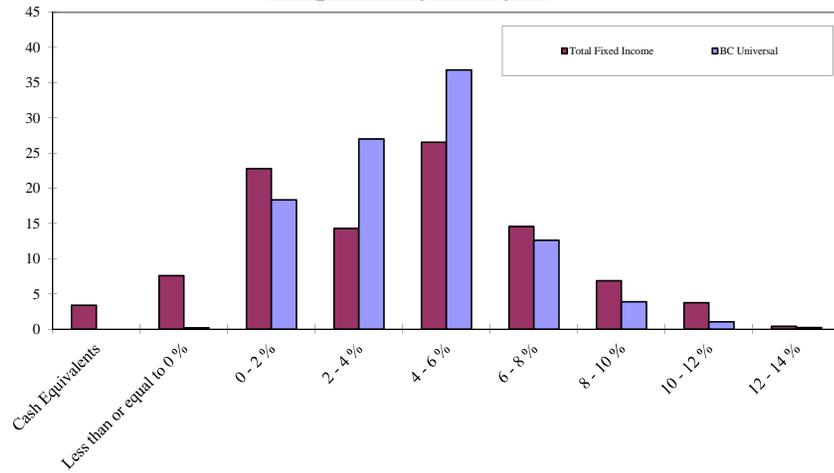
Maturity Range Weights



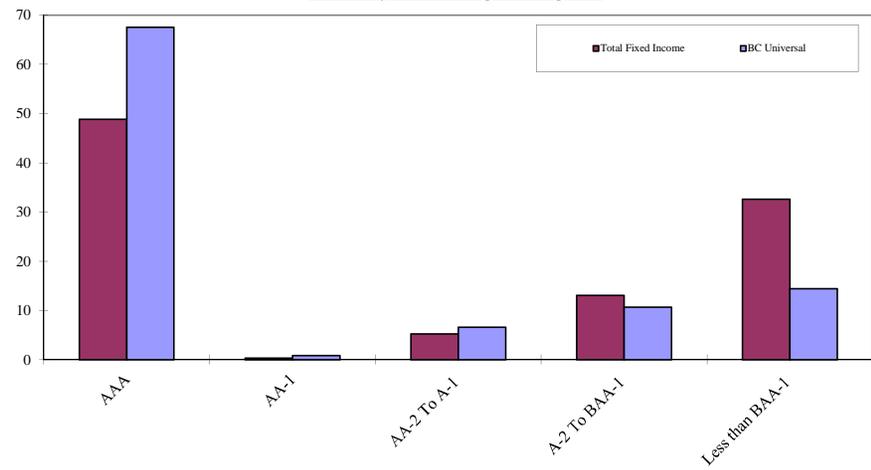
Duration Range Weights



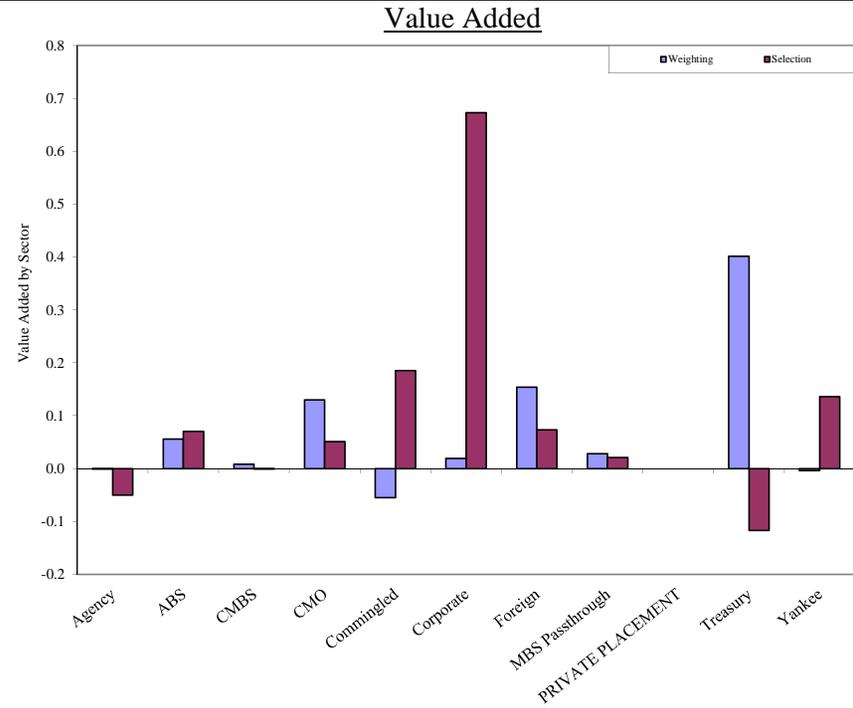
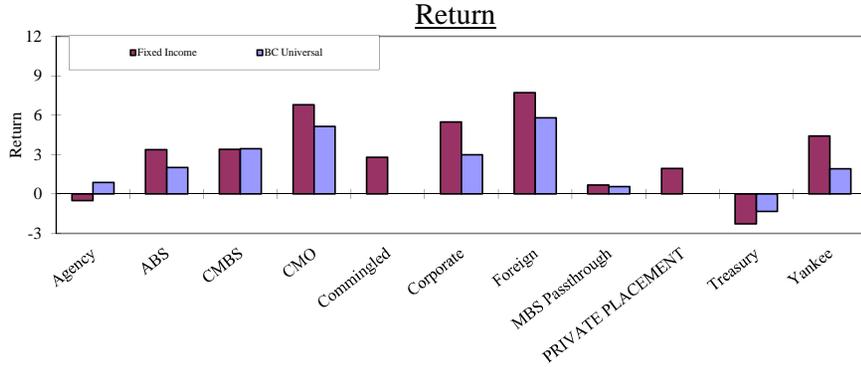
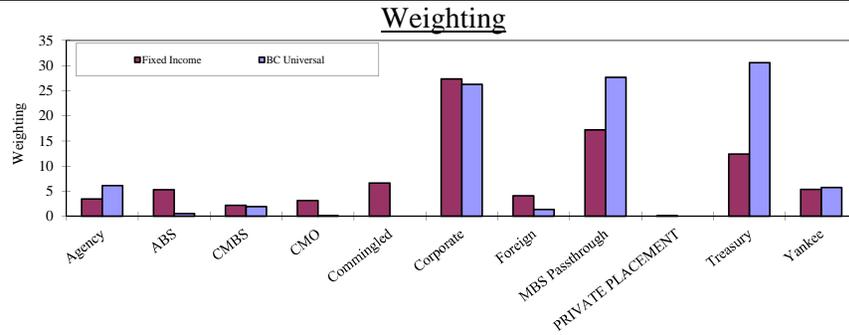
Coupon Range Weights



Moody's Rating Weights



State of Oregon
Fixed Income Sector Attribution
First Quarter 2012



| | BEGINNING WEIGHTS | | | RETURNS | | | VALUE ADDED | | |
|-----------------------|---------------------|--------------|------------|---------------------|--------------|------------|-------------|------------|------------|
| | Total Fixed Income* | BC Universal | Difference | Total Fixed Income* | BC Universal | Difference | Weighting | Selection | Timing |
| AGENCY | 3.4 | 6.1 | -2.6 | -0.5 | 0.9 | -1.4 | 0.0 | -0.1 | - |
| ASSET BACKED | 5.3 | 0.5 | 4.8 | 3.4 | 2.0 | 1.3 | 0.1 | 0.1 | - |
| CMBS | 2.2 | 1.9 | 0.3 | 3.4 | 3.5 | -0.1 | 0.0 | 0.0 | - |
| CMO | 3.1 | 0.0 | 3.1 | 6.8 | 5.1 | 1.6 | 0.1 | 0.1 | - |
| COMMINGLED FUND | 6.6 | 0.0 | 6.6 | 2.8 | - | - | -0.1 | 0.2 | - |
| CORPORATE | 27.3 | 26.2 | 1.1 | 5.5 | 3.0 | 2.4 | 0.0 | 0.7 | - |
| FOREIGN | 4.1 | 1.4 | 2.7 | 7.7 | 5.8 | 1.8 | 0.2 | 0.1 | - |
| MORTGAGE PASS-THROUGH | 17.2 | 27.6 | -10.4 | 0.7 | 0.6 | 0.1 | 0.0 | 0.0 | - |
| PRIVATE PLACEMENT | 0.0 | 0.0 | 0.0 | 1.9 | - | - | 0.0 | 0.0 | - |
| US TREASURY | 12.4 | 30.6 | -18.2 | -2.3 | -1.3 | -1.0 | 0.4 | -0.1 | - |
| YANKEE | 5.4 | 5.7 | -0.3 | 4.4 | 1.9 | 2.5 | 0.0 | 0.1 | - |
| TOTAL | 100.0 | 100.0 | 0.0 | 3.1 | 0.9 | 2.2 | 0.6 | 1.3 | 0.3 |

Note: Attribution is based on the invested portfolio's gross performance returns at the security level. Weighting is based on beginning of period holdings.

*Excludes 0.2% in Euros, Convertibles, Preferred Stock, Miscellaneous and Swap-related investments.

EXECUTIVE SUMMARY

OPERF

**Oregon Public Employees Retirement Fund
Fourth Quarter 2011**

REAL ESTATE PORTFOLIO SUMMARY

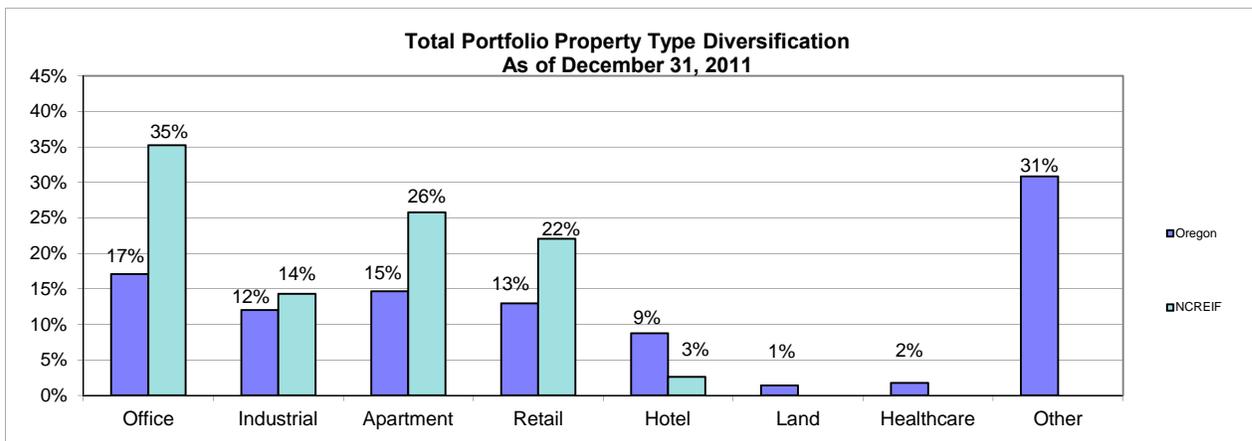
Real Estate Portfolio and Investment-level data are provided below for period ended December 31, 2011. Portfolio refers to all real estate Investments held by OPERF, which is referred to herein as the Fund.

| OPERF REAL ESTATE PORTFOLIO SUMMARY | |
|--|--|
| December 31, 2011 | |
| Current Portfolio Net Asset Value | \$6.473 billion 11.08% of Total Fund (\$58.4B) |
| Current Unfunded Investment Commitments | \$2.173 billion |
| Total Portfolio NAV plus Unfunded Commitments | \$8.646 billion 14.80% of Total Fund |
| Target Allocation to Real Estate | \$6.426 billion 11.00% of Total Fund |
| Total Number of Investments | 79 |

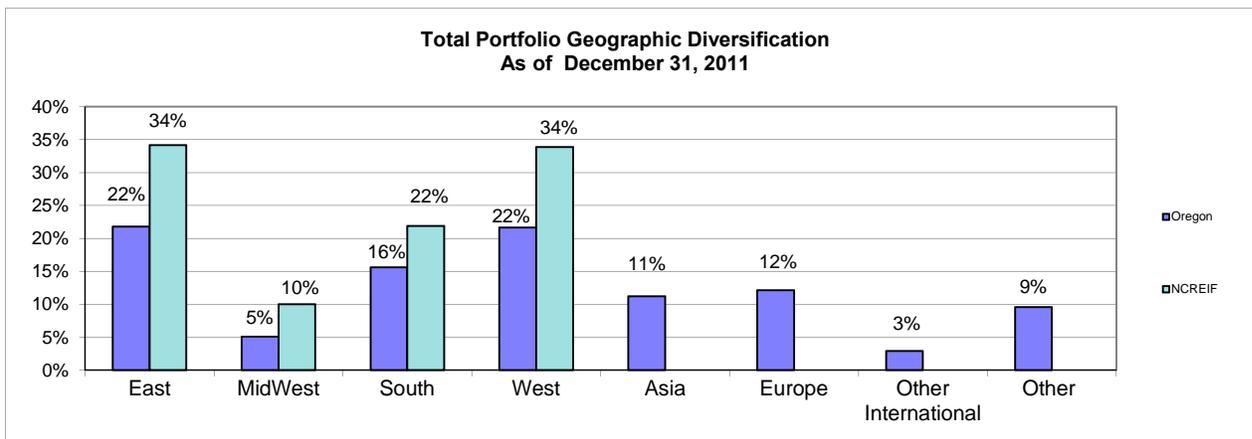
| SUMMARY OF PORTFOLIO INVESTMENT NET RETURNS | | | | |
|--|--------------|--------------|--------------|---------------|
| Investment | Qtr | 1-Yr. | 3-Yr. | 5-Yr. |
| Private Real Estate | | | | |
| Direct Core | 1.81% | 11.96% | 0.99% | 1.74% |
| Opportunistic | 1.18% | 4.97% | 6.84% | -4.46% |
| Value Added | 3.21% | 17.76% | -3.24% | -9.45% |
| Total Private Real Estate | 1.96% | 9.62% | 2.96% | -2.14% |
| Public Real Estate | | | | |
| Domestic REIT Portfolio | 15.12% | 14.06% | 25.67% | -1.82% |
| Global REIT Portfolio | 0.72% | -18.35% | 9.65% | -8.85% |
| Total Portfolio Return | 3.37% | 8.11% | 6.87% | -1.95% |
| NCREIF Index | 2.96% | 14.26% | 2.43% | 3.09% |
| NAREIT Index | 15.26% | 8.28% | 21.04% | -1.42% |
| EPRA/NAREIT Global (ex-US) Index | 1.19% | -15.34% | 12.39% | -7.55% |

Note: Time weighted returns by category and for the portfolio include all historical investments converted by the Private Edge Group (i.e. exited investments and managers).

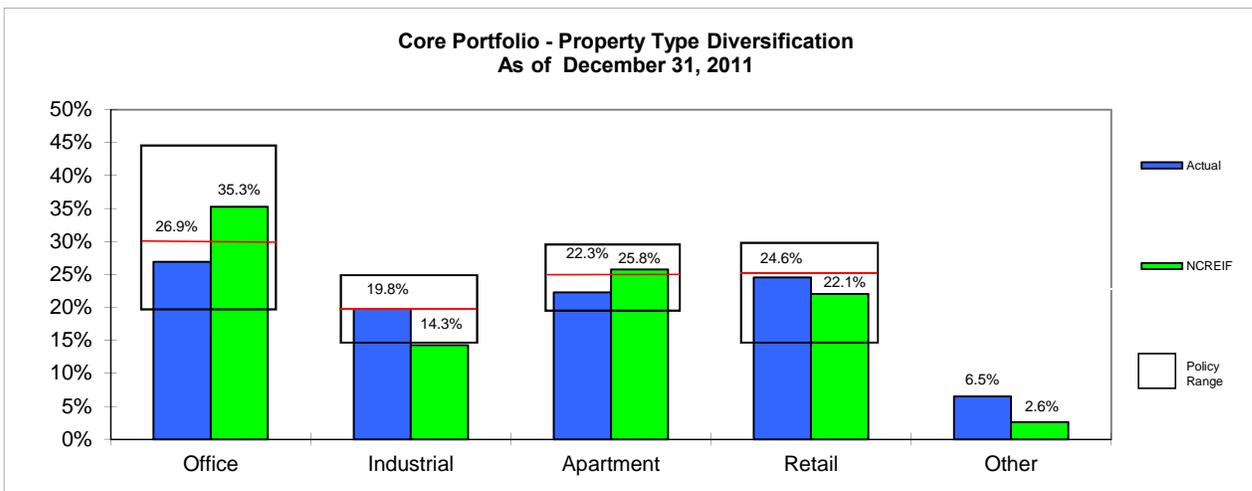
PORTFOLIO COMPOSITION REVIEW (% of Total Portfolio FMV)



Note: Other is primarily composed of Debt Instruments (44%), Operating Cos. (30%) and Diversified (32%) investments.



Note: Other is primarily composed of US Diverse (94%) and Various (6%) per GP's financials and Quarterly Data Input Sheets.



Executive Summary

OPERF Alternative Investment Program (“the Program”)

PRIVATE EQUITY POLICY

The program was formally started in 1981. The target private equity allocation is 16.0% of total pension assets with a range of + / - 400 basis points. As of December 31, 2011, private equity represented 24.8% of total pension assets, a 21 basis points increase from the prior quarter.

PERFORMANCE OBJECTIVE

The Program’s objective is to create significant long-term net returns to OPERF. As of December 31, 2011, the Program has achieved a total return of 15.8% since inception.

| AS OF 31 DEC 2011 | 1 YEAR | 3 YEAR | 5 YEAR | 10 YEAR | SINCE INCEPTION |
|------------------------------------|--------|--------|--------|---------|-----------------|
| Program IRR | 6.7% | 15.0% | 5.8% | 11.7% | 15.8% |
| Thomson Reuters * | 13.0% | 4.3% | 4.9% | 6.1% | 11.0% |
| <i>Value Added</i> | -6.3% | 10.7% | 1.0% | 5.7% | 4.8% |
| Russell 3000 (+ 300 bps) ** | 4.4% | 18.4% | 4.7% | 7.1% | 14.8% |
| <i>Value Added</i> | 2.3% | -3.3% | 1.1% | 4.6% | 1.0% |

* Thomson Reuters Pooled IRR: All U.S. Private Equity Funds as of September 30, 2011.

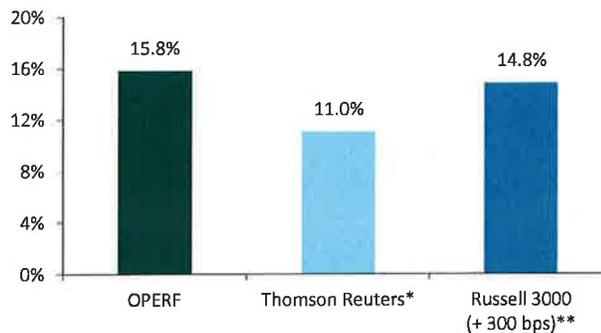
** Data is a dollar-weighted Long-Nickels calculation of quarterly changes in the Russell 3000 Index plus 300 basis points.

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Figures may not foot due to rounding.

PROGRAM IRR vs. SELECTED BENCHMARKS

Net Returns since Inception



INVESTMENT PACING

The annual level of commitments is reviewed regularly with Staff and the Oregon Investment Council (“OIC”). Based on the desire to continue to build a well diversified portfolio and support OPERF’s core relationships, TorreyCove’s annual pacing analysis, completed in January 2012, recommended that OPERF commit up to \$2.0 billion in 2012 pending the completion of due diligence, OIC approval, and successful legal negotiations.

For the year ending December 31, 2011, the Program closed on 17 new investment commitments totaling \$1,445 million of which \$375 million had been approved in late 2010. The OIC and the Private Equity Committee (“PEC”) approved a total of 18 new investments during 2011, totaling \$1,995 million in committed capital, of which three funds totaling \$275 million are yet to close as of this writing. This investment activity adds up to a total of 22 new fund investments that have either been approved or have closed during 2011 totaling \$2,370 million in new committed capital. Year-to-date as of April 30, 2012, the OIC and PEC approved four new investment commitments totaling \$300 million.

PORTFOLIO EXPOSURE

Exposure % by Investment Type & Geography

Figures may not foot due to rounding

| INVESTMENT TYPE | TARGET ALLOCATION | FMV | UNFUNDED | TOTAL EXPOSURE |
|-----------------------------------|-------------------|-------------|-------------|----------------|
| Corporate Finance | 65%-85% | 73% | 60% | 68% |
| Venture Capital | 5%-10% | 5% | 5% | 5% |
| Special Situations | 5%-15% | 12% | 14% | 13% |
| Fund-of-Funds | 5%-10% | 6% | 14% | 9% |
| Co-Investments | 0%-7.5% | 4% | 7% | 5% |
| Total: | | 100% | 100% | 100% |
| <i>USA & Canada</i> | <i>70%-100%</i> | <i>73%</i> | <i>66%</i> | <i>70%</i> |
| <i>International & Global</i> | <i>0%-30%</i> | <i>27%</i> | <i>34%</i> | <i>30%</i> |

RECENT PROGRAM DEVELOPMENTS

- During the quarter, the OIC authorized \$325 million of new commitments for the Program to three private equity funds. For the twelve-month period ending December 31, 2011, the OIC and the PEC have authorized 18 new commitments totaling \$1,995 million.
- Subsequent to quarter-end, through April 30, 2012, the OIC authorized four new commitments totaling \$300 million.
- During the quarter, the Program was net cash-flow negative by \$180.6 million. During 2011, the Program was net cash-flow positive during the first two quarters and net cash-flow negative for the second half, the annual draw downs exceeding distributions by \$63.5 million. Please see exhibit V for more details of annual cash flow trends.

Portfolio Summary

Portfolio Review

THREE NEW FUND COMMITMENTS

During the quarter, OPERF closed on \$275 million in commitments to three new funds. Please see Activity Detail (page 5) for more details and for other recent commitment activity.

CONTRIBUTIONS INCREASED

Contributions jumped during the quarter, increasing by 28.8% from the prior quarter and representing one of the most significant quarterly contributions since an all time high during the third quarter of 2007. Contributions were 35.6% higher than the most recent four-quarter average of \$644 million.

DISTRIBUTIONS INCREASED

Distributions spiked 47.5% from the prior quarter, but were still lower than their two-year peak of \$832 million during the first quarter of 2011. Quarterly distributions were 10.3% higher than the most recent four-quarter average, which now stands at \$628 million.

PORTFOLIO GAINS

The Portfolio appreciated by \$454 million, net of cash flows, during the quarter, representing a 3.2% appreciation from the prior quarter. This quarterly appreciation was not significant enough to cause the Program's long-term historical IRR since inception to change from the prior quarter.

WEIGHTED AVERAGE AGE UP

Based on the remaining value of all underlying funds, the weighted average age of the Portfolio was 5.7 years as of December 31, 2011, representing a 0.3% increase from the prior quarter. The relatively mature age of the Program is expected to result in a gradual increase of positive net cash flows in the coming years. As of this writing, cash flows have been \$80.8 million net positive during 2012.

Portfolio Activity

\$ Million | Figures may not foot due to rounding

| | 2010 | 2011 | | | |
|--------------------------------------|----------|----------|----------|----------|----------|
| | Q4 | Q1 | Q2 | Q3 | Q4 |
| Starting Valuation | \$11,950 | \$12,952 | \$13,430 | \$13,746 | \$13,239 |
| Contributions | \$806 | \$594 | \$431 | \$678 | \$873 |
| Distributions | (\$750) | (\$832) | (\$519) | (\$470) | (\$693) |
| Appreciation/(Depreciation) | \$946 | \$716 | \$404 | (\$716) | \$454 |
| Ending Valuation | \$12,952 | \$13,430 | \$13,746 | \$13,239 | \$13,874 |
| Unfunded Commitments | \$8,096 | \$7,810 | \$7,801 | \$7,790 | \$7,190 |
| IRR Since Inception | 16.2% | 16.2% | 16.2% | 15.8% | 15.8% |
| Weighted Avg. Age of Portfolio (yrs) | 5.4 | 5.2 | 5.6 | 5.7 | 5.7 |

Program Summary

Active, Exited and Overall Program Performance

\$ Million | Figures may not foot due to rounding

| | September 30, 2011 | December 31, 2011 |
|---|--------------------|-------------------|
| Total Pension Assets * | \$54,113 | \$55,961 |
| Allocation to Private Equity: (Target 16.0% +/- 4.0%) | 24.6% | 24.8% |
| ACTIVE | | |
| # of Partnerships | 195 | 203 |
| Capital Committed | \$26,983 | \$25,232 |
| Cash Contributed | \$22,658 | \$20,731 |
| Recallable Return of Capital | \$3,093 | \$2,425 |
| Cash Distributed (Other) ¹ | \$13,996 | \$10,790 |
| Estimated FMV | \$13,299 | \$13,862 |
| Total Value (Excl. Recallable ROC) | \$27,295 | \$24,652 |
| Total Value Multiple ² | 1.40x | 1.35x |
| IRR Since Inception | 10.2% | 10.2% |
| EXITED | | |
| # of Partnerships | 42 | 46 |
| Capital Committed | \$2,587 | \$4,514 |
| Cash Contributed | \$2,859 | \$5,649 |
| Recallable Return of Capital | \$250 | \$1,018 |
| Cash Distributed (Other) ¹ | \$5,994 | \$9,792 |
| Estimated FMV** | \$3 | \$12 |
| Total Value (Excl. Recallable ROC) | \$5,997 | \$9,804 |
| Total Value Multiple ² | 2.30x | 2.12x |
| IRR Since Inception | 23.3% | 18.0% |
| OVERALL | | |
| Portfolio Multiple ² | 1.50x | 1.50x |
| IRR | 15.8% | 15.8% |

* Total Pension Assets updated to incorporate actual Private Equity portfolio values at each quarter end.

** Includes escrows of exited deals.

1) Includes all non-recallable distributions

2) Total Value Multiple is calculated net of recallable return of capital ("ROC"). In practice, both total distributions and contributions are reduced by the amount of recallable ROC in the numerator and denominator of the calculation, respectively.

- As of quarter-end OPERF has contributed \$26.4 billion, funding approximately 88.4% of aggregate capital commitments made since inception. Approximately \$7.2 billion of capital commitments remain outstanding.
- Since inception, a total of approximately \$24.0 billion has been distributed to the OPERF, including recallable distributions.
- OPERF's private equity allocation by market value is above its 16% target as a result of significant net draw downs during the 2007 - 2010 period, combined with the public equities and real estate asset classes that have yet to fully recover from losses suffered after the 2008/2009 economic downturn. Private equity funds have sought to support the most promising of their existing portfolio companies in a volatile economic environment by making follow-on investments to supply working capital or expand market share by purchasing competitors at attractive prices. In addition, the public market volatility during the second half of 2011 has contributed to the increase of the private equity allocation since June 30, 2011.

Activity Detail

Recent Investment Activity

| INVESTMENT NAME | DATE AUTHORIZED | DATE CLOSED | AMOUNT COMMITTED |
|--|-----------------|-------------|------------------|
| Union Square Ventures 2012 Fund | 12/8/2011 | 12/16/2011 | \$25 million |
| Apax Europe VIII | 12/8/2011 | 12/21/2011 | \$150 million |
| Green Equity Investors VI | 12/21/2011 | 2/16/2012 | \$150 million |
| <u>Subsequent Activity:</u> | | | |
| Cinven Fifth Fund | 2/28/2012 | 3/12/2012 | \$75 million |
| Granite Global Ventures IV | 2/28/2012 | 3/23/2012 | \$50 million |
| KKR North American Fund XI | 1/26/2011 | 2/7/2012 | \$500 million |
| Capital International Private Equity Fund VI | 3/21/2012 | 3/29/2012 | \$100 million |
| Oaktree Opportunities Fund IX | 3/21/2012 | N/A | \$75 million |

Glossary

Variance Analysis Reports

These reports provide an analysis of the difference between the portfolio and the benchmark returns in terms of sector exposure. The incremental return is attributed to over-or under-weighting and selection within the sector.

For each sector, the beginning of the period weighting is used for both the portfolio and the benchmark. Returns are time-weighted for periods longer than one month. For periods of more than one month, the monthly calculations are geometrically linked over the indicated time period.

WEIGHTING

Measures the portion of the portfolio return that can be attributed to over/underweighting sectors/countries relative to the benchmark. Positive weighting occurs if the fund was overweighted in sectors/countries that performed well or underweighted in sectors/countries that did not perform well.

$$\text{Sector weighting} = [\text{benchmark return}_{(\text{sector})} - \text{benchmark return}_{(\text{total})}] \times [\text{portfolio beginning weight}_{(\text{sector})} - \text{benchmark beginning weight}_{(\text{sector})}] / 100$$

SELECTION

Measures the portion of the portfolio return that can be attributed to the selection of securities within a sector/country relative to the benchmark. Positive selection occurs if the portfolio's sector/country return is greater than the benchmark sector/country return.

$$\text{Sector selection} = [\text{portfolio return}_{(\text{sector})} - \text{benchmark return}_{(\text{sector})}] \times [\text{portfolio beginning weight}_{(\text{sector})}] / 100$$

TIMING

This is the value required to make the sum of weighting + selection + timing = the total variance between the portfolio and the benchmark. This is a result of attribution being based on beginning weights and the portfolio shifting weights throughout the month.

TAB 9 – LITIGATION UPDATE

Executive Session will be held pursuant to

ORS 192.660(2)(f) & (h)

TAB 10 – ASSET ALLOCATIONS & NAV UPDATES

Asset Allocations at April 30, 2012

| Regular Account | | | | | | | | Variable Fund | Total Fund |
|--------------------------------|---------------|-------------|----------------------|---------------|------------------|----------------------|---------------|-------------------|----------------------|
| OPERF | Policy | Target | \$ Thousands | Pre-Overlay | Overlay | Net Position | Actual | \$ Thousands | \$ Thousands |
| Public Equity | 38-48% | 43% | 21,573,396 | 37.5% | | 20,945,123 | 36.4% | 808,781 | 21,753,904 |
| Private Equity | 12-20% | 16% | 13,703,529 | 23.8% | (628,273) | 13,703,529 | 23.8% | | 13,703,529 |
| Total Equity | 54-64% | 59% | 35,276,925 | 61.3% | (628,273) | 34,648,652 | 60.2% | | 35,457,433 |
| Opportunity Portfolio | | | 945,679 | 1.6% | | 945,679 | 1.6% | | 945,679 |
| Fixed Income | 20-30% | 25% | 13,399,656 | 23.3% | 1,522,731 | 14,922,387 | 25.9% | | 14,922,387 |
| Real Estate | 8-14% | 11% | 6,500,598 | 11.3% | (1,200) | 6,499,398 | 11.3% | | 6,499,398 |
| Alternative Investments | 0-8% | 5% | 386,528 | 0.7% | | 386,528 | 0.7% | | 386,528 |
| Cash* | 0-3% | 0% | 1,023,959 | 1.8% | (893,258) | 130,701 | 0.2% | 40,171 | 170,872 |
| TOTAL OPERF | | 100% | \$ 57,533,345 | 100.0% | \$ - | \$ 57,533,345 | 100.0% | \$ 848,952 | \$ 58,382,297 |

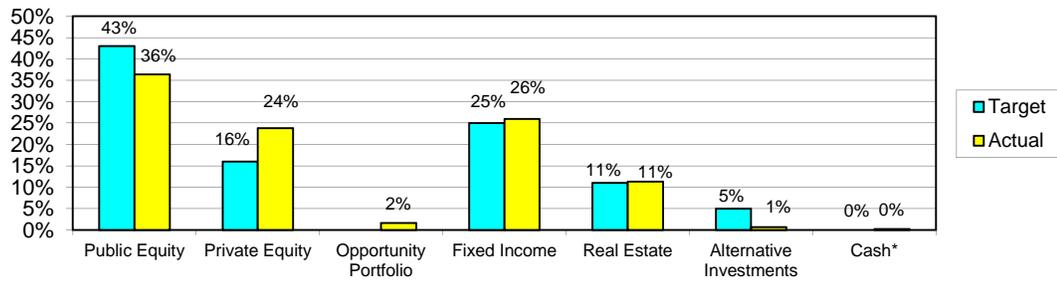
*Includes cash held in the policy implementation overlay program.

| SAIF | Policy | Target | \$ Thousands | Actual |
|---------------------|---------------|--------------|--------------------|---------------|
| Total Equity | 7-13% | 10.0% | 420,404 | 9.7% |
| Fixed Income | 87-93% | 90.0% | 3,875,943 | 89.4% |
| Cash | 0-3% | 0% | 38,941 | 0.9% |
| TOTAL SAIF | | 100% | \$4,335,288 | 100.0% |

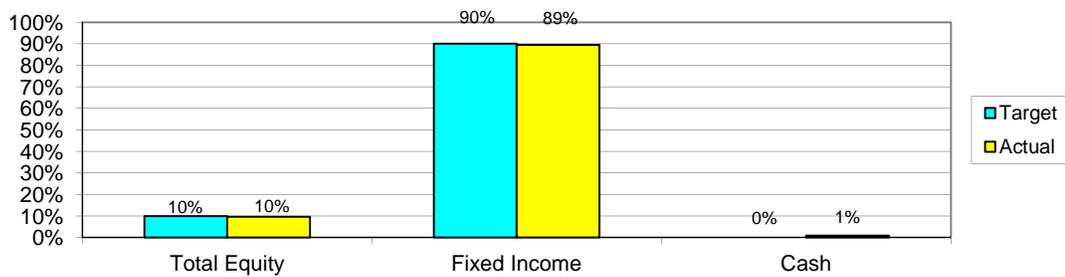
| CSF | Policy | Target | \$ Thousands | Actual |
|------------------------|---------------|------------|--------------------|---------------|
| Domestic Equities | 25-35% | 30% | \$369,474 | 32.5% |
| International Equities | 25-35% | 30% | 329,059 | 29.0% |
| Private Equity | 0-12% | 10% | 96,832 | 8.5% |
| Total Equity | 65-75% | 70% | 795,365 | 70.1% |
| Fixed Income | 25-35% | 30% | 336,549 | 29.6% |
| Cash | 0-3% | 0% | 3,348 | 0.3% |
| TOTAL CSF | | | \$1,135,262 | 100.0% |

| HIED | Policy | Target | \$ Thousands | Actual |
|----------------------------|---------------|------------|-----------------|---------------|
| Domestic Equities | 20-30% | 25% | \$18,128 | 27.9% |
| International Equities | 20-30% | 25% | 15,368 | 23.7% |
| Private Equity | 0-15% | 10% | 5,851 | 9.0% |
| Growth Assets | 50-75% | 60% | 39,347 | 60.6% |
| Real Estate | 0-10% | 7.5% | 1,670 | 2.6% |
| TIPS | 0-10% | 7.5% | 5,092 | 7.8% |
| Inflation Hedging | 7-20% | 15% | 6,762 | 10.4% |
| Fixed Income | 20-30% | 25% | 17,959 | 27.7% |
| Cash | 0-3% | 0% | 827 | 1.3% |
| Diversifying Assets | 20-30% | 25% | 18,786 | 28.9% |
| TOTAL HIED | | | \$64,895 | 100.0% |

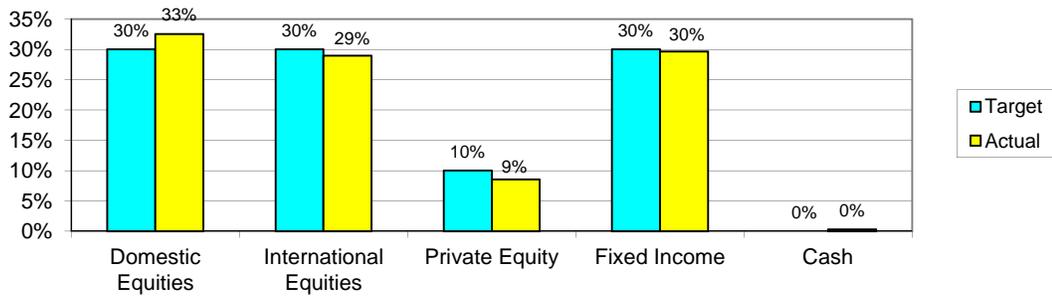
OPERF Asset Allocation



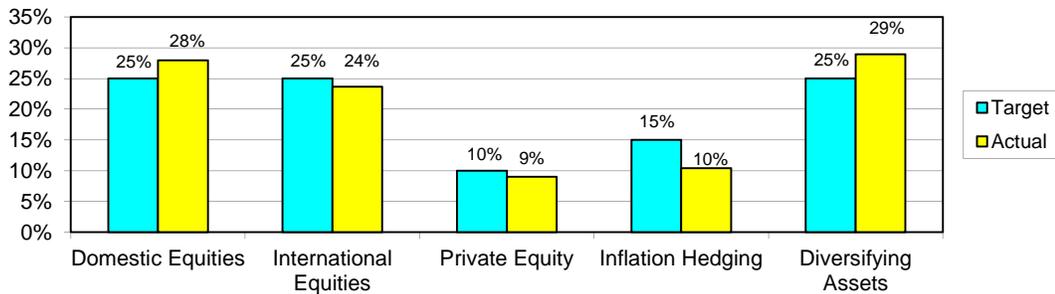
SAIF Asset Allocation



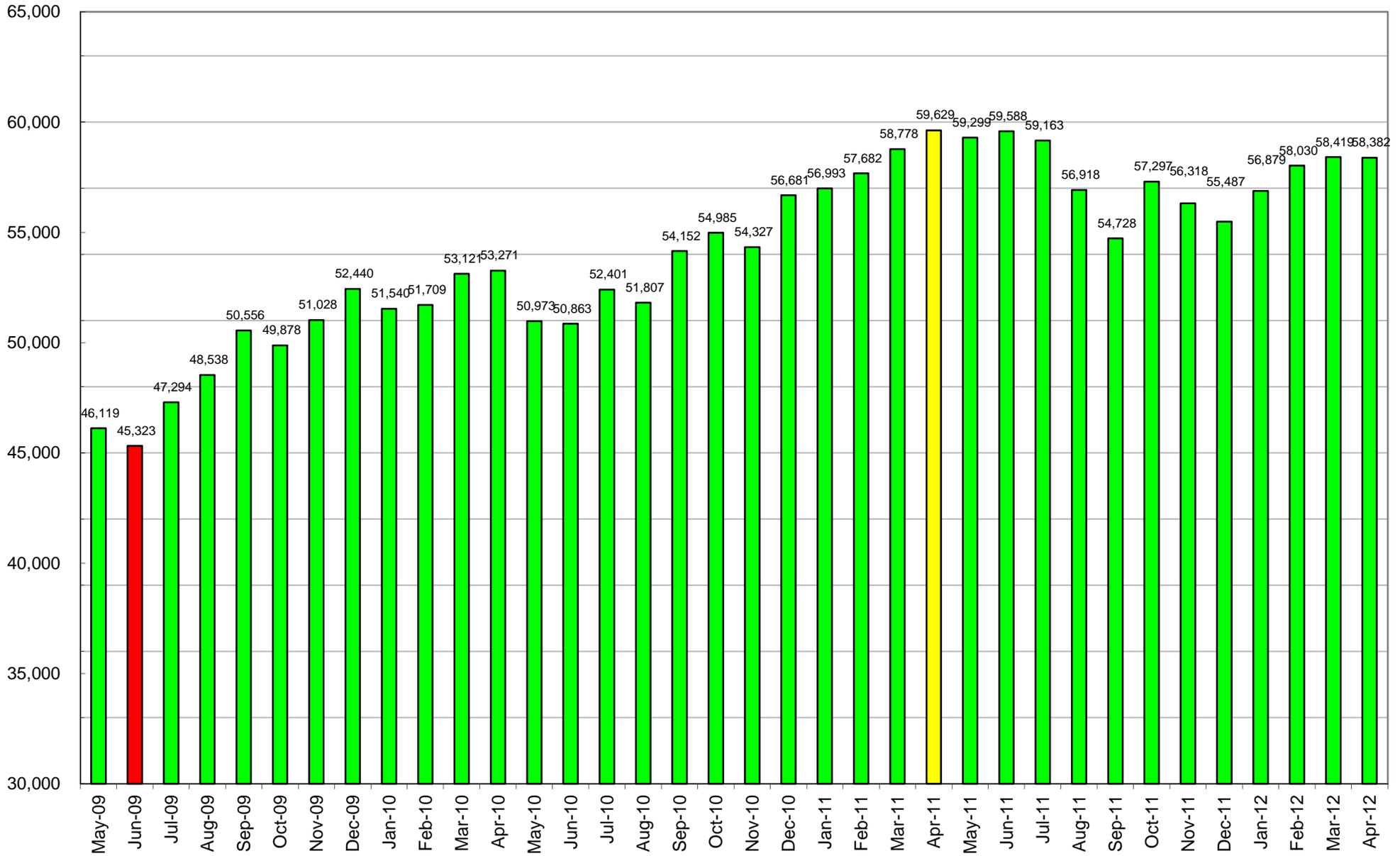
CSF Asset Allocation



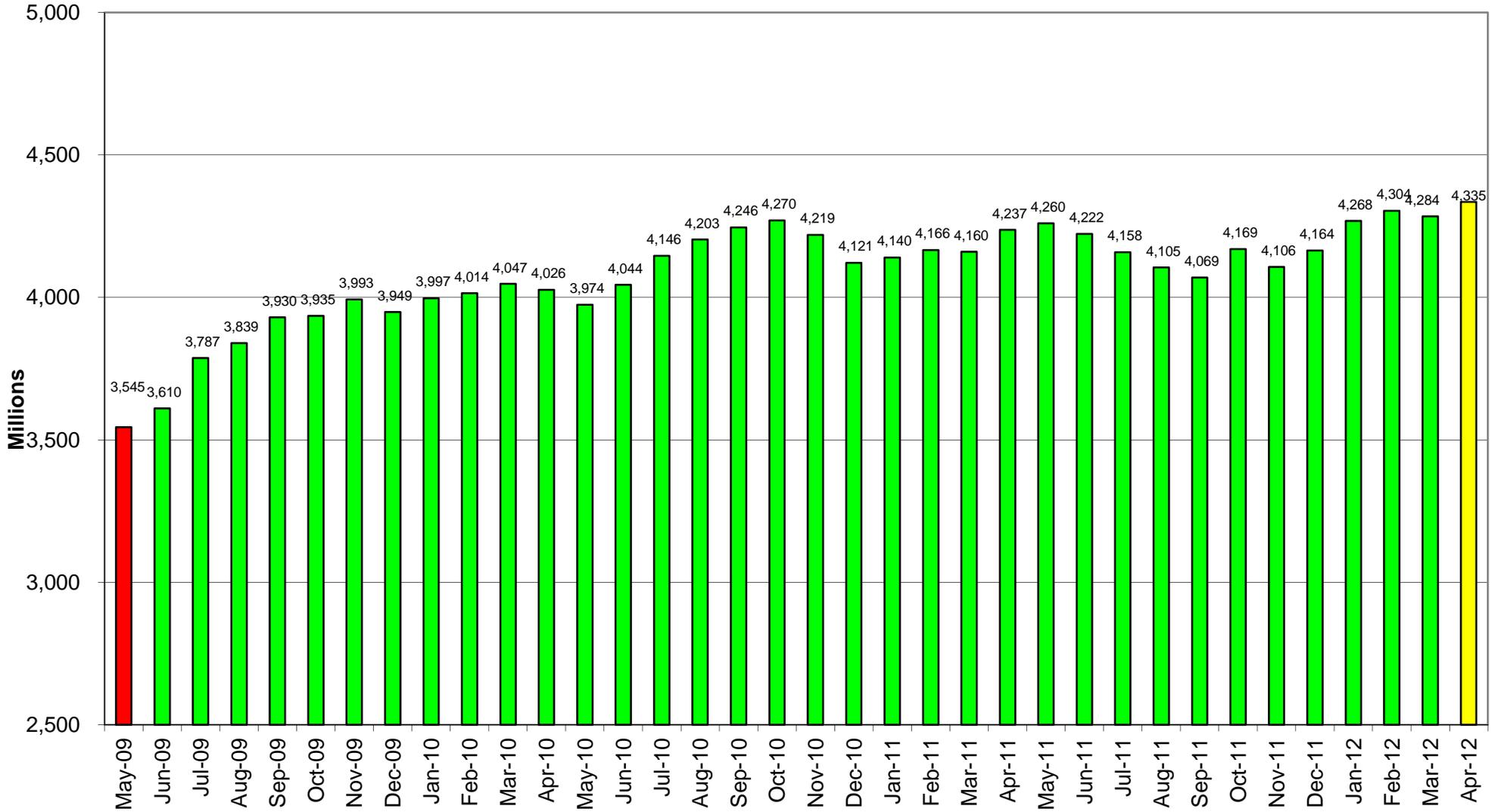
HIED Asset Allocation



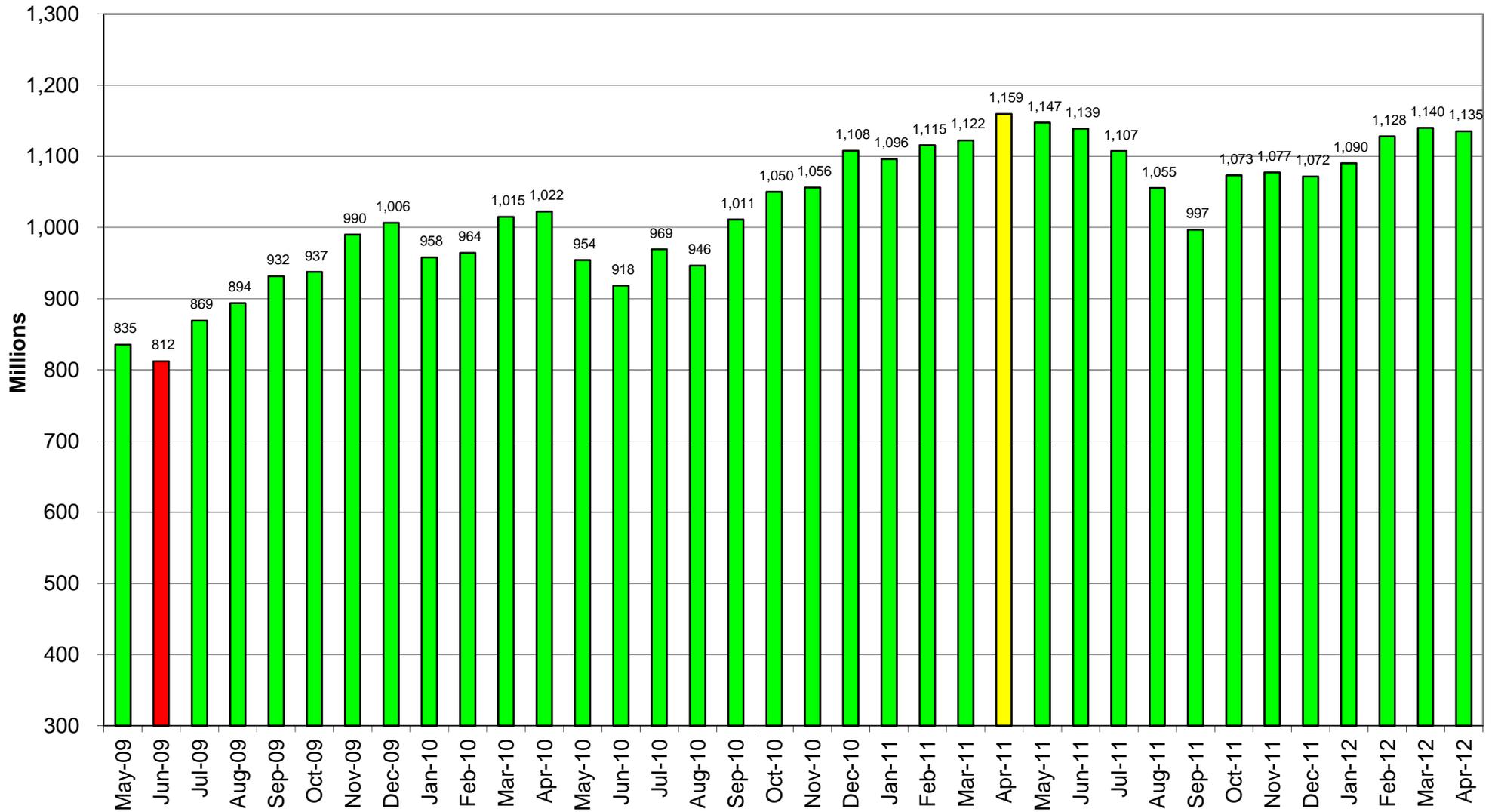
OPERF NAV
Three years ending April 2012
(\$ in Millions)



SAIF NAV
Three years ending April 2012
(\$ in Millions)



CSF NAV
Three years ending April 2012
(\$ in Millions)



TAB 11 – CALENDAR – FUTURE AGENDA ITEMS

2012 OIC Forward Agenda Topics

- July 25:** OPERF Real Estate Annual Review
HIED Real Estate Fund
Public Equity Annual Review
Annual Audit Update
Public Equity Symposium (following meeting)
- August 21:** Private Equity Workshop
- September 19:** CSF Annual Review
OPERF Asset Allocation Update
- October 31:** CEM Benchmarking Annual Review
OST Operational Review Report
Private Equity Consultant Contract
OPERF Asset/Liability Update
Woody Brock, SED
- December 5:** OPERF 3rd Quarter Performance Review
OPERF Opportunity Portfolio Review
HIED Annual Review