
Oregon Investment Council

December 5, 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

John Skjervem
Chief Investment Officer



OREGON INVESTMENT COUNCIL

2013 Meeting Schedule

Meetings Begin at 9:00 am

at

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

January 23, 2013

February 20, 2013

April 17, 2013

May 29, 2013

July 31, 2013

September 25, 2013

October 30, 2013

December 4, 2013



OREGON INVESTMENT COUNCIL

Agenda

December 5, 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 October 31, 2012 Regular Meeting	John Skjervem <i>CIO</i>	1
9:05-9:45	2. Stonepeak Infrastructure Fund, LP <i>OPERF Alternative Portfolio</i>	John Hershey <i>Senior Investment Officer</i> Michael Dorrell Trent Vichie <i>Senior Managing Directors</i> Tom Martin <i>TorreyCove Capital Partners</i>	2
9:45-10:20	3. A&M Capital Partners <i>OPERF Private Equity</i>	Jay Fewel Mike Oldrich <i>Global Head</i> Jack McCarthy Kurt Kaul <i>Managing Directors</i> David Fann <i>TorreyCove Capital Partners</i>	3
10:20-10:30	-----BREAK-----		
10:30-11:00	4. OPERF Opportunity Portfolio <i>Annual Review</i>	John Hershey	4
11:00-11:10	5. Higher Education Endowment Fund <i>Annual Review</i>	Mike Mueller <i>Deputy CIO</i> John Meier <i>Strategic Investment Solutions</i>	5

Keith Larson
Chair

Richard Solomon
Vice-Chair

Katy Durant
Member

Harry Demorest
Member

Ted Wheeler
State Treasurer

Paul Cleary
PERS Director
(Ex-officio)

B. Information Items

11:10-11:30	6. OPERF 3rd Quarter Performance Review	John Meier	6
	7. Asset Allocations & NAV Updates		7
	a. Oregon Public Employees Retirement Fund		
	b. SAIF Corporation		
	c. Common School Fund		
	d. HIED Pooled Endowment Fund		
	8. Calendar—Future Agenda Items		8
	9. Other Items	Council Staff Consultants	

C. Public Comment Invited

15 Minutes

TAB 1 – REVIEW & APPROVAL OF MINUTES

October 31, 2012 Regular Meeting

MICHAEL MUELLER, CFA, CPA
INTERIM CHIEF INVESTMENT OFFICER
INVESTMENT DIVISION



PHONE 503-378-4111
FAX 503-378-6772

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

OREGON INVESTMENT COUNCIL
OCTOBER 31, 2012
MEETING MINUTES

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

Staff Present: Darren Bond, Karl Cheng, Jay Fewel, Sam Green, Andy Hayes, Julie Jackson, Mary Krehbiel, Perrin Lim, Tom Lofton, Ben Mahon, Mike Mueller, Tom Rinehart, Mike Selvaggio, James Sinks, James Spencer, Michael Viteri, Byron Williams

Consultants Present: John Meier (SIS), Alan Emkin, Mike Moy, and John Linder (PCA)

Legal Counsel Present: Dee Carlson, Oregon Department of Justice

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

I. 9:00 a.m.: Review and Approval of Minutes

MOTION: Mr. Demorest moved approval of the amended April 25, 2012 minutes and the September 19, 2012 meeting minutes. Treasurer Wheeler seconded the motion. Both sets of minutes were approved unanimously by a vote of 4/0 (Mr. Larson had not yet arrived).

Michael Mueller, Interim CIO, informed the members of actions taken by the private equity committee since the last OIC meeting.

Private Equity Committee – 2012:

September 26, 2012:

- Advent International Global Private Equity VII, L.P. \$75 million*
- Pine Brook Capital Partners II, L.P. \$75 million

October 22, 2012:

- Nordic Capital Fund VIII, L.P. \$75 million

*commitment was cut back to \$50 million by the general partner, as the fund was oversubscribed.

Mr. Larson arrived at 9:05 am

II. 9:05 a.m.: Strategic Economic Decisions

H. "Woody" Brock, President of Strategic Economic Decisions spoke about global macroeconomic issues and potential solutions.

III. 10:11 a.m.: Common School Fund Annual Review

Louise Solliday, Director of the Division of State Lands, gave an update on the activities of the State Land Board as they relate to the Common School Fund.

The significant manager line-up changes that were approved by the OIC, have now been in place four years. For the four-year period ended September 2012, the fund returned 8.2 percent, on average, which was 90 basis points better than the 7.3 percent policy benchmark. For the 12 months ended September 30, the CSF returned 17.3 percent.

IV. 10:42 a.m.: Private Equity Consulting Contract

Mr. Solomon read his potential conflict of interest statement (below) into the record, regarding Gerard Drummond, an advisor to TorreyCove and a client of his.

October 31, 2012 Statement of Richard B. Solomon:

"After consulting with Dee Carlson, Senior Special Attorney General, and with a representative of the Oregon Government Ethics Commission, I do not believe I have a statutory actual or potential conflict of interest in this matter. Nevertheless, in the interest of transparency, I make the following disclosure:

Gerard K. Drummond, a senior advisor to TorreyCove, is a client of my public accounting practice. TorreyCove is not a client. The fact that Mr. Drummond is associated with TorreyCove has no impact on either the fees I invoice him for professional services or my vote on this matter."

Staff proposed that the OIC extend the contract of TorreyCove, subject to existing terms for an additional two year period ending December 31, 2014. Treasurer Wheeler requested that this approval be contingent upon John Skjervem's approval once he starts on November 1, 2012.

MOTION: Ms. Durant moved approval of the staff recommendation contingent upon John Skjervem's (new CIO) approval. Mr. Demorest seconded the motion. The motion was passed by a vote of 5/0.

V. 10:45 a.m. CEM Benchmarking Annual Review

Bruce Hopkins, VP of CEM Benchmarking gave an update on the investment management costs of OPERF for the year ended December 31, 2011. Relative to fund costs, CEM concluded that the actual costs of 69.1 bps were below the CEM benchmark costs for OPERF of 79.8 bps. This suggests that the fund was "low cost."

VI. 11:27 a.m. OST Internal Audit Report

Byron Williams, OST Chief Audit Executive and Mary Krehbiel, OST Sr. Internal Auditor gave the annual OST Internal Audit update.

Staff recommended that the OIC approve the proposed amendment to Investment policy 04.01.12 to allow internal audit services to determine the scope and frequency of internal audits related to investment activity.

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

Internal Audit Services performed an internal controls audit of the OPERF Real Estate portfolio. This audit was conducted in conformance with Generally Accepted Government Auditing Standards and the

International Standards for the Professional Practice of Internal Auditing. The audit reviewed controls of the Oregon Investment Council, Real Estate Committee, Oregon State Treasury Investment and Finance Divisions, Pension Consulting Alliance, and State Street Bank for the year ending June 30, 2011. The Real Estate Internal Controls Audit report was issued by Internal Audit Services on September 19, 2012. A total of 3 findings were identified during this engagement. Based on audit work performed, Internal Audit Services believes that the Oregon Investment Council (OIC) and the Oregon State Treasury (OST) have maintained a strong internal control structure over these investment operations for the fiscal year ended June 30, 2011.

VII. 11:32 a.m. Asset Allocations and NAV Updates

Mr. Mueller reviewed the Asset Allocations and NAV's for the period ending September 30, 2012.

VIII. 11:32 a.m. Calendar – Future Agenda Items

Mr. Mueller highlighted future agenda topics.

IX. 11:33 a.m. Other Business

Mr. Cleary thanked Mike Mueller for serving as Interim CIO over the past 12 months.

11:36 a.m. Public Comments

Linda Burgin with the SEIU Local 503 read a letter into the record thanking the Council for their support and making a few suggestions:

- The OIC require investment managers to report back not only on the specific dollar amounts earned or lost, but also how they are working with stakeholders to carefully manage long term risks.
- Encourage the OIC and investment team to work with experts in the area of ESG (Environmental, Social and Governance) to establish ongoing metrics to measure investment manager performance in these areas.

The meeting adjourned at 11:36 am.

Respectfully submitted,



Julie Jackson
Executive Support Specialist

TAB 2 – STONEPEAK INFRASTRUCTURE FUND, LP

Stonepeak Infrastructure Fund L.P.

Purpose

Staff recommends approval of a commitment to the Stonepeak Infrastructure Fund L.P. (“Stonepeak” or “Fund”) in the amount of \$100 million for the OPERF Alternatives Portfolio.

Background

Stonepeak was formed in 2011 to raise a \$1.0 billion first time fund. It has closed on approximately \$790 million with anchor investments of \$400 million from TIAA-CREF and \$250 million from the Washington State Investment Board and expects to have a final close in Q1 2013.

Strategy:

Stonepeak is targeting infrastructure investments in the North American middle market, primarily in the Water & Utilities (electric utilities, water and waste water), Energy (midstream pipelines, alternative energy), and Transportation (rail, barges, airports, roads) sectors. It anticipates that equity commitments will range from \$50 million to \$200 million with a targeted total equity return in the mid-teens with strong cash-on-cash current yields and inflation linkage.

Stonepeak will focus on long lived opportunities with relatively low leverage where there are significant add-on growth opportunities that can provide accretive investments at higher IRRs. Through its operating partners, Stonepeak intends to intensively manage the portfolio companies.

Pros:

- *Independence.* Stonepeak is a majority employee owned and operated firm. While many infrastructure funds are captive to large financial firms (banks, brokerage firms, industrial companies), Stonepeak is independent of any banking or industrial group and thus has no conflicts with other businesses and a better alignment of interests with its LPs.
- *Middle market focus.* The Fund is a smaller fund, focused on middle market value add infrastructure assets, a strategy which complements the existing OPERF Infrastructure portfolio, which is currently tilted towards larger infrastructure assets or more opportunistic strategies.
- *Experienced team.* Prior to starting Stonepeak, the founding partners helped establish the North American infrastructure practice for Macquarie Group, largely considered the leading and first major infrastructure investment firm. Subsequent to Macquarie, the founding partners established an infrastructure practice at Blackstone, before founding Stonepeak. The team has experience across a wide variety of infrastructure assets including water utilities, toll roads, power generation, electric transmission, renewable power, pipelines and aviation services.
- *Track record.* While this is a first time fund, the founding partners have executed on a number of principal transactions while at Macquarie and Blackstone, totaling nearly \$2 billion of equity value. The transactions enjoyed attractive returns at the time the founders left Macquarie, though as those transactions were not in a fund format, performance is difficult to verify. In addition to the principal transactions, the founding partners have advised on over 50 infrastructure transactions totaling over \$20 billion in value.
- *Operating Partners.* Stonepeak has assembled a roster of operating partners with expertise in a variety of industries, including transportation, power generation, and communications. General portfolio operations are headed by Operating Partner John Trani, who was a long time GE senior

executive who reported directly to Jack Welch, the former CEO of GE. Denis Hughes, the former head of the State of New York AFL-CIO and former Chairman of the New York Federal Reserve Bank, helps manage the Fund's labor and political relations for public private partnership opportunities.

- *Existing assets to evaluate.* The Fund has already made two commitments that Staff and Torrey Cove have been able to evaluate, including an investment in a salt water desalination plant in San Diego County and a solar-powered electric generation project with a 20 year off-take power purchase agreement with Ontario Power Authority. Each investment offers long lived mid-teens returns with financially strong counterparties.

Cons:

- This is a first time Fund. While the founding partners are experienced infrastructure advisors and investors, Stonepeak Infrastructure Partners will represent their first investment partnership with all the attendant risks that accompany managing a first time fund. *[Mitigant: The two founding partners have worked closely together for more than ten years. Moreover, the alignment of interests and motivation of the general partner has historically been highest with first time funds. Finally, the economic terms are favorable and more appropriate for mid-return strategies such as infrastructure.]*
- Special Limited Partner. TIAA CREF seeded the manager and invested \$400 million into the Fund, in exchange for which they will receive a meaningful percentage of the carry in Fund I (declining in subsequent funds). *[Mitigant: Stonepeak management is still highly incented to generate attractive returns that will allow for subsequent funds. TIAA CREF does not have a "veto" over investment decisions.]*
- Most infrastructure assets utilize debt as part of their capital structure. Availability of debt, and on what terms, can vary over time thereby impacting potential equity returns. *[Mitigant: despite the recent debt crisis, there generally has been availability of debt for investment grade opportunities.]*

Terms:

There is a standard management fee on committed capital and a standard preferred return. The fund has a lower than market incentive fee (carry) and catch-up provision. There is a five-year investment period and a twelve-year term with three one-year optional GP extensions. Stonepeak retained First Avenue Partners as their placement agent to help market the fund, which had contact with Staff. [Disclosure: one of Staff's (non-blood) relatives is an administrative officer at TIAA CREF, though no contact has been made between Staff and this relative regarding this potential commitment.]

Conclusion:

Stonepeak offers one of the few independent and experienced managers with a track record of successful investing as a principal in the infrastructure sector. Infrastructure, as an asset class, offers expected returns between equity and fixed income, but with relatively low volatility and less correlated returns. The investment will further build out the 25-35% target allocation of the infrastructure sleeve in the Alternatives Portfolio, as established in OIC Policy 4.06.02.

Recommendation

Staff and TorreyCove recommend a commitment of \$100 million to Stonepeak Infrastructure Fund L.P., subject to the negotiation of the requisite legal documents with staff working in concert with the Department of Justice.



MEMORANDUM

TO: Oregon Public Employees Retirement Fund ("OPERF")
FROM: TorreyCove Capital Partners ("TorreyCove")
DATE: November 19, 2012
RE: Stonepeak Infrastructure Fund, L.P.

Strategy:

The Fund will focus on the middle-market of the North American infrastructure market and is targeting mid-teen returns with 8-10% yields. The Fund will invest in water and utilities, energy and power, and transportation and expects to invest 70% of the capital in the United States and the remainder in Canada. Stonepeak will target investments that have high barriers to entry and monopoly characteristics, stable and predictable underlying cash flows regardless of economic conditions, long-term contracted revenue, and relatively inelastic demand.

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

Conclusion:

The Fund 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 \$100 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 – A&M CAPITAL PARTNERS

OPERF Private Equity

A&M Capital Partners, L.P.

Purpose

Staff is recommending a commitment of up to \$100 million to A&M Capital Partners, L.P. (the “Fund”), a \$500 million target (\$600 million hard cap) fund to pursue controlling equity investments in small-to-middle-market companies operating primarily in the business services, consumer/retail, industrial, and healthcare sectors. The Fund will also pursue investments in other sectors on a limited, opportunistic basis. Investments are expected to be weighted approximately 80 percent toward the U.S., and 20 percent toward Europe. This would be a new relationship for OPERF and the OIC.

Background/Opportunity

A&M Capital is a recently formed affiliate of Alvarez & Marsal Holdings, a global corporate advisory firm focused on distressed situations employing over 1,400 professionals operating from 40 offices around the world. Alvarez & Marsal is the largest firm of its kind, with a deep pool of resources, extensive business connections, and a large client base. Alvarez & Marsal is expected to contribute heavily to A&M Capital’s deal sourcing, transaction execution, and operational improvement efforts in portfolio companies.

The genesis for A&M Capital was sparked in 2009 during the Lehman Brothers bankruptcy. One of the firms founders, Jack McCarthy, then a partner at Alvarez & Marsal, was tasked with overseeing the repositioning of Lehman’s complex private equity business. In this capacity, he met and worked closely with another founder, Michael Odrich, then the head of Lehman Brother’s Private Equity. Initial discussions regarding the formation of A&M Capital began between Mr. Odrich, Mr. McCarthy, and the principal partners of Alvarez & Marsal, including Tony Alvarez and Bryan Marsal. Shortly thereafter, A&M Capital was formed by Odrich, McCarthy, and Kurt Kaull, a 20 year veteran of middle-market buyout investing, whom Odrich had known since 2004.

Strategy/Team

While this opportunity is the first fund offering by A&M Capital, staff believes that many of the risks of a first-time fund are mitigated here. The size and resources of the Firm’s affiliate, Alvarez & Marsal, minimize start-up and execution risks, without introducing potential conflicts of interest common in firms affiliated with investment banks. The Firm’s founders have substantial private equity experience, and have worked together before in various capacities.

- Michael Odrich initially joined Lehman Brothers in 1986 in the M&A Department. In 1995 he joined the bank’s Private Equity business, and became Head of Private Equity in 2000. In that capacity, he controlled the oversight of Lehman’s mid-cap buyouts, venture capital, real estate, credit-related investments, fund-of-funds, and infrastructure investment efforts, and the related 500 dedicated employees.
- Kurt Kaull has over 20 years of private equity investing experience, most recently as a Partner with Gryphon Investors from 2000 to 2009, an operationally oriented investment firm focusing on

undermanaged middle-market companies. Prior to Gryphon, he was a Partner at American Industrial Partners and Pexco Holdings. Mr. Kaull's investment experience has been primarily concentrated in the consumer and industrial sectors, which are target sectors of the Fund.

- Jack McCarthy served as the Co-National Practice Leader of Alvarez & Marsal's Private Equity Advisory Group from 2005 until February, 2010. From 1996 to 2005, he was a founder and Partner with BA Capital Partners Europe, Bank of America's European focused middle-market private equity team, which invested approximately \$1 billion in 35 investments. His industry experience includes communications, specialty manufacturing, industrial goods, consumer, business services, transportation, and technology.

The Firm expects to eventually grow to between nine and twelve investment professionals, and has already hired the following:

- David Perskie (Principal) previously worked with Mr. Kaull at Gryphon Investors and American Industrial Partners, and has 15 years of private equity transaction experience. He most recently was a Principal with PCG Capital Partners, focusing on late-stage growth equity investments.
- Alex Nivelles (Vice President) previously worked with Warburg Pincus and DLJ Merchant Banking Partners.
- Hunter Greenhalgh (Associate) previously served two years as an associate at Vestar Capital.

The Firm's strategy will focus primarily on smaller, U.S. middle-market buy outs, usually in industries in which the investment professionals have substantial investment experience. At present, these sectors include business services, industrial, consumer, and healthcare. The Firm will focus on underperforming, or undermanaged companies, where significant value can be created through operational improvements. This strategy intends to gain maximum benefit from the Firm's affiliation and economic ties with Alvarez & Marsal. The Firm anticipates substantial, and in many cases proprietary deal flow and deal leads to come out of Alvarez & Marsal's distressed/turnaround advisory practice. The Firm also anticipates using (although is under no obligation to use) Alvarez & Marsal's resources, on a significantly discounted basis, to formulate and implement their operational improvement plan for portfolio companies. Approximately 30 percent of the fund's carried interest will be allocated to senior professionals from Alvarez & Marsal as incentives for deal sourcing, and other services which benefit A&M Capital. Staff believes that the opportunities and synergies arising from this affiliation with the premier distressed/turn-around advisory firm are a key differentiator, and substantially increase the attractiveness of this opportunity.

Track Record

Traditional track record analysis of this opportunity is difficult for several reasons. First, this is a first-time fund, and the team has no prior track record working together. Second, while the founders and current investment professionals all have relevant, and in most cases substantial, private equity experience, both the attribution and applicability of this experience to the Fund's stated strategy varies. Please see the TorreyCove Investment Analysis for a deeper analysis of the founder's individual track records. It is fair to say that the founders have extensive private equity experience, and have led or participated in many successful investments. Historically, OPERF has committed to few first-time funds. However, several of

these first-time fund commitments have resulted in very successful, long-term strategic relationships, including TPG Capital, and Providence Equity Partners.

Portfolio Fit and Commitment Sizing

This Fund would be classified in the OPERF portfolio as Medium Corporate Finance, which has a target range of 5 to 25 percent, and as of June 30, 2012, an actual exposure of 21.1 percent. OPERF's portfolio is already well populated with successful relationships that target the transaction sizes and industries A&M Capital is targeting. However, staff believes there are two key factors which make this opportunity worthy of recommendation. First, in exchange for securing OPERF as an anchor investor, A&M Capital has agreed to offer OPERF a substantially discounted package of economic terms for a commitment of \$75 million or more. This package includes a management fee of 1.0 percent, carried interest of 10 percent, and 100 percent offset of transaction fees. Second, staff believes that the affiliation with Alvarez & Marsal promises a stream of truly differentiated and proprietary deal flow, and a deep and experienced pool of resources that can be extremely helpful in executing the Fund's operational improvement strategy in distressed or undermanaged companies. These positive factors appear to more than compensate for the marginally higher start-up and execution risks with this first-time fund.

Staff's recommendation of up to a \$100 million commitment is consistent with the 2012 Private Equity Plan discussed with the OIC in early 2012. Because of OPERF's policy limiting concentration in any fund to 25 percent, OPERF will only close on a minimum commitment of \$75 million (to secure the preferential economic terms) when A&M Capital reaches a total of \$300 million in commitments. If the Fund raises more than \$300 million, OPERF would scale-up to a maximum of \$100 million in subsequent closes, to the extent possible within the 25 percent concentration limit.

Placement Agents

A&M Capital has disclosed that it has engaged Scott Richter, Evercore, Triple A Partners, and JM Capital as placement agents to assist in fundraising. Staff were initially contacted by Scott Richter regarding this opportunity, but have since dealt solely with A&M Capital personnel.

Private Partnership Investment Principles

Staff and TorreyCove have reviewed the Fund's compliance with the OIC's Private Partnership Principles, and note general compliance. While the Fund's economic package has been heavily pre-negotiated, and is considered in final form, during legal review and negotiations we will focus on governance and investor protection provisions.

Recommendation

Staff recommends that the OIC authorize up to a \$100 million commitment to A&M Capital Partners, L.P., on behalf of OPERF, subject to 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: November 21, 2012
RE: A&M Capital Partners, LP

Strategy:

The Fund will invest in controlling interests through equity and equity-oriented securities of private middle market companies operating in a variety of industries, including industrial products, consumer products and services, healthcare, and business services. The Fund may participate in a wide range of transaction structures including management and leveraged buyouts, recapitalizations, build-ups and consolidations, spin-offs, carve-outs, etc. The Fund will target 12 to 18 equity investments of between \$20 and \$75 million in companies with enterprise value of between \$100 and \$750 million. Geographically, the Fund will invest primarily in the United States and Canada, with approximately 20% expected allocation in European companies.

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 Medium Corporate Finance investment sub-sector and will further be categorized as a Domestic investment. As of June 30, 2012, OPERF's allocation to Medium 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 June 30, 2012	Target	FMV	FMV + Unfunded
Medium Corporate Finance	5-25%	22.1%	21.1%

Conclusion:

The Fund 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 \$100 million to the Fund. TorreyCove's recommendation is contingent upon the following:

- (1) The successful implementation of a 100% additive fee offset, as verbally agreed by the General Partner (currently 80% of any additive fees will offset the management fee, according to the latest version of the LPA).
- (2) Satisfactory negotiation or clarification of certain terms of the investment;
- (3) Satisfactory completion of legal documents;
- (4) Satisfactory continuation and finalization of due diligence;
- (5) No material changes to the investment opportunity as presented; and
- (6) Confidentiality maintained regarding the commitment of OPERF to the Partnership until such time as all the preceding conditions are met.

TAB 4 – OPERF OPPORTUNITY PORTFOLIO



OPERF Opportunity Portfolio 2011/2012 Review

John Hershey, Senior Alternatives Investment Officer
December 5, 2012

Table of Contents

- I. Strategy review
 - Objectives
 - Strategies of interest

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

Opportunity Portfolio strategy

- Opportunity Portfolio objectives:
 - Opportunistic/dislocation oriented
 - Less correlated returns
 - Innovation oriented
 - Not a “strategic” allocation

- Strategies of interest:
 - Dislocation oriented
 - Structured credit
 - Shipping
 - Less correlated oriented
 - Drug royalty streams
 - Insurance and reinsurance related
 - Intellectual property
 - Innovation oriented
 - Currencies
 - Trade finance
 - Legal settlements
 - Strategic partnerships
 - “Club Deals”
 - Co-mingled tactical/opportunistic partnerships

New investments/realizations/transfers 2011/2012

New investments (commitments):

- 2011 (commitment dates)
 - TPG Specialty Lending, Inc. (\$100mm – May)
 - Royalty Pharma Investments (\$50mm – October) *Was never closed
 - Nephila Juniper (\$50mm – December)
 - Nephila Palmetto (\$50mm – December)
- 2012 (commitment dates)
 - RS Investments (\$50mm – August)

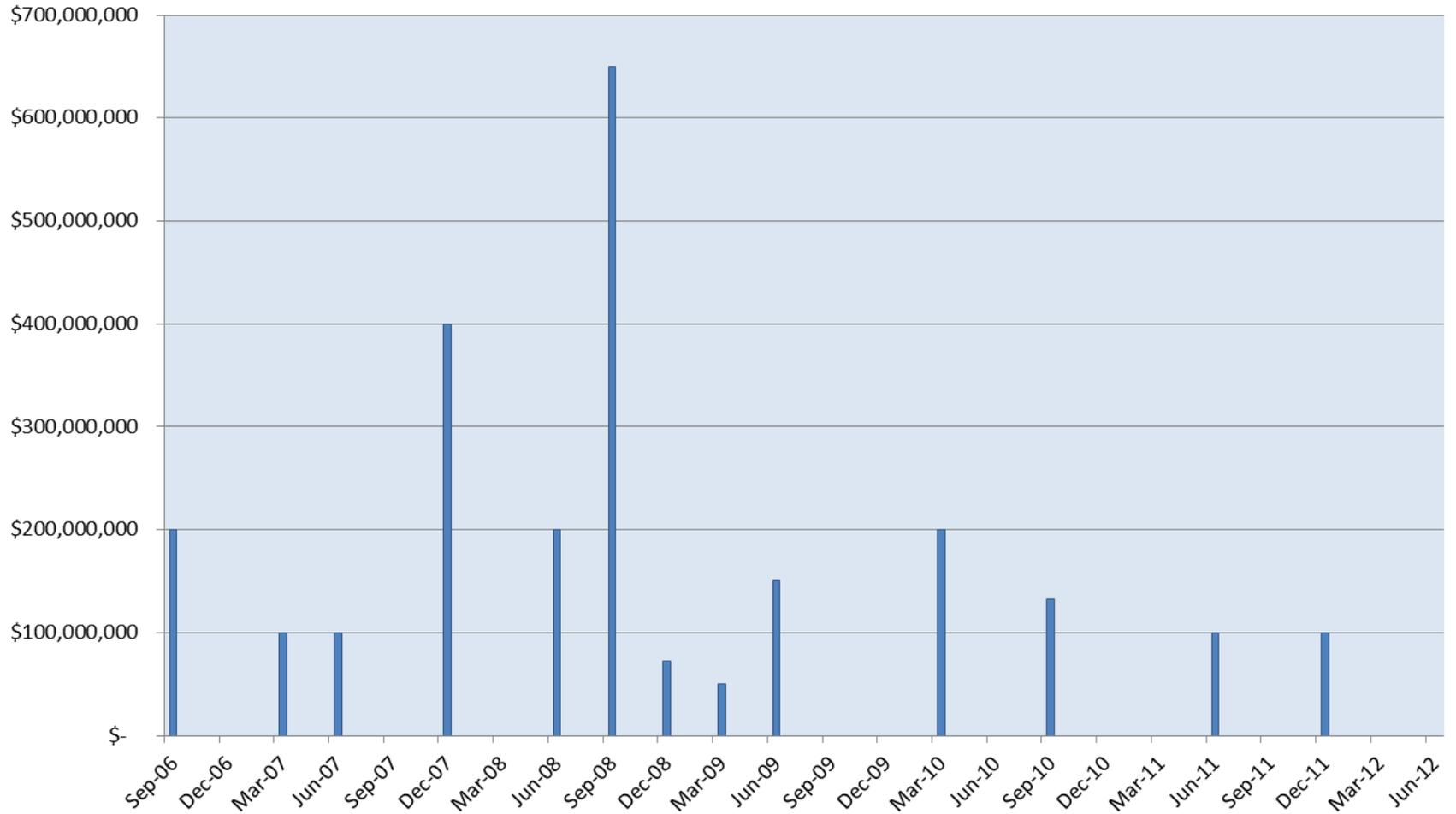
Final realizations:

- 2011
 - Oaktree Loan Fund (June)

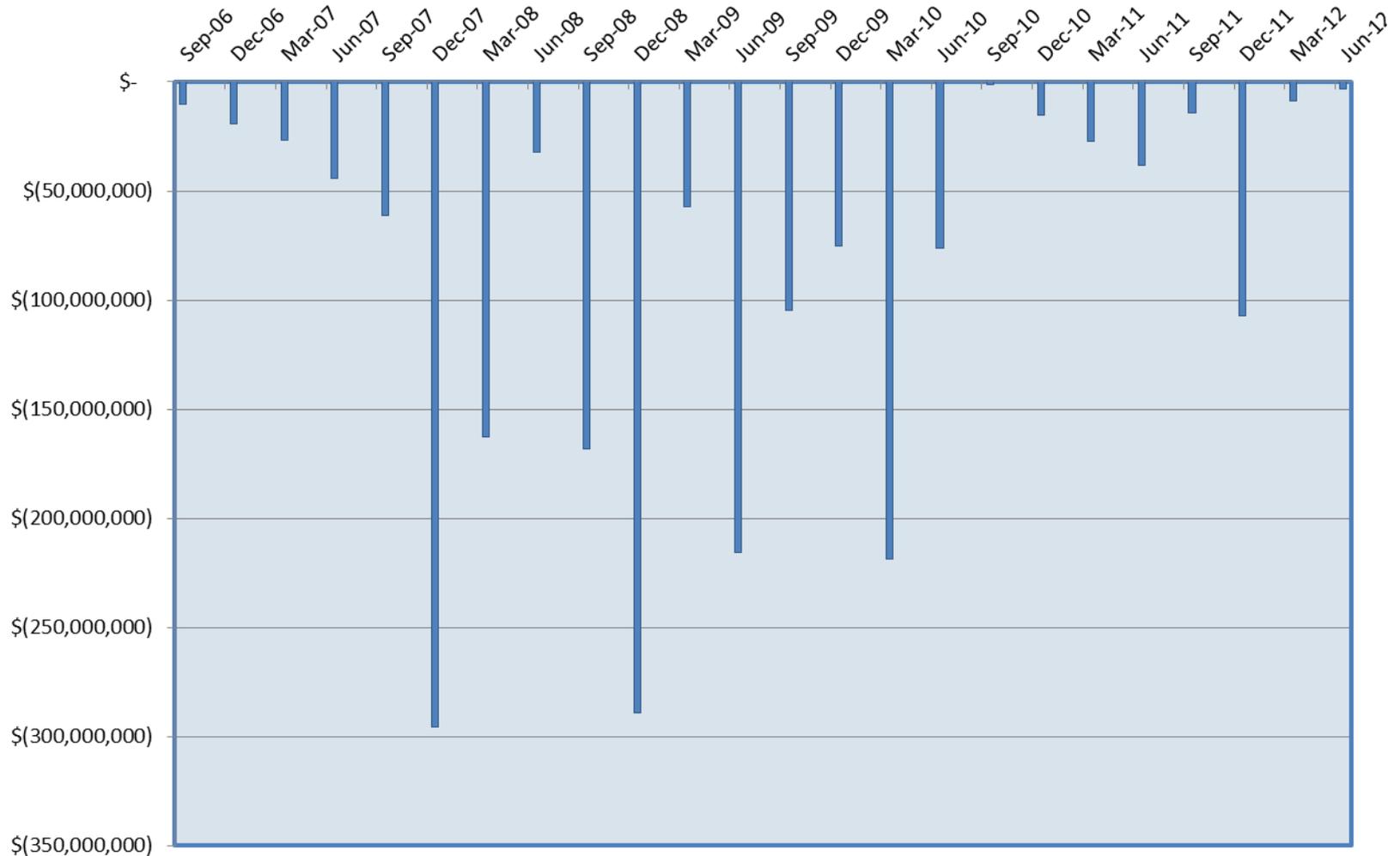
Transfers to Alternatives Portfolio:

- 2011
 - Sheridan Productions I (\$123.6mm - July)
 - Sheridan Productions II (\$11.5mm - July)
 - Alinda II (\$78.5mm - July)

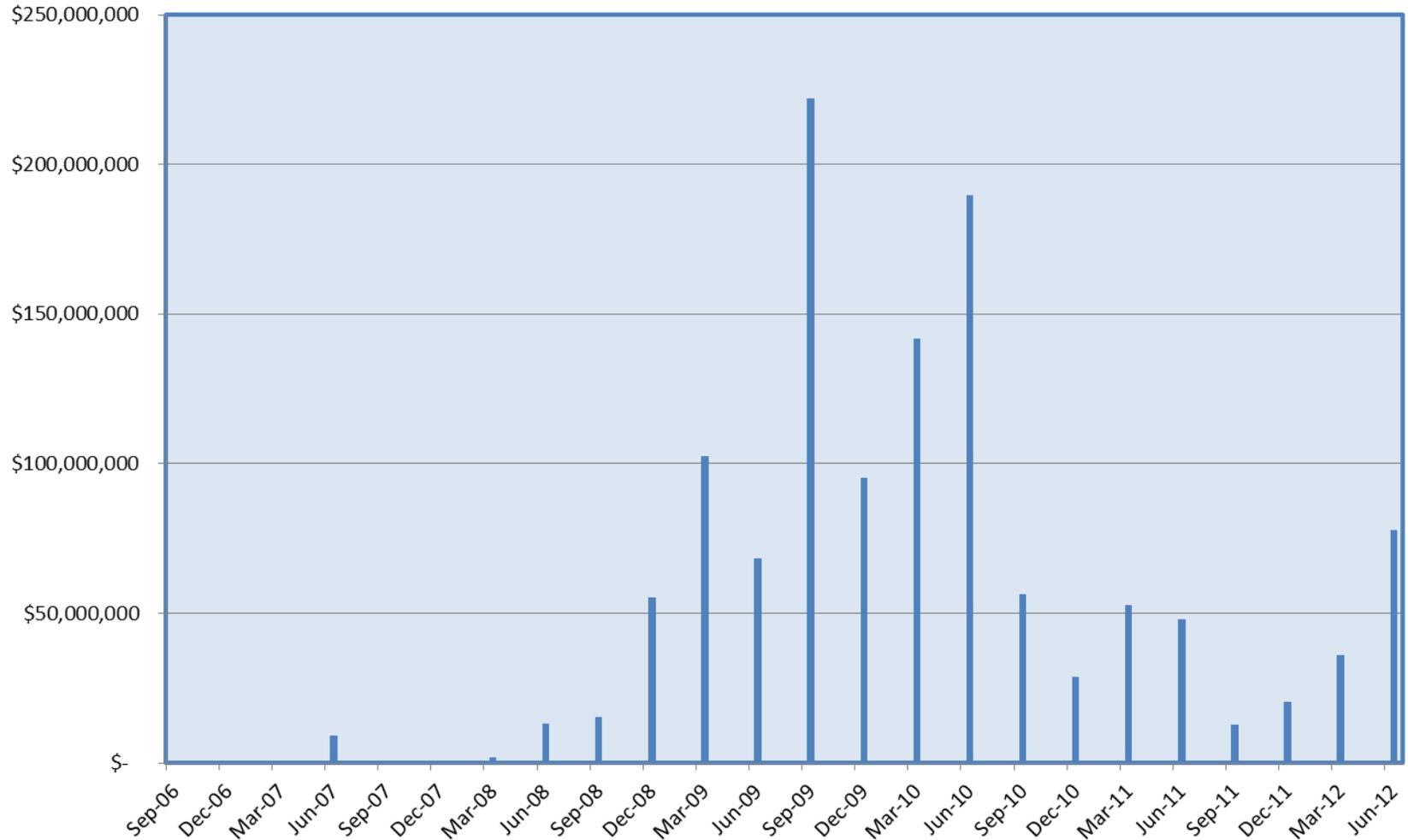
Commitments (6/30/12)



Capital calls/contributions (6/30/12)



Distributions (6/30/12)



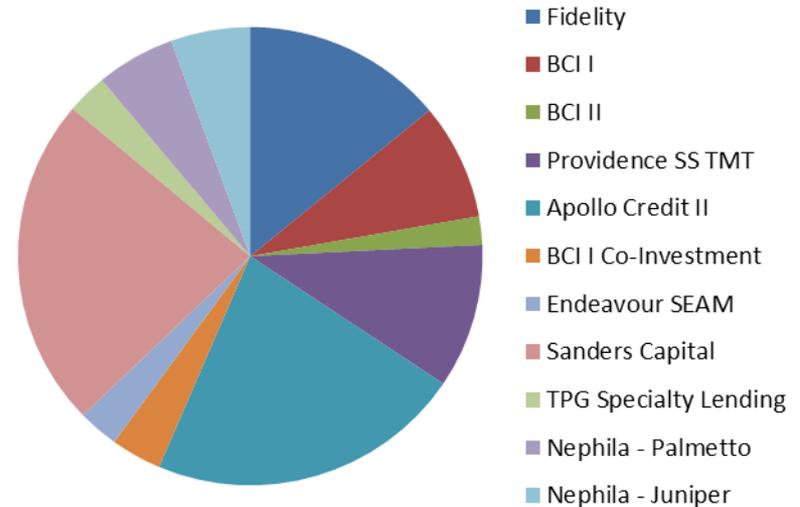
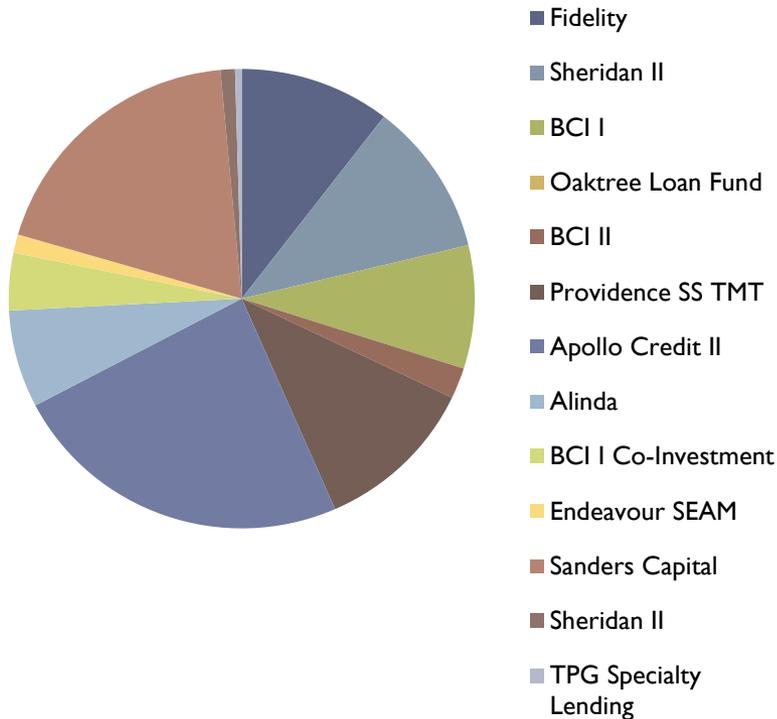
Portfolio (FMV 6/30/12)

Fund	FMV (\$ mm)	%	Strategy
Fidelity Real Estate Opportunities	\$130.9	14.0	Debt
Blackrock Credit Investors I	\$76.5	8.2	Debt
Blackrock Credit Investors II	\$18.7	2.0	Debt
Providence Special Situations TMT	\$95.1	10.2	Debt
Apollo Credit Opportunities Fund II	\$205.7	22.0	Debt
Endeavour Structured Equity and Mezzanine	\$26.5	2.9	Debt
Blackrock Credit Co-invest	\$33.0	3.5	Debt
Sanders Capital	\$218.1	23.4	Equity
TPG Specialty Lending	\$26.3	2.8	Debt
Nephila Juniper	\$51.6	5.5	Reinsurance
Nephila Palmetto	\$51.4	5.5	Reinsurance
Total	\$933.9	100.0	

Portfolio Snapshot (Fair Market Value)

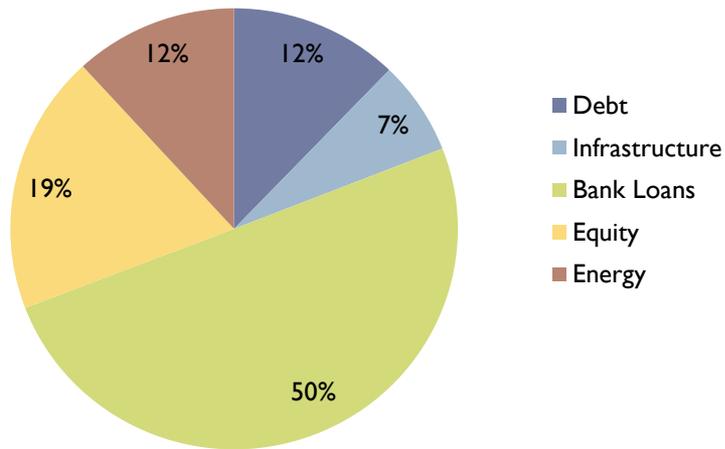
FMV Jun-2011 | \$1.143 billion

FMV Jun-2012 | \$933.9 million

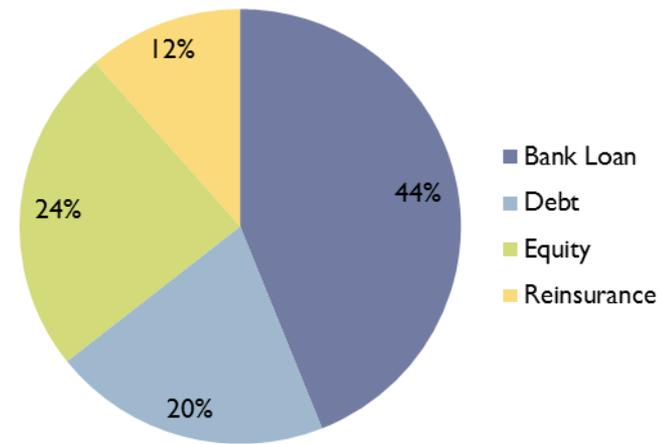


Portfolio Snapshot (Strategy)

Strategy June 2011

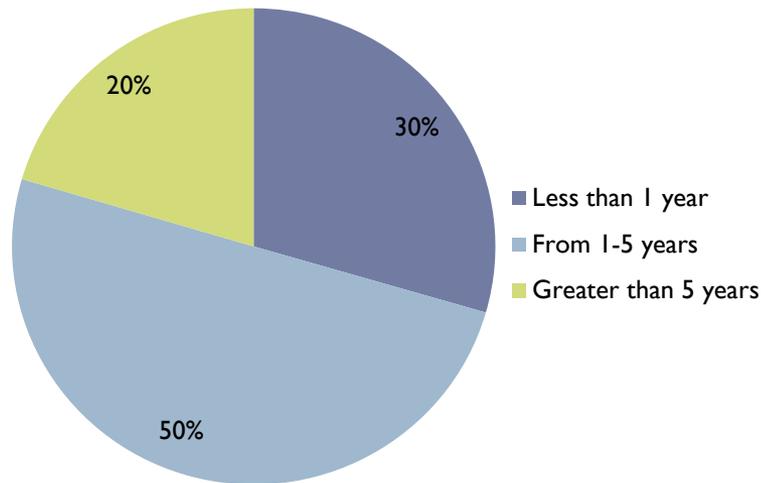


Strategy June 2012

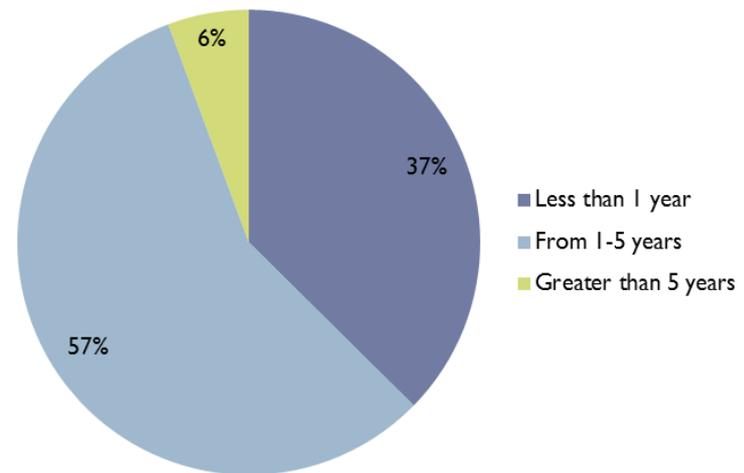


Portfolio Snapshot (Liquidity)

Liquidity June 2011



Liquidity June 2012



Performance (LTM June 30th)

NAV (June 30, 2011)	\$1,143,205,019
Plus contributions	\$133,861,512
Minus distributions	(\$146,672,305)
Minus one time transfers to Alternatives Portfolio	(\$213,528,016)
Plus unrealized appreciation	\$17,012,105
NAV (June 30, 2012)	\$933,878,315

Performance (LTM June 30th)

	6/2012	6/2011
FMV + Distributions + One time transfer in 7/11	\$2,394mm	\$2,003mm
FMV	\$933.9mm	\$1,143mm
FMV % of OPERF	~1.6%	~1.9%
FMV + unfunded commitments % of OPERF	~1.8%	~2.3%
Multiple ((FMV + Distributions)/Drawn)	1.07x	1.17x
IRR since inception (Q2/2006)	8.2%	9.9%
Time weighted returns		
YTD (June)	9.3%	11.3%
1 year	-0.3%	22.5%
2 years	10.5%	25.5%
3 years	16.2%	9.1%
4 years	6.6%	5.4%

Active funds review

Fidelity Real Estate Opportunities Fund

Strategy	OTC real estate debt
Performance	7.0% since inception (4/2007); 18.2% YTD through 10/31
Outlook	5.3% current yield; ~ 9.0% YTW

Blackrock Credit Investors I

Strategy	Levered senior bank loans
Performance	-0.7% since inception (Q3/2007); 15.0% YTD through 9/30
Outlook	10.0% current yield; 11.7% YTM;

Active funds review

Blackrock Credit Investors II

Strategy	Levered senior bank loans
Performance	10.0% since inception (Q2/2008); 18.9% YTD through 9/30
Outlook	10.0% current yield; 11.7%YTM

Providence Special Situations TMT

Strategy	Levered senior bank loans and bonds
Performance	14.9% since inception (Q2/2008); 11.9% YTD through 9/30
Outlook	10.0% current yield; 10.0% YTM

Active funds review

Apollo Credit Opportunities Fund II

Strategy	Levered senior bank loans
Performance	14.1% since inception (Q3/2008); 17.4% YTD
Outlook	18% gross IRR; 1.7 MOIC

Blackrock Credit Investors I Co-invest

Strategy	Levered senior bank loans
Performance	21.1% since inception (Q3/2008); 28.2% YTD through 9/30
Outlook	10.0% current yield; 11.7% YTM

Active funds review

Endeavour Structured Equity and Mezzanine Fund I

Strategy	Middle market mezzanine debt
Performance	19.4% gross IRR since inception (Q1/2009); 8.3% net IRR
Outlook	12.9% current yield; 15.8% YTM; target total return 10-12%

Sanders Capital

Strategy	All asset value fund
Performance	5.3% annualized since inception (Q1/2010); 10.7% YTD through 10/31
Outlook	Target return 12-14%

Active funds review

TPG Specialty Lending, Inc.

Strategy	Senior corporate loans
Performance	7.9% IRR since inception (6/11) (coming out of “J – curve”)
Outlook	12.8% YTM; Target total return 12-14%

Nephila Palmetto

Strategy	Catastrophe Risk Reinsurance
Performance	8.5% through 10/31
Outlook	Target total return T-bills + 8-10%

Active funds review

Nephila Juniper

Strategy	Catastrophe Risk Reinsurance
Performance	13.3% through 10/31
Outlook	Target total return T-bills + 10-15%

RS Investments Natural Gas Strategy

Strategy	Natural Gas E&P
Performance	n/a
Outlook	Target total return 15-20%

TAB 5 – HIGHER EDUCATION ENDOWMENT FUND

Higher Education Pooled Endowment Fund Investment Update Year Ended September 30, 2012

Purpose

To provide the OIC an annual review of the HIED Pooled Endowment Fund. The Board of Higher Education is provided a quarterly review by Treasury staff.

Discussion

The HIED Endowment Fund returned 15.4 percent for the year ended September 30, 2012. Unlike last year, the market environment provided a good tailwind (i.e., the Russell 3000 gained 30.2 percent and the MSCI AC World ex US index gained 14.5 percent, over the previous 12 months). This performance was 20 basis points under the passive policy benchmark of the fund which was 15.6 percent. On a relative basis, however, the domestic equity and international equity managers continued to perform well, with only Columbia Acorn lagging its benchmark over the past one and three-year periods. Over longer periods, however, each manager has added value over its respective benchmark.

The alternative investment portfolio ended the 12 month period with a 6.2 percent return, below the OIC chosen benchmark of the Russell 3000+300 bps, which returned 7.0 percent (a proxy for private equity, since no passive benchmarks exist). Of the three underlying private equity fund-of-funds, the HRJ Growth Capital II Fund continued to show improvement, now with a current mark to market above cost (\$4.4 million contributed, \$4.2 million current value, and \$0.40 million distributed). As reported previously, the Capital Dynamics Real Estate Fund III, which began investing in funds in 2007, is being held at a 0.44x multiple and is not expected to recover. While a diversified portfolio was constructed, the impact of the global financial crisis on real estate portfolios was too severe from which to recover. The final manager in the alternative investment portfolio is the JP Morgan venture capital fund-of-funds. The first drawdown of capital for this fund occurred in 2008. To date, approximately \$2.8 million has been called, with about \$1 million returned, and a current value of \$2.2 million.

Also included in the Alternative Investments category (from a performance reporting standpoint) is the recently approved and funded investment of \$3 million to the Morgan Stanley Prime Property Fund.

With this investment, the policy benchmark of the portfolio will be updated as follows: 25% Russell 3000 Index, 25% MSCI ACWI ex US Index, 25% Barclays Capital Aggregate Index and 10% Russell 3000+300bps, 7.5% BC Treasury Inflation Protection Index, 7.5% NCREIF Index.

The Treasury Inflation Protected Securities (TIPS) Index Fund has continued to perform well, with a one-year return of 9.0 percent.

The TUCS Universe comparisons, for endowment plans with less than \$100 million in assets, were favorable for most periods ending September 30, 2012. For the one through four year periods (the period over which the fund manager structure and asset allocation was significantly changed) the fund ranked as follows, respectively (percentile rank): 50th, 12th, 9th, 21st.

As of September 30, 2012 the fund was essentially on target for all its asset allocation ranges:

HIED	Policy	Target	\$ Thousands	Actual
Domestic Equities	20-30%	25%	\$17,653	27.0%
International Equities	20-30%	25%	15,755	24.1%
Private Equity	0-15%	10%	6,633	10.1%
Growth Assets	50-75%	60%	40,041	61.2%
Real Estate	0-10%	7.5%	4,740	7.2%
TIPS	0-10%	7.5%	4,751	7.3%
Inflation Hedging	7-20%	15%	9,491	14.5%
Fixed Income	20-30%	25%	15,529	23.7%
Cash	0-3%	0%	409	0.6%
Diversifying Assets	20-30%	25%	15,938	24.3%
TOTAL HIED			\$65,470	100.0%

As a footnote, going back to the end of the fiscal year ended June 30, we were able to compare the HIED fund performance with several notable college endowment funds. While one-year numbers should never be viewed as a bellwether, they are the common standard for endowments:

HIED Endowment Fund:	1.8%
Stanford:	1.0%
Yale:	4.7%
Harvard:	-0.05%
U of O:	2.0%

Recommendation

None. Information only.



HIGHER EDUCATION ENDOWMENT FUND

ANNUAL REVIEW

DECEMBER 5, 2012

STRATEGIC INVESTMENT SOLUTIONS, INC.

333 Bush Street, Suite 2000
San Francisco, CA 94104
(415) 362-3484

John P. Meier, CFA
Managing Director

Review of Current Portfolio

- Since Restructuring of HIED, the performance has been good.
- Current Active Equity Managers (Columbia Acorn Domestic SMID Cap, Arrowstreet Capital International Developed All Cap, and Genesis Asset Managers Emerging Markets) have each added value.
- Passive Mandates (BlackRock Domestic Large Cap, Global All Cap, and TIPS) have captured strong market returns.
- Western Asset Fixed Income has performed well and long term results are good despite difficulties during the credit crisis.
- Passive TIPs allocation (BlackRock) has been additive.
- Alternatives (Private Equity and Real Estate) have been a drag on longer term relative performance, primarily due to the Capital Dynamics Real Estate Fund III.



Activities and Plans

- Hired Morgan Stanley Prime Property Fund to finalize asset allocation implementation.
- No Actions Necessary for Public Assets/Managers
 - Will consider reallocation of Global Passive portfolio in 2013.
- Possible additional Private Equity fund of fund commitment in 2013.

Policy Portfolio Expectation

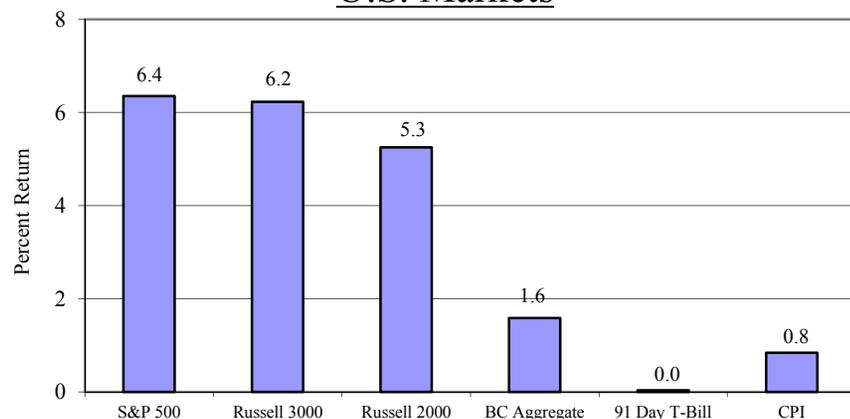
- Based on SIS's Latest (November 2012) Capital Market Outlook, the Policy Portfolio has the following characteristics:
 - 7.09% Expected Return (4.7% Expected Real Return)
 - 4% spending policy would imply fund will grow slightly in real terms.
 - 12.9% Expected Standard Deviation
 - .43 Expected Sharpe Ratio

TAB 6 – OPERF 3RD QUARTER PERFORMANCE REVIEW

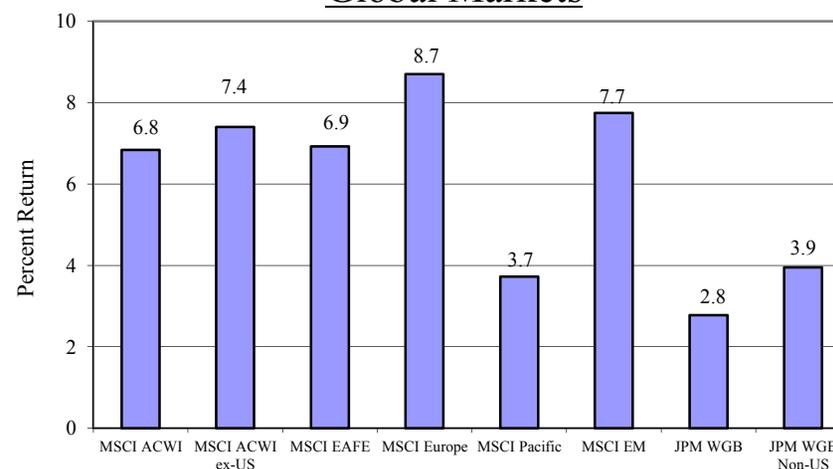
Capital Markets Review

Q3 2012

U.S. Markets



Global Markets



General Comments

Fears over the U.S. “fiscal cliff” and a pronounced slowdown in China collaborated to limit upside gains in global risk markets in the wake of the quantitative easing throughout the developed world. The Federal Reserve announced QE3 with unlimited MBS purchases until the labor market improves. Meanwhile, the European Central Bank’s Outright Monetary Transactions (OMT), provided that a distressed country agrees to conditionality, allowed the ECB to purchase the short-term sovereign debt of distressed governments on secondary markets.

In the US, with safe-haven demand on the wane, returns to Treasuries declined to 0.6% on average in the quarter. Coincidentally, in the currency markets, the increase in risk appetite led to a quarterly decline in the trade-weighted U.S. dollar index of 2.9%. During the third quarter of 2012, gold increased in value relative to the US dollar at a rate of 11.17% and closed at \$1,776 per ounce at the end of September.

In economic news, the US unemployment rate decreased from 8.3% in July to 7.9% in September. Meanwhile, employment in the nonfarm private business sector rose by 162,000 from August to September on a seasonally adjusted basis. The real gross domestic product (GDP) increased at an annual rate of 1.3% in the second quarter of 2012, down from 1.9% in the first quarter of 2012. The CPI (all items) increased 1.7% (before seasonal adjustment) in the 12-month period ending August 31, while gasoline prices rose 9.0% in August, playing a major factor in the energy index rising sharply in August after declining in each of the four previous months.

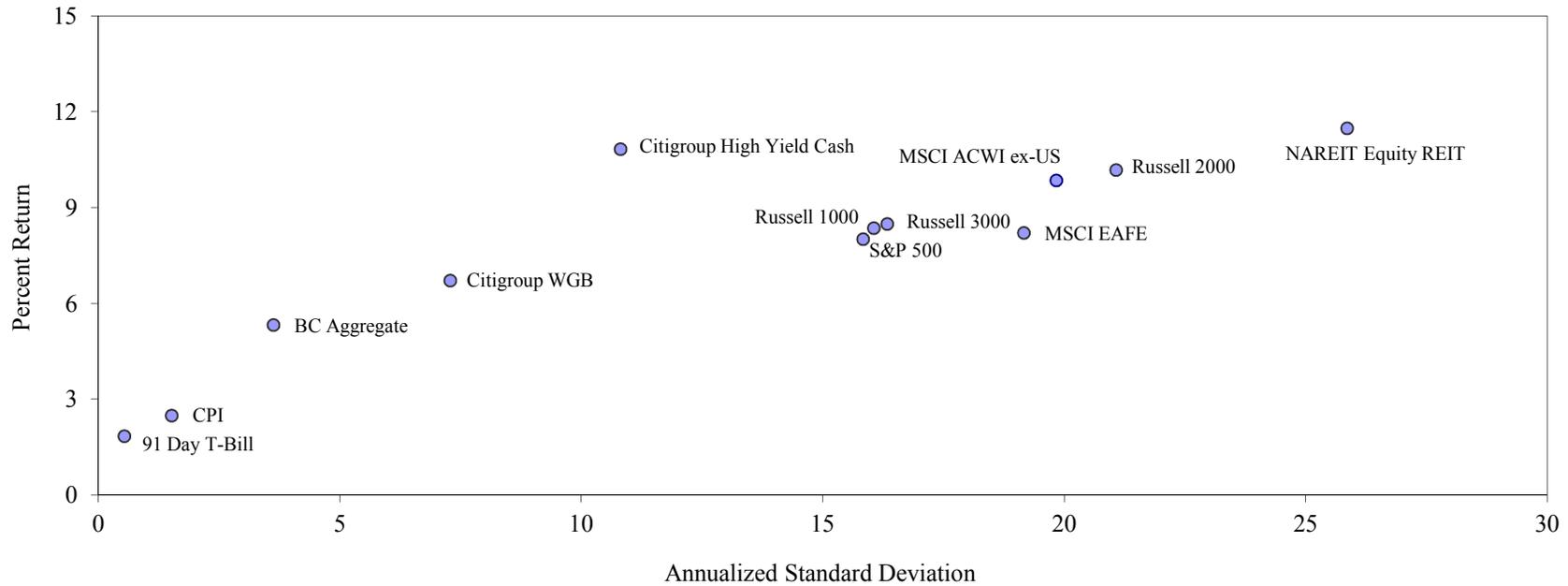
The State Street Investor Confidence Index® (ICI) measures risk appetite by analyzing buying and selling patterns of institutional investors. As a result of declining confidence in the North American and Asian regions, the Global ICI fell to 86.9 in September, remaining well below the neutral level of 100. The decrease in confidence was most pronounced in Asia, while European institutional investors’ appetite for equities is the strongest at 101.

Capital Markets Review

Q3 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	0.03	0.07	0.07	0.11	0.73	1.84	3.27	0.54
BC Aggregate	1.59	3.99	5.16	6.19	6.53	5.33	6.34	3.63
Citigroup High Yield Cash	4.29	11.66	18.83	12.53	8.93	10.83	8.24	10.82
Citigroup World Gov't Bond	2.99	3.41	3.29	4.29	6.45	6.71	6.23	7.29
S&P 500	6.35	16.44	30.20	13.20	1.05	8.01	8.50	15.84
Russell 3000	6.23	16.13	30.20	13.26	1.30	8.49	8.66	16.34
Russell 1000	6.31	16.28	30.06	13.27	1.22	8.35	8.68	16.06
Russell 2000	5.25	14.23	31.91	12.99	2.21	10.17	9.09	21.08
MSCI ACWI ex-US	7.40	10.38	14.48	3.17	-4.12	9.84		19.84
MSCI EAFE	6.92	10.08	13.75	2.12	-5.24	8.20	5.54	19.17
MSCI Emerging Markets	7.74	11.98	16.93	5.63	-1.28	17.00		24.73
Nareit Equity REIT	1.03	16.09	33.81	20.73	2.29	11.48	11.19	25.86
CPI	0.84	2.54	1.99	2.33	2.11	2.49	2.50	1.52

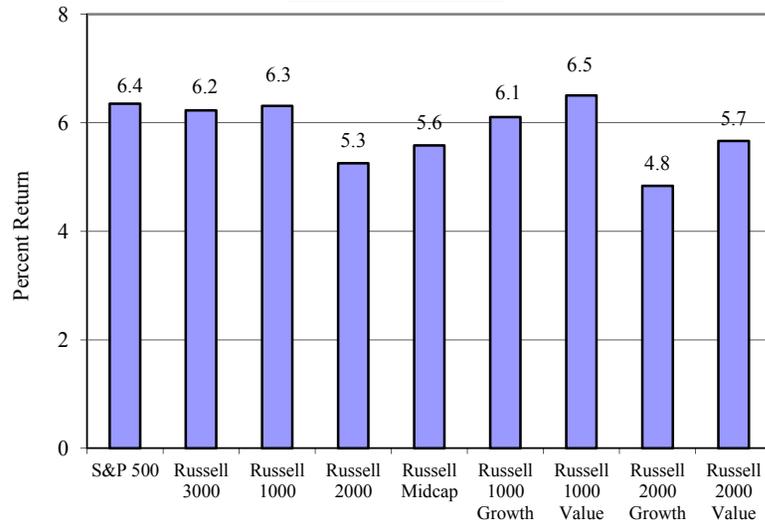
Risk vs. Return - 10 Years



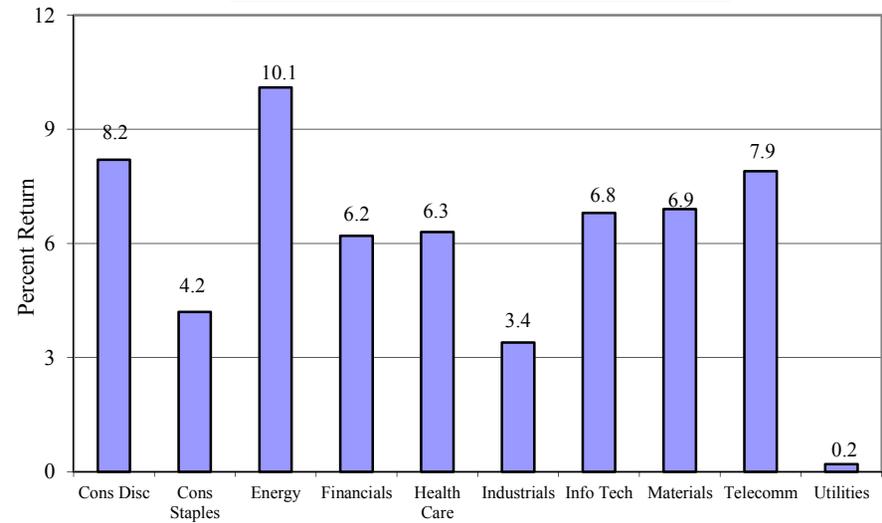
U.S. Equity Market Review

Q3 2012

U.S. Markets



Economic Sector Performance



U. S. Equity Market

U.S. equities rose during the quarter as investors positioned themselves for more quantitative easing from the Federal Reserve. The Russell 1000 outperformed during the quarter, returning 6.3% and boosting its yearly return to 30.1%. Small caps, as represented by the Russell 2000 Index, performed slightly less, returning 5.3% in the quarter, but stood ahead of large caps on the year at 31.9%. Midcap Stocks fared in between in the quarter at 5.6%, but were lower in the last 12 months, at 28.0%.

In hindsight, the US equity market of a year ago, which was very depressed -- primarily due to concerns linked to the euro zone financial crisis and the hangover from the US federal budget battle -- proved to be an excellent buying opportunity, as corporate earnings growth continued to be quite healthy throughout the second half of 2011 and the first half of this year.

Helping the domestic equity market was stronger economic data, with improving housing and labor market trends. This led to improved investor sentiment and an increase in the Citigroup Economic Surprise Index, which measures the extent to which economic data deviate from forecasts.

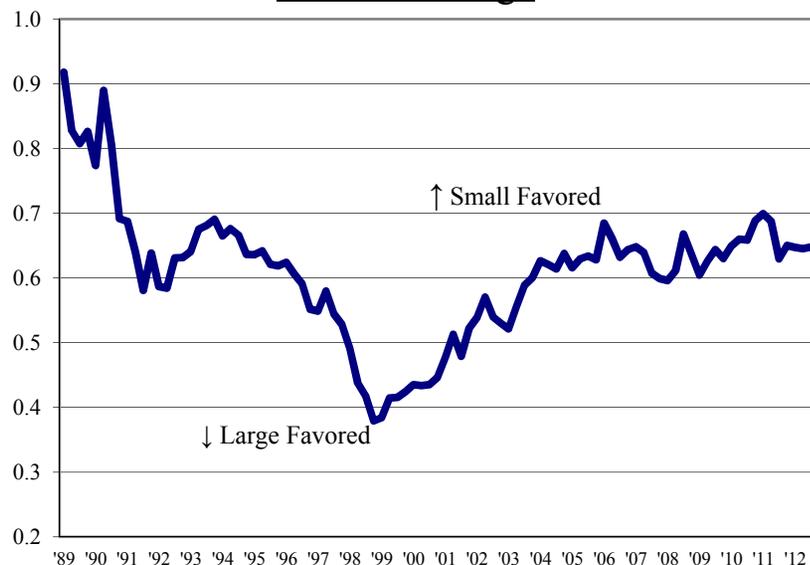
Quantitative easing throughout the developed world also helped to improve the performance of the higher beta sectors with the energy sector returning 10.1% in the quarter. Meanwhile consumer discretionary stocks rose 8.2%. The pickup in risk seeking behavior left the more defensive utilities sector with only a 0.2% return in the third quarter, while Industrial returned 3.4%.

Overall, the Russell 3000 index returned 6.2% during the quarter, boosting the yearly return to 30.2%. Across the capitalization bands, there was little variation in the indices based on growth and value styles. Value stocks in the U.S. slightly outperformed across all ranges, and that was the trend over the prior 12 months as well.

U.S. Equity Market Review

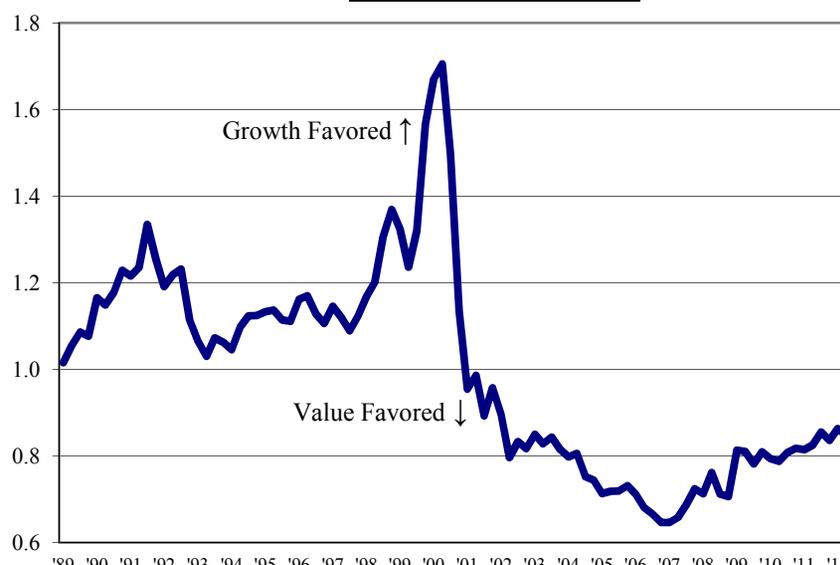
Q3 2012

Small vs. Large



Cumulative return of the Russell 2000 versus the Russell 1000

Growth vs. Value



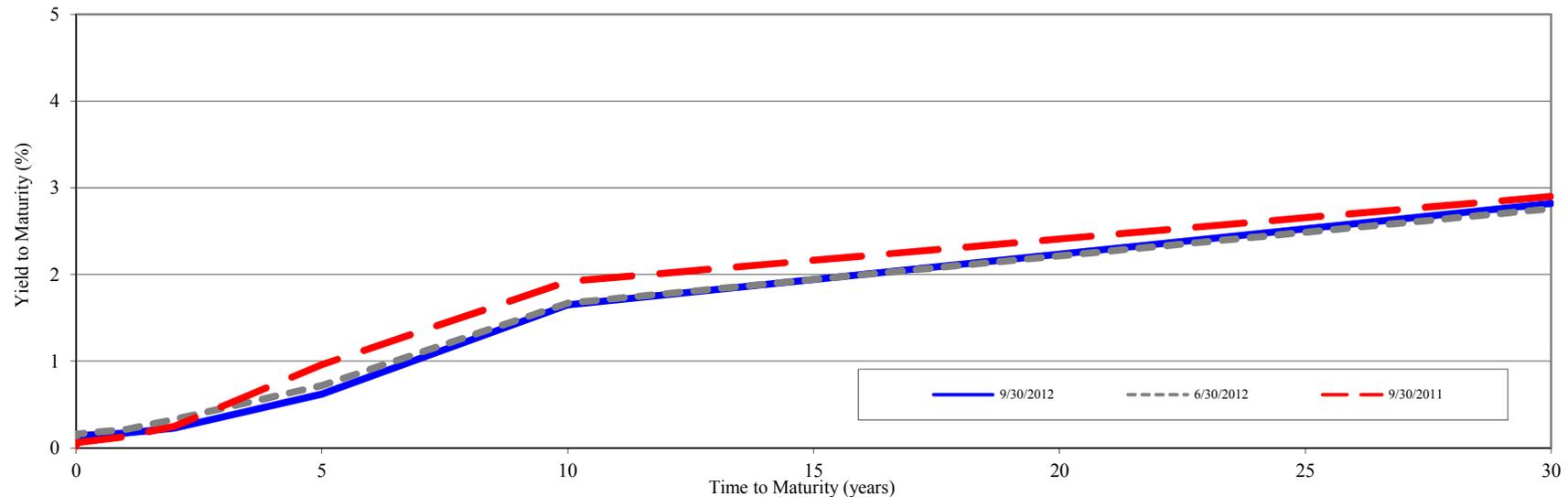
Cumulative return of the Russell 1000 Growth versus the Russell 1000 Value

Total Returns	Quarter	Year	1	3	5	10	20
		to Date	Year	Years	Years	Years	Years
S&P 500	6.35	16.44	30.20	13.20	1.05	8.01	8.50
Russell 3000	6.23	16.13	30.20	13.26	1.30	8.49	8.66
Russell 1000	6.31	16.28	30.06	13.27	1.22	8.35	8.68
Russell 2000	5.25	14.23	31.91	12.99	2.21	10.17	9.09
Russell Midcap	5.59	14.00	28.03	14.26	2.24	11.18	10.68
Russell 1000 Growth	6.11	16.80	29.19	14.73	3.24	8.41	7.55
Russell 1000 Value	6.51	15.75	30.92	11.84	-0.90	8.17	9.31
Russell 2000 Growth	4.84	14.08	31.18	14.19	2.96	10.55	6.96
Russell 2000 Value	5.67	14.37	32.63	11.72	1.35	9.68	10.69

U.S. Fixed Income Market Review

Q3 2012

Treasury Yield Curve



U. S. Fixed Income Market

With employment growth sputtering, the Federal Reserve announced an extension of zero rates through mid-2015 plus a third round of quantitative easing (QE3). In a move that was more aggressive than expected, the Fed said it will purchase \$40bil of MBS each month -- indefinitely. Driven by this, mortgage pass-through securities returned 1.3% in Q3. In the wake of QE3, yields on U.S. Agency MBS hit record lows. Risk appetite also boosted CMBS returns, which yielded 3.3% in the third quarter.

Despite the Federal Reserve's extension of QE3 and Operation Twist, the long-end of the yield curve twisted upward, while rates at the short end fell slightly. Treasury yields in the short-to-intermediate part of the curve followed the Fed lower in the quarter, but the very long end (30-year) moved up. Inflation expectations rose as a result of the Fed's action, helping to generate attractive returns to TIPS in the quarter.

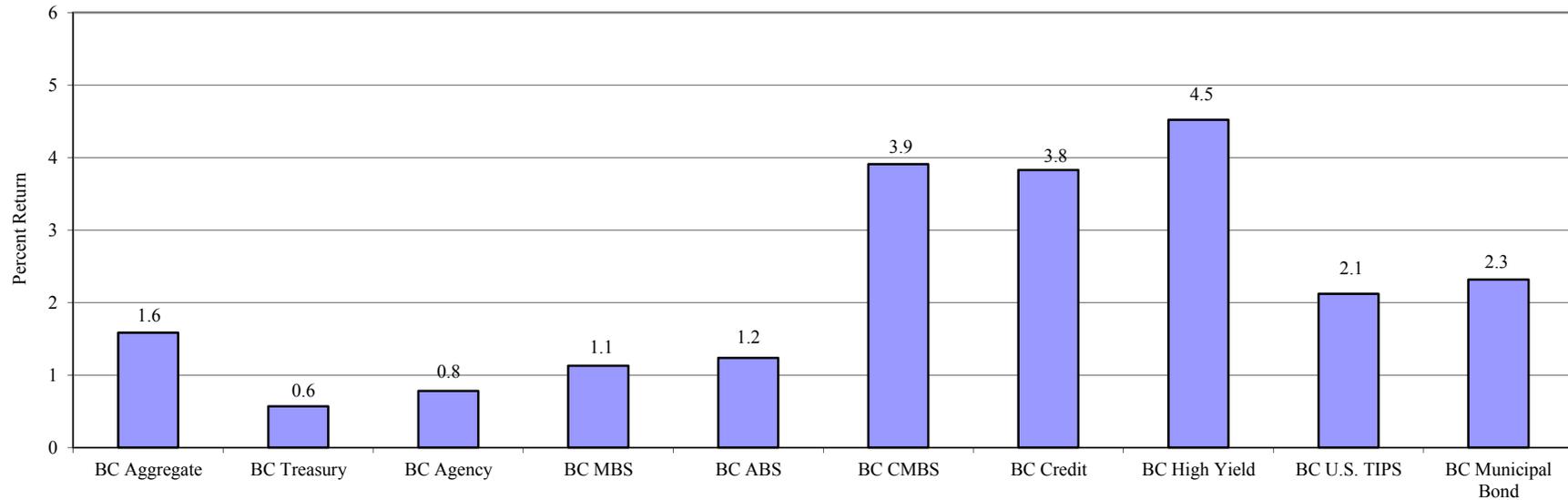
With risk aversion on the decline, investors sought returns further out the risk curve. Corporate yields may be low, but they are not as low as Treasuries. Investors thirsty for yield drove up demand at the same time issuers were keen to take advantage of the levels. As a result, Corporate bonds outperformed, earning 3.9% in the third quarter, while treasuries returned only 0.6%.

The high yield market also benefited from many of the same drivers as investment grade, with similar results. Within the US market, financials and telecom performed well. Low rates have allowed many issuers to refinance and bolster their balance sheets. Another sector that did well in the US high yield market was homebuilders. Investors saw Housing beginning to turn. With Starts on the rise, prices have stabilized, buyer confidence has returned and affordability remains at record high levels. Some of the lagging sectors this quarter were the more defensive industries like supermarkets, food or consumer products.

U.S. Fixed Income Market Review

Q3 2012

U.S. Bond Sector Performance



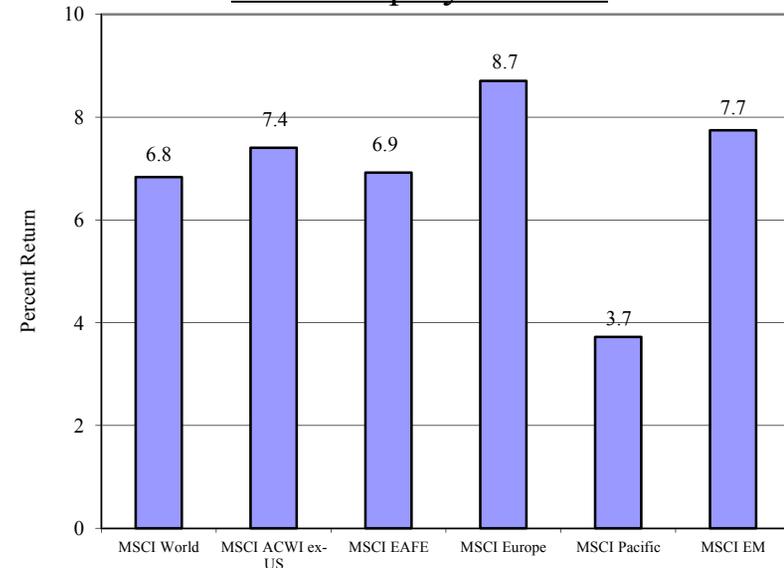
Total Returns	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years	20 Years
	BC Aggregate	1.59	3.99	5.16	6.19	6.53	5.33
BC Treasury	0.57	2.08	2.99	5.41	6.24	4.81	6.14
BC Agency	0.78	2.04	2.60	3.70	5.03	4.35	5.92
BC MBS	1.13	2.80	3.71	4.99	6.35	5.24	6.22
BC ABS	1.23	3.43	3.67	5.27	4.46	3.97	5.54
BC CMBS	3.91	8.64	11.97	13.01	7.10	5.52	
BC Credit	3.83	8.66	10.76	9.09	8.06	6.56	7.01
BC High Yield	4.52	12.15	19.37	12.92	9.37	10.88	
BC U.S. TIPS	2.12	6.25	9.10	9.29	7.93	6.64	
BC Municipal Bond	2.32	6.06	8.32	5.99	6.06	5.03	5.96

Global Equity Market Review

Q3 2012

Total Net Returns in US\$			1	3	5	10	20
	Quarter	CYTD	Year	Years	Years	Years	Years
MSCI World	6.84	12.88	20.98	7.23	-2.07	8.61	
MSCI ACWI ex-US	7.40	10.38	14.48	3.17	-4.12	9.84	
MSCI EAFE	6.92	10.08	13.75	2.12	-5.24	8.20	5.54
MSCI EAFE Hedged	4.67	9.41	14.15	1.49	-5.69	5.41	5.42
MSCI Europe	8.70	11.31	17.31	2.02	-5.72	8.76	7.53
MSCI Pacific	3.73	8.05	7.73	2.64	-4.04	7.02	2.75
MSCI Emerging Markets	7.74	11.98	16.93	5.63	-1.28	17.00	
MSCI UK	7.05	10.64	20.71	7.84	-3.26	8.51	7.18
MSCI Japan	-0.84	2.27	-1.68	-0.56	-6.50	3.73	0.60

Global Equity Markets



Non-US Equity Markets

Quantitative easing throughout the developed world and accommodative fiscal policy in Asia helped boost sentiment across markets. Overall, the MSCI EAFE index increased seven percent in the third quarter.

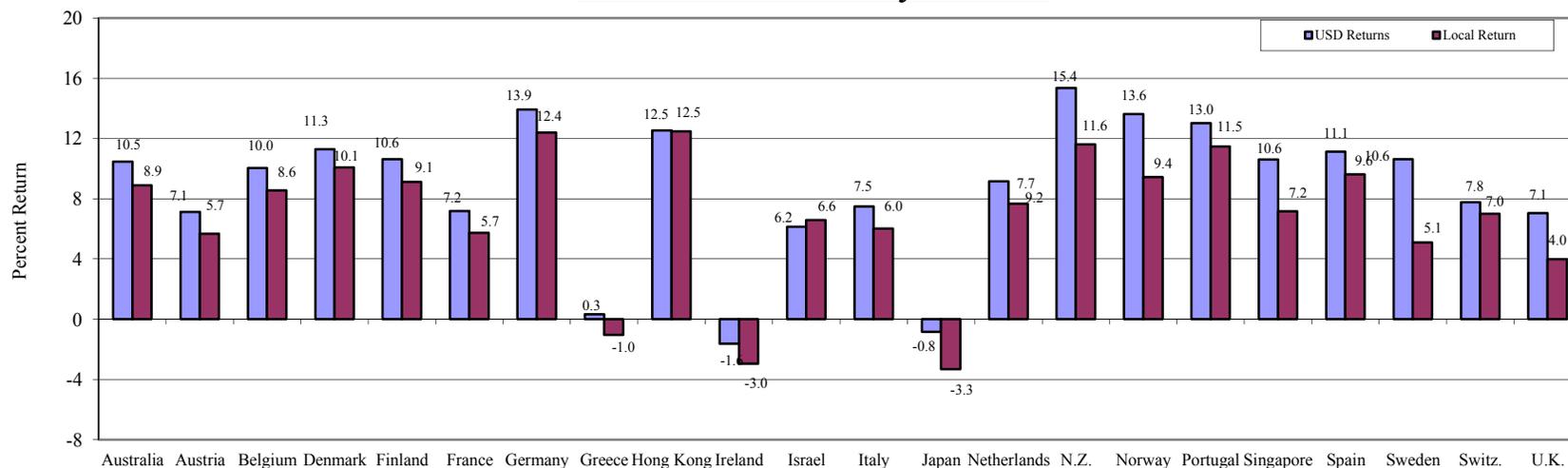
In Germany, the Constitutional Court ratified the European Stability Mechanism (ESM), helping to reduce fears of tail risks across the Eurozone. As a result, Europe-ex UK equities rose 9.7% in the quarter. Spain must agree to the conditionality in the Memorandum of Understanding before the ECB and ESM can purchase government bonds. In Japan, The Bank of Japan increased the size of their asset purchase program by JPY10trn (5trn in T-bills and 5trn in JGBs). However, the strong yen and export concerns continued to hamper equities in Japan, where stocks fell 0.8% in the quarter. Pacific ex-Japan rose 11.0% in the quarter, boosted by policy action in China.

The decline in risk aversion after the Fed and ECB's easing actions spilled over into the emerging markets, where the MSCI EM index rose 7.9% in the quarter. On a regional basis, EM Europe and the Mid-East outperformed, rising 9.8% in the third quarter as the ECB's OMT program boosted sentiment. Fiscal policies helped boost equities in Emerging Markets Asia, which rose 8.9% in the quarter. In India, officials announced a number of key market liberalization measures, including a hike in subsidized fuel prices and steps to allow increased foreign investment and the privatization of government companies.

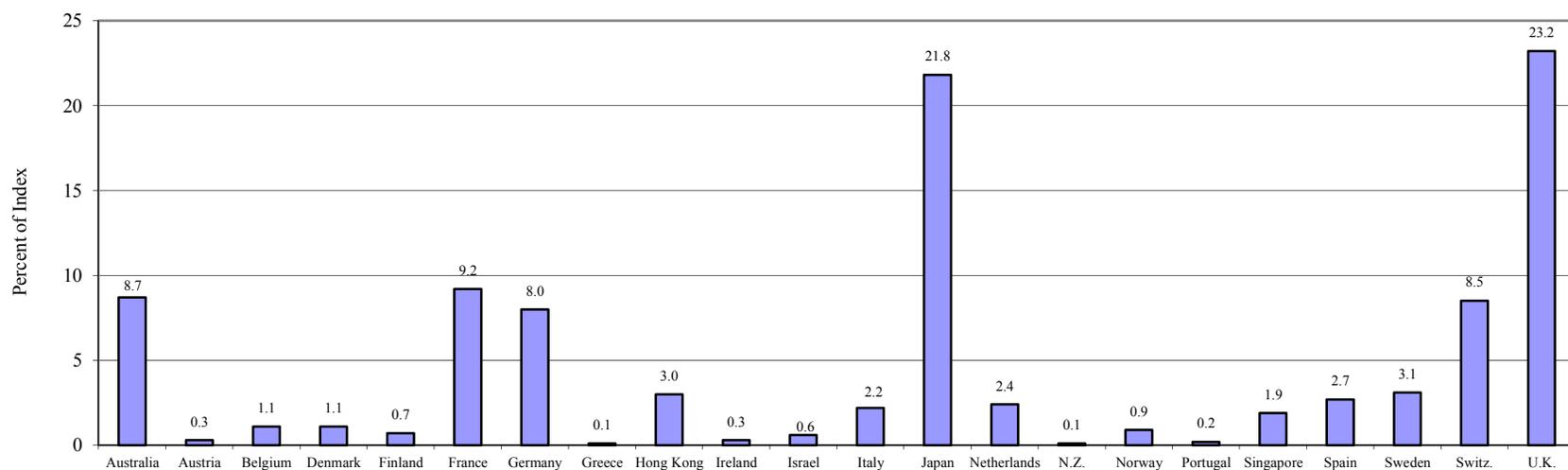
Global Equity Market Review

Q3 2012

MSCI EAFE Country Returns



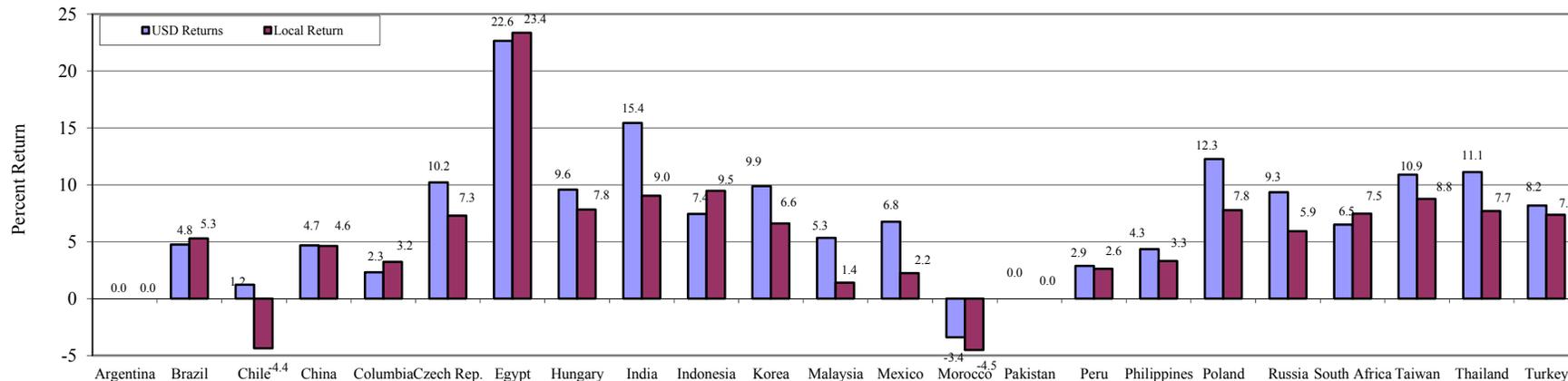
MSCI EAFE Country Weights



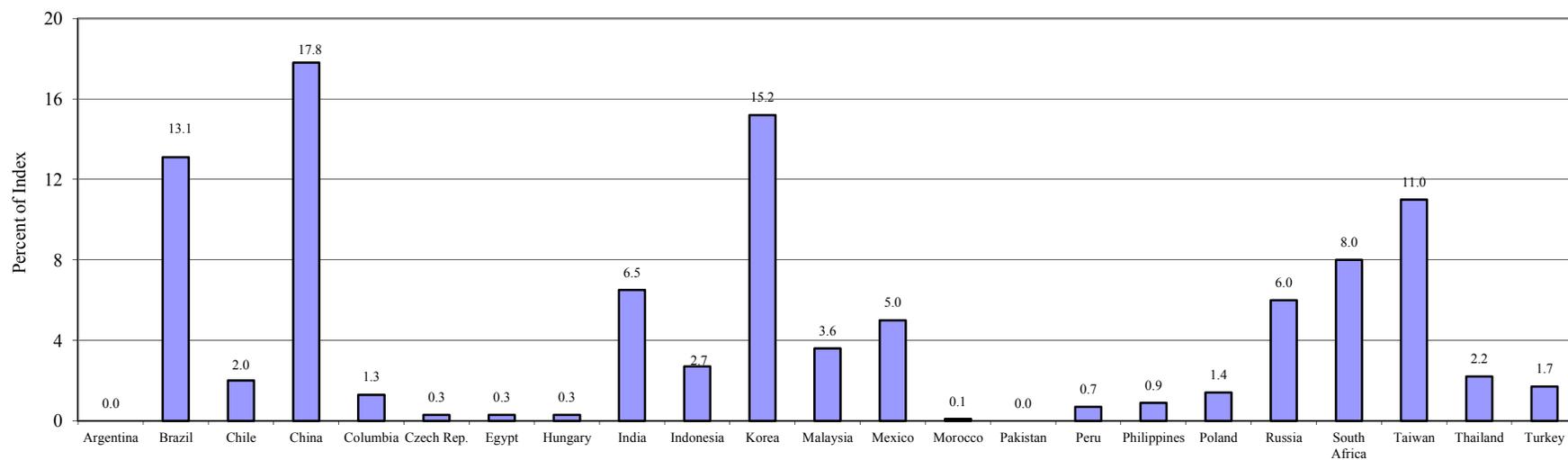
Global Equity Market Review

Q3 2012

MSCI Emerging Markets Country Returns



MSCI Emerging Markets Country Weights



OIC Regular Account Performance Report

Net of Fees

Periods Ending September 30, 2012

	3 Year %	5 Year %	7 Year %	10 Year %
Have Returns affected benefit security?				
1. Total Regular Account	10.21	2.02	5.53	8.84
2. Actuarial Discount Rate	8.00	8.00	8.00	8.00
3. Out/Under Performance (1 - 2)	2.21	(5.98)	(2.47)	0.84
Has plan been rewarded for capital market risk?				
4. Policy Return	9.93	2.45	5.66	8.57
5. Minimum Risk/High Cost Policy of 91-Day T-Bills	0.11	0.73	1.91	1.84
6. Impact of Asset Mix Policy (4 - 5)	9.81	1.72	3.76	6.73
Has plan been rewarded for active management risk?				
7. Net Active Management Effect (1 -4)	0.28	(0.43)	(0.13)	0.27

State of Oregon
Total Fund Summary
Quarter Ending September 30, 2012

Total Fund:

The Total Regular Account rose 3.71% in the third quarter of 2012, trailing its benchmark, the OPERF Policy Benchmark by 13 BP's. For the trailing twelve months, the Regular Account rose 12.93%, which lagged the benchmark by 247 BP's. Compared with its Wilshire TUCS peer group of all public funds greater than \$1B (page 15), the Plan placed at the 81st percentile in the quarter, and 83rd for the year ended September 30. In the year-to-date period the plan trailed the benchmark by 227 basis points with a return of 10.84%, but placed in the upper third of its peer universe. For the 3-year period the Plan finished at the 9th percentile and outperformed the benchmark by 28 BP's, with an annualized return of 10.21%.

Key Factors Contributing to Performance:

The Total Plan Attribution for the second quarter (page 16) shows that the Selection and Weighting factors contributed equally, but nearly oppositely – subtracting 88 BP's and adding 82 BP's, respectively -- while the Timing factor subtracted another six basis points. In particular, the overweighting in Private Equity subtracted 55 BP's, while selection in the asset class added back 72 BP's. Also detracting from the performance was the underweighting in Public Equity, which deducted 28 BP's. Over the trailing twelve months, both Selection and the overweighting in Private Equity contributed to the underperformance with value-adds of -96 and -80 BP's, respectively. Selection in Public Equity was positive, contributing 24 BP's.

With a return of 6.11% in the quarter, the Domestic Equity portfolio slightly trailed its benchmark, the Russell 3000, by 12 BP's, and dipped to the 65th percentile of the TUCS' rankings of US Equity pools of Public Funds greater than \$1B. Over the trailing twelve months, the portfolio increased by 29.48%, underperforming its benchmark by 72 BP's. Year-to-date the portfolio was at the 27th percentile with a return of 15.76%, which was 37 BP's below the benchmark.

The International Equity portfolio rose 7.45% in the quarter, barely underperforming its benchmark, the MSCI ACWI ex US IMI (net) Index, by 9 BP's. Despite the underperformance, the portfolio raised its peer ranking to the 22nd percentile of TUCS' International Equity pools of Public Funds. Year-to-date, the portfolio topped the benchmark by 133 BP's, and finished at the 28th percentile against its peers. Over the trailing twelve months, the portfolio rose 15.81%, outperforming the benchmark by 145 BP's and placing it at the 32nd percentile against its peers. Over the ten year period, the international portfolio finished 1st among its peer group.

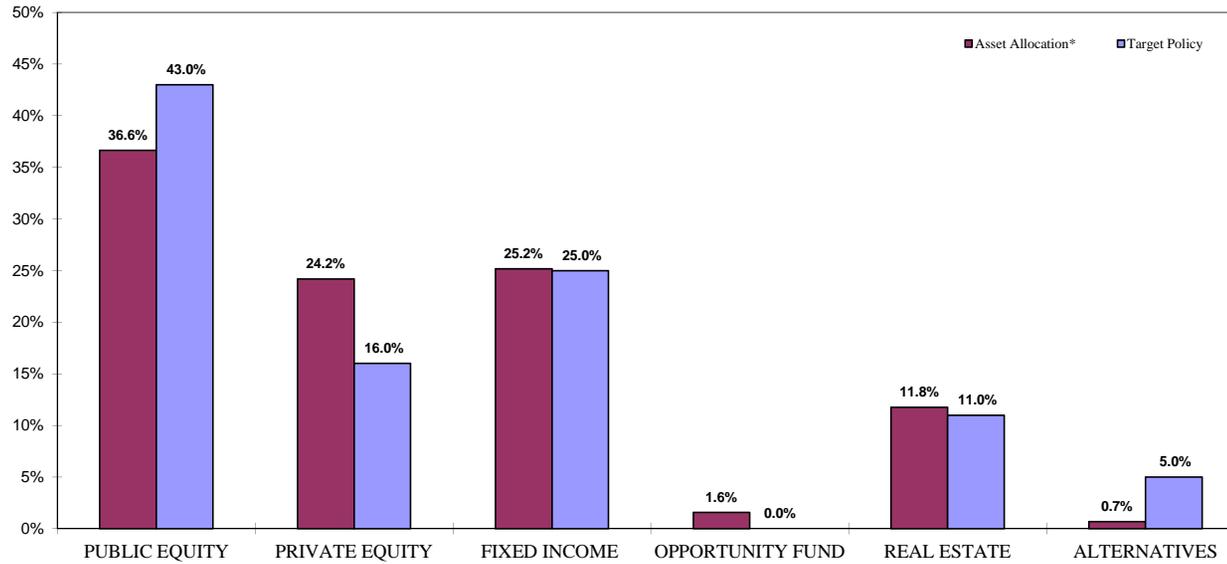
The PERS Total Fixed Income enjoyed stellar relative performance in the third quarter, vs. both the benchmark and its peer group. The portfolio returned 3.31%, outperforming its benchmark, the Custom Fixed Income Benchmark (see footnote, Page 13), by 39 BP's, which placed it in the first percentile in the TUCS US Fixed Income Pools. The portfolio also placed in the top spot of its peer group across all reported time-periods except the 5- and 10-year columns in which it placed at the 5th percentile. Year-to-date, the portfolio returned 8.74%, besting the benchmark by 151 BP's, and over the trailing twelve months, the portfolio returned 11.11%, surpassing the benchmark by 111 BP's.

The Plan's Private equity portfolio returned 0.47% to outperform its benchmark, the Russell 3000 Index + 300 BP's (lagged one quarter) by 289 BP's. The portfolio placed at the 60th percentile in the third quarter, and the 27th percentile year-to-date. Meanwhile, the Real Estate portfolio returned 2.79% in the quarter, narrowly outperforming its benchmark, the NCREIF Property Index (1-quarter lag) by 11 BP's, placing at the 5th percentile among TUCS' US Real Estate investment pools. Year-to-date, the portfolio rose 9.44% to beat its benchmark by 38 BP's.

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

State of Oregon
Total Regular Account Asset Allocation
As of September 30, 2012

Asset Allocation (% Percent) vs. Target Policy



WEIGHTS				
	Asset Allocation*	Target Policy	Difference	Median (TUCS) Public Fund > \$1 B Universe
PUBLIC EQUITY	36.6%	43.0%	-6.4%	53.0%
PRIVATE EQUITY	24.2%	16.0%	8.2%	9.3%
FIXED INCOME	25.2%	25.0%	0.2%	24.2%
OPPORTUNITY FUND	1.6%	0.0%	1.6%	N/A
REAL ESTATE	11.8%	11.0%	0.8%	3.9%
ALTERNATIVES	0.7%	5.0%	-4.3%	N/A
CASH	0.0%	0.0%	0.0%	3.0%
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 September 30, 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	\$58,898,143	3.71	10.84	12.93	10.21	2.02	5.53	8.84	7.18	07/01/1997
<i>OPERF POLICY BENCHMARK</i>		3.84	13.11	15.40	9.93	2.45	5.66	8.57		
PUBLIC FUNDS > \$1 BILLION RANK*		81	31	83	9	46	21	6		
PUBLIC FUNDS > \$10 BILLION RANK*		93	38	93	11	31	19	5		
TOTAL DOMESTIC EQUITY	\$9,870,643	6.11	15.76	29.48	13.21	1.10	4.32	8.60	9.85	04/01/1971
<i>RUSSELL 3000</i>		6.23	16.13	30.20	13.26	1.30	4.60	8.49		
US EQUITY POOLS*		65	27	33	17	30	30	5		
TOTAL INTERNATIONAL EQUITY	\$10,809,721	7.45	12.02	15.81	4.55	-2.53	4.57	10.97	10.72	04/01/1985
<i>OREGON MSCI ACWI EX US IMI NET</i>		7.54	10.69	14.36	3.49	-3.70	3.77	10.30		
INTERNATIONAL EQUITY POOLS*		22	28	32	25	12	12	1		
TOTAL GLOBAL EQUITY	\$628,540	4.76	5.16	12.95	1.42	-7.58			-5.06	03/01/2007
<i>OREGON MSCI ACWI VALUE NET INDEX</i>		6.61	11.51	19.48	5.98	-2.76				
TOTAL FIXED INCOME	\$13,979,175	3.41	8.74	11.11	9.51	8.03	7.14	7.22	8.51	01/01/1988
<i>CUSTOM FIXED INCOME 90/10 BLEND³</i>		3.02	7.23	10.00	6.61	6.56	5.99	5.66		
US FIXED INCOME POOLS*		1	1	1	1	5	1	5		
TOTAL REAL ESTATE ¹	\$6,939,594	2.79	9.44	12.09	8.13	-1.02	5.61	9.93	9.88	12/01/1996
<i>NCREIF PROPERTY ONE QTR LAG</i>		2.68	8.46	12.04	8.82	2.51	6.70	8.29		
REAL ESTATE POOLS*		5	50	58	75	41	1	1		
TOTAL PRIVATE EQUITY ²	\$14,257,675	0.47	9.97	4.18	15.97	4.85	10.30	12.19	10.83	07/01/1997
<i>BLENDED PRIVATE EQUITY INDEX QTR LAG</i>		-2.42	25.26	6.95	20.11	4.24	7.94	9.96		
US PRIVATE EQUITY*		60	27	68	17	29	35	15		
TOTAL OPPORTUNITY PORTFOLIO	\$928,421	4.17	13.87	10.54	12.44	5.42			5.47	09/01/2006
<i>RUSSELL 3000</i>		6.23	16.13	30.20	13.26	1.30				
<i>CPI + 5%</i>		2.07	6.35	7.08	7.43	7.18				
OST SHORT TERM FUND - PERS	\$683,889	0.46	1.48	1.62	0.89	1.47	2.48	2.28	4.03	12/01/1989
<i>91 DAY T-BILL</i>		0.03	0.07	0.07	0.11	0.73	1.91	1.84		

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

²Private Equity returns lagged one quarter

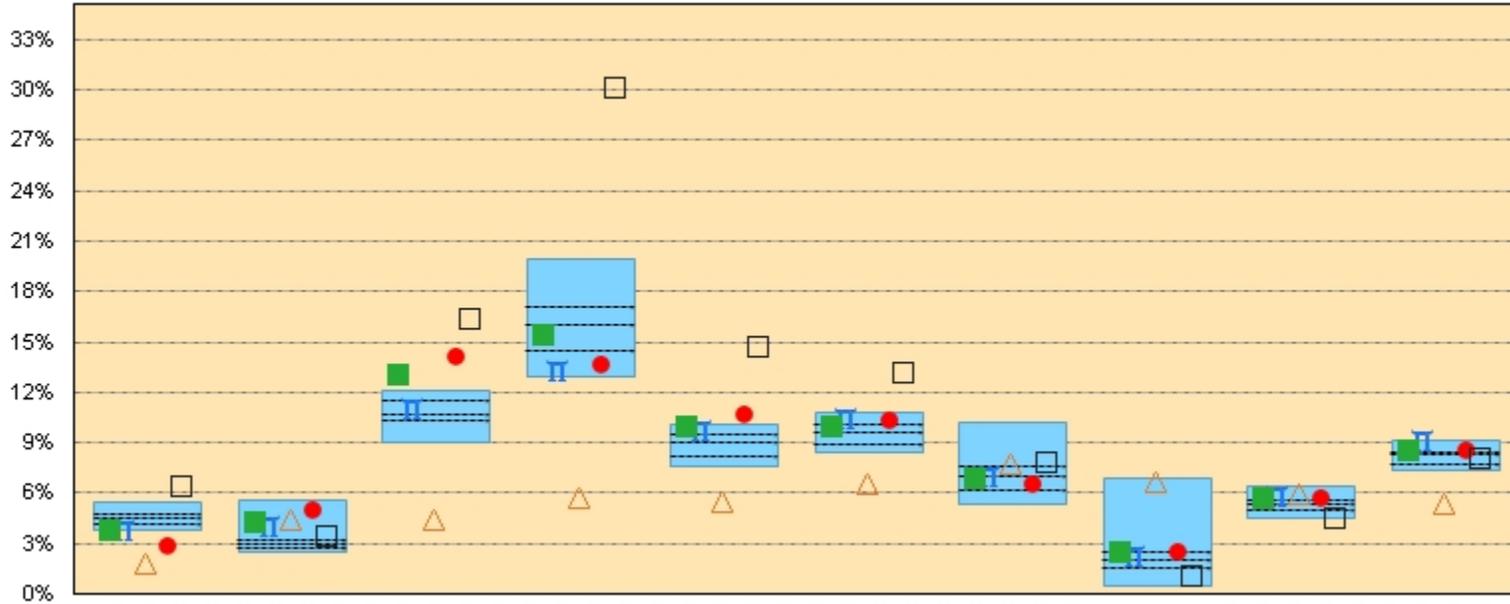
³Prior to 2/28/2011, Index is Oregon Custom FI 90/10 Benchmark (90% BC U.S. Universal/10% SSBI Non-US World Govt. Bond Hedged Index). From 3/1/2011 to current, Index is Oregon Custom FI Benchmark (60% BC US Universal Index, 20% S&P/LSTA Leveraged Loan Index, 10% JMP EMBI Global Index, and 10% BofA ML 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 : September 30, 2012



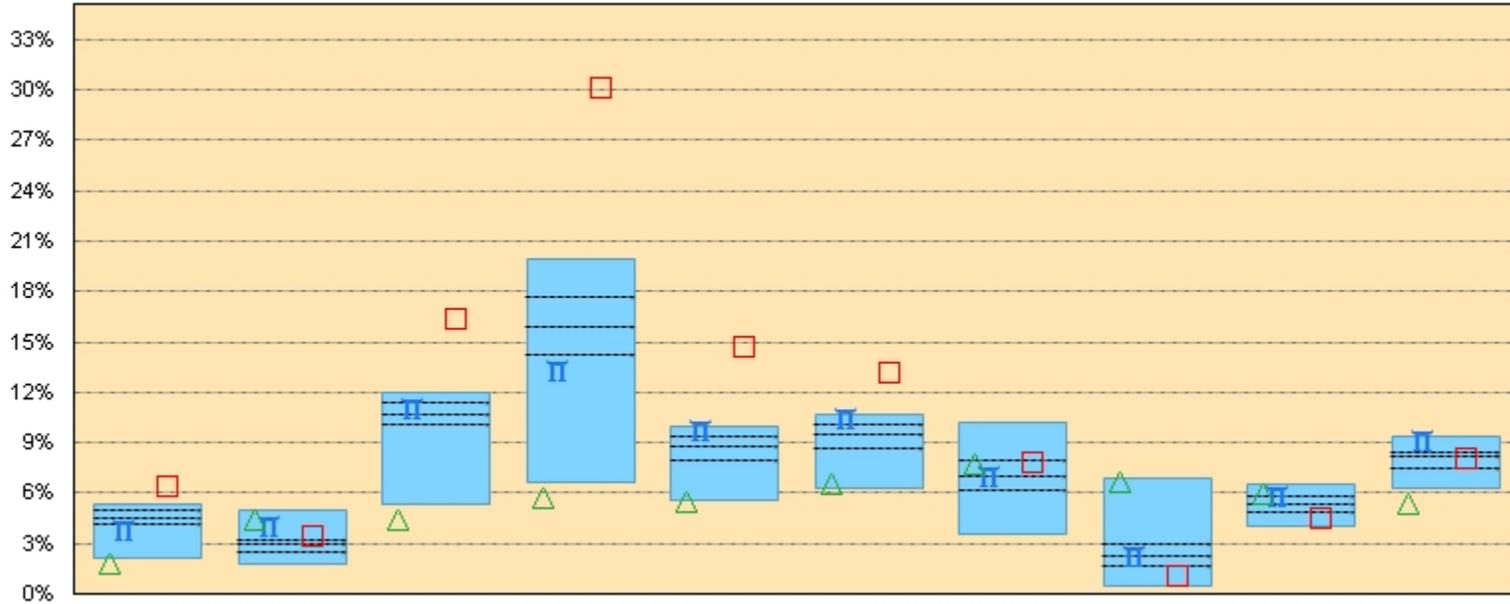
Percentile Rankings	1 Qtr	2 Qtrs	3 Qtrs	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
5th	5.40	5.59	12.15	19.93	10.11	10.82	10.17	6.91	6.43	9.11
25th	4.73	3.26	11.49	17.06	9.48	10.03	7.65	2.48	5.52	8.44
50th	4.48	2.99	10.71	15.99	9.05	9.62	7.00	2.01	5.30	8.25
75th	4.21	2.76	10.35	14.42	8.23	8.95	6.13	1.50	4.93	7.75
95th	3.77	2.49	9.03	12.92	7.62	8.42	5.38	0.52	4.54	7.34

No. Of Obs	35	35	35	35	33	33	33	33	33	32
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Total Regular Account	3.80 (93)	3.99 (11)	11.06 (38)	13.23 (93)	9.73 (22)	10.48 (11)	7.00 (50)	2.28 (31)	5.81 (19)	9.11 (5)
Actual Allocation Retu	2.90 (100)	5.02 (5)	14.07 (1)	13.70 (84)	10.63 (1)	10.29 (11)	6.53 (62)	2.49 (22)	5.71 (19)	8.57 (12)
OPERF Policy Benchmark	3.84 (84)	4.22 (5)	13.11 (1)	15.41 (56)	9.99 (8)	9.93 (28)	6.94 (50)	2.45 (25)	5.66 (19)	8.57 (12)
S&P 500	6.35 (1)	3.42 (19)	16.43 (1)	30.18 (1)	14.75 (1)	13.20 (1)	7.80 (14)	1.05 (88)	4.49 (95)	8.01 (59)
Barclays Govt/Credit	1.73 (100)	4.34 (5)	4.43 (100)	5.66 (100)	5.40 (100)	6.50 (99)	7.72 (16)	6.64 (5)	5.94 (14)	5.39 (100)

State of Oregon Performance Comparison

Total Returns of Master Trusts - Public : Plans > \$1 Billion
Cumulative Periods Ending : September 30, 2012



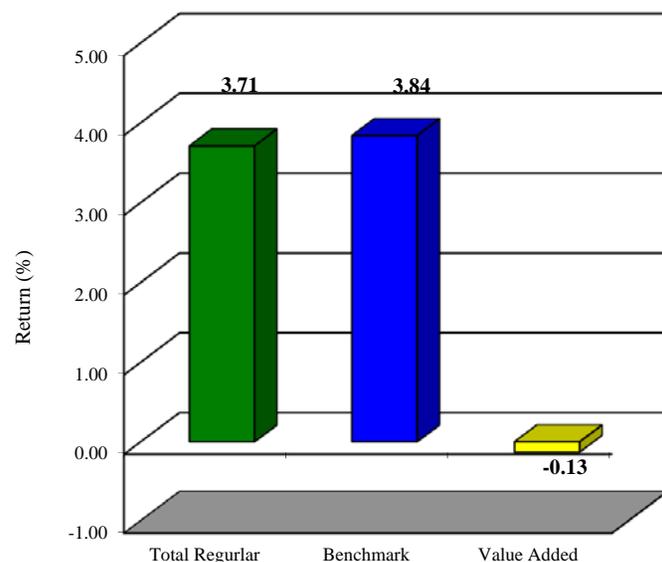
Percentile Rankings	1 Qtr	2 Qtrs	3 Qtrs	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
5th	5.29	4.99	12.01	19.93	10.01	10.73	10.17	6.85	6.58	9.32
25th	4.98	3.26	11.40	17.63	9.36	10.03	7.95	2.99	5.76	8.47
50th	4.53	2.91	10.67	15.91	8.81	9.54	7.05	2.25	5.30	8.21
75th	4.16	2.44	10.11	14.25	7.91	8.71	6.16	1.61	4.81	7.47
95th	2.18	1.78	5.31	6.59	5.59	6.32	3.60	0.47	4.05	6.34
No. Of Obs	66	65	63	63	60	60	60	60	60	58
■ Total Regular Account	3.80 (81)	3.99 (5)	11.06 (31)	13.23 (83)	9.73 (13)	10.48 (9)	7.00 (50)	2.28 (46)	5.81 (21)	9.11 (6)
■ S&P 500	6.35 (1)	3.42 (16)	16.43 (1)	30.18 (1)	14.75 (1)	13.20 (1)	7.80 (26)	1.05 (88)	4.49 (88)	8.01 (53)
▲ Barclays Govt/Credit	1.73 (97)	4.34 (5)	4.43 (97)	5.66 (95)	5.40 (95)	6.50 (92)	7.72 (26)	6.64 (5)	5.94 (18)	5.39 (95)

Total Plan Attribution

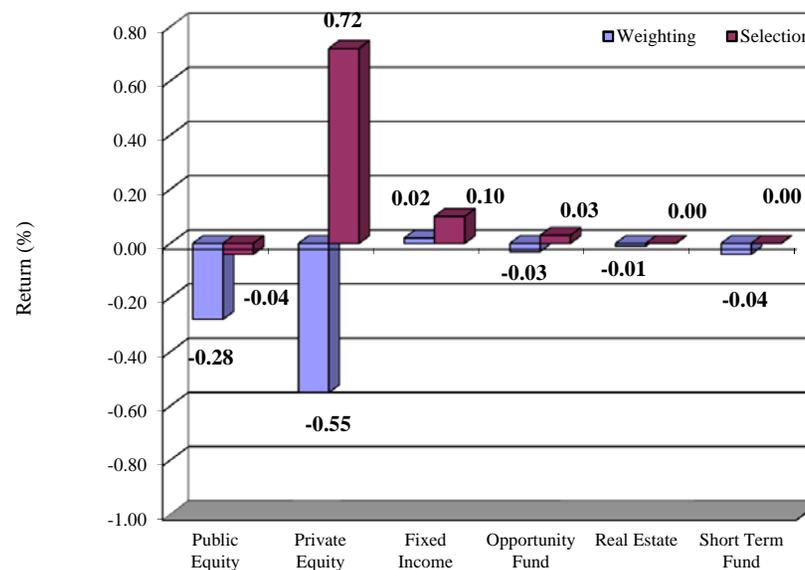
Regular Account

June 30, 2012 - September 30, 2012

Return vs. Benchmark



Value Added Attribution



	WEIGHTS			RETURNS			VALUE ADDED		
	Portfolio*	Benchmark**	Difference	Portfolio***	Benchmark	Difference	Weighting	Selection	Timing
Public Equity	36.43	46.00	-9.57	6.75	6.84	-0.09	-0.28	-0.04	
Private Equity	25.43	16.00	9.43	0.47	-2.42	2.89	-0.55	0.72	
Fixed Income	24.06	27.00	-2.94	3.44	3.02	0.42	0.02	0.10	
Opportunity Fund	1.63	0.00	1.63	4.17	2.07	2.10	-0.03	0.03	
Real Estate	11.96	11.00	0.96	2.79	2.68	0.11	-0.01	0.00	
Short Term Fund	0.49	0.00	0.49	0.51	0.03	0.48	-0.04	0.00	
Total Regular Account	100.00	100.00	0.00	3.71	3.84	-0.13	-0.88	0.82	-0.06

* Weights of Portfolios based on beginning of period valuations.

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

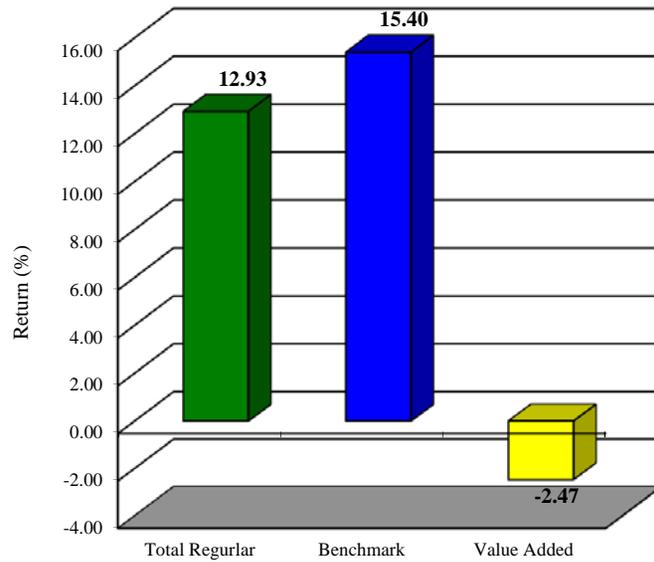
*** Asset Class Returns reflect the impact of the overlay program.

Total Plan Attribution

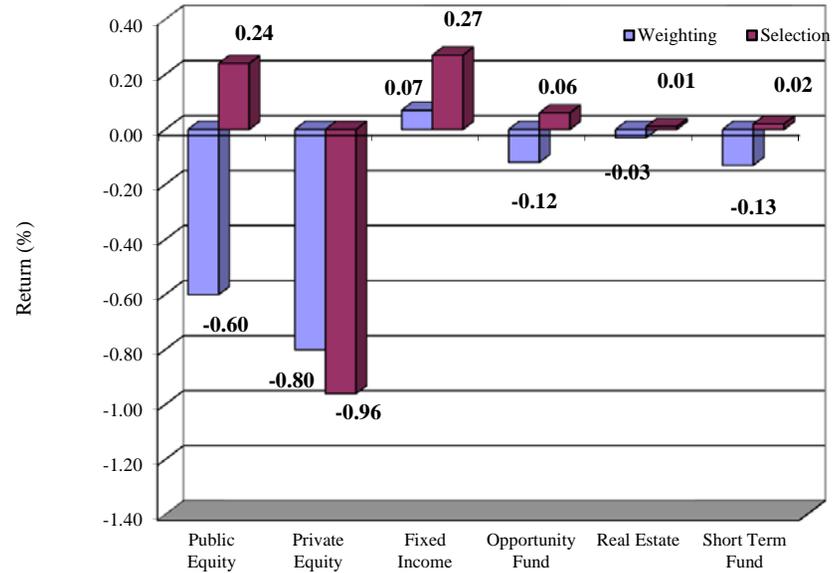
Regular Account

September 30, 2011 - September 30, 2012

Return vs. Benchmark



Value Added Attribution



	WEIGHTS			RETURNS			VALUE ADDED		
	Portfolio*	Benchmark**	Difference	Portfolio***	Benchmark	Difference	Weighting	Selection	Timing
Public Equity	35.52	46.00	-10.48	21.76	20.98	0.78	-0.60	0.24	
Private Equity	25.96	16.00	9.96	4.18	6.95	-2.77	-0.80	-0.96	
Fixed Income	25.13	27.00	-1.87	11.29	10.00	1.29	0.07	0.27	
Opportunity Fund	1.63	0.00	1.63	10.54	7.08	3.46	-0.12	0.06	
Real Estate	11.45	11.00	0.45	12.09	12.04	0.05	-0.03	0.01	
Short Term Fund	0.30	0.00	0.30	1.84	0.07	1.77	-0.13	0.02	
Total Regular Account	100.00	100.00	0.00	12.93	15.40	-2.47	-1.61	-0.36	-0.18

* Weights of Portfolios based on beginning of period valuations.

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

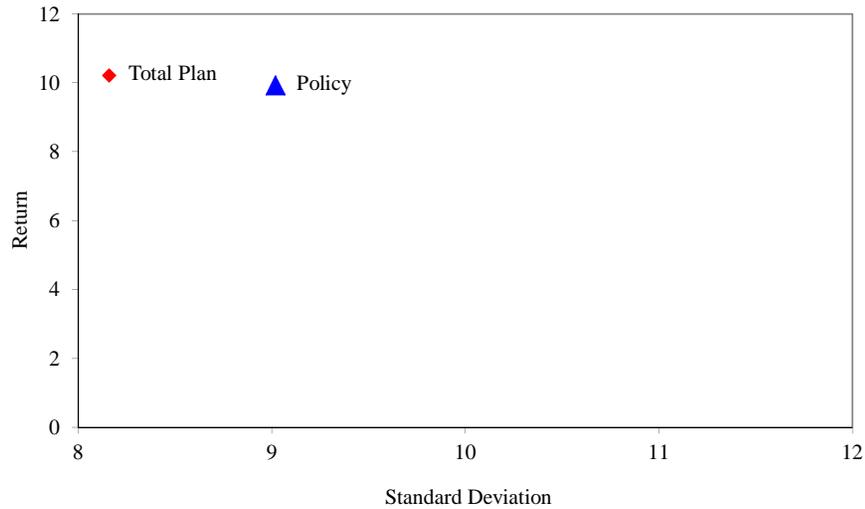
*** Asset Class Returns reflect the impact of the overlay program.

Total Regular Account

Total Risk vs. Return (OPERF Policy)

As of September 30, 2012

3 Year Risk Analysis



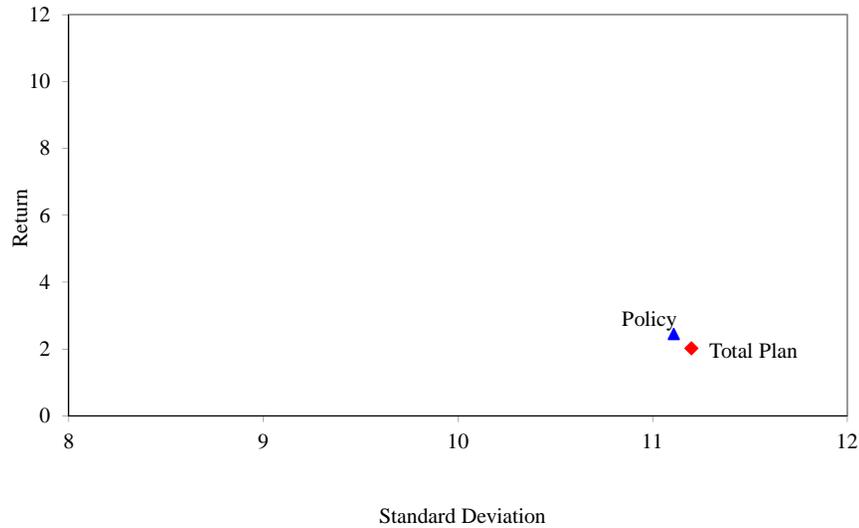
Risk Information

Portfolio Return	10.21
Benchmark Return	9.93
Return Difference	0.28
Portfolio Standard Deviation	8.16
Benchmark Standard Deviation	9.02
Tracking Error	1.90

Risk Statistics

Historic Beta	0.89
R-Squared	0.96
Jensens Alpha	1.39
Sharpe Ratio	1.24
Treynor Ratio	11.38
Information Ratio	0.15

5 Year Risk Analysis



Risk Information

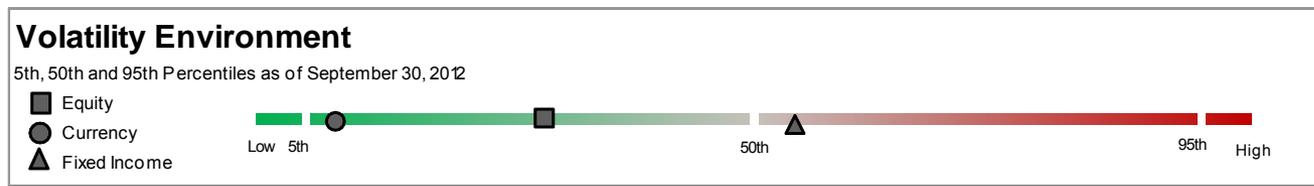
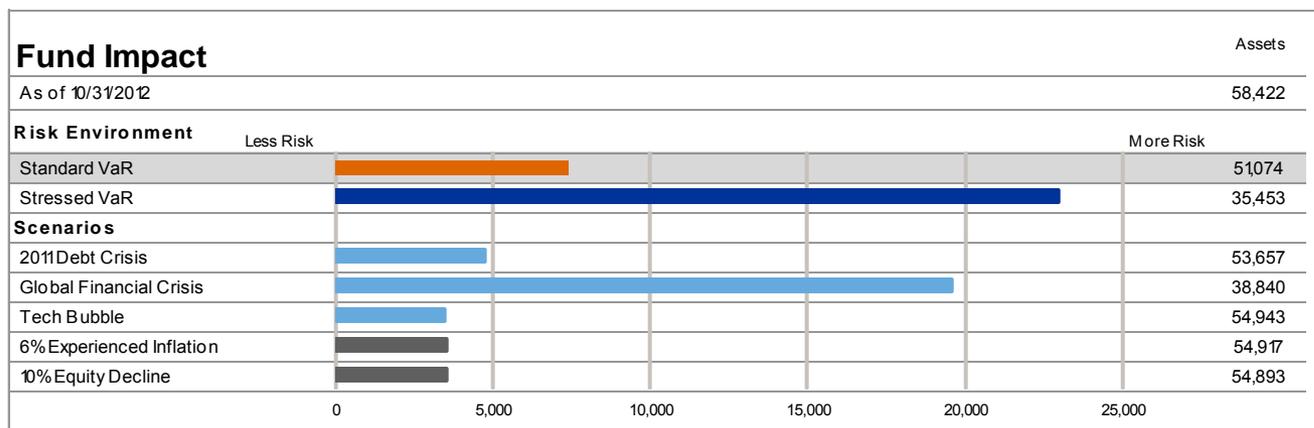
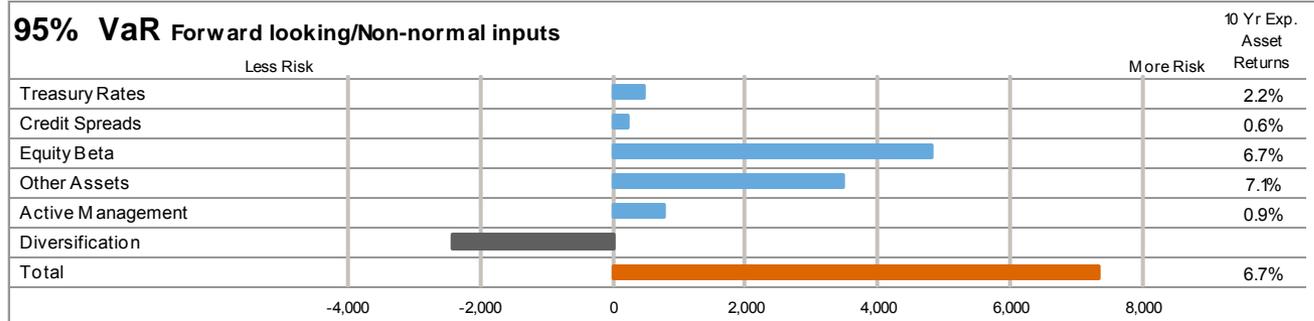
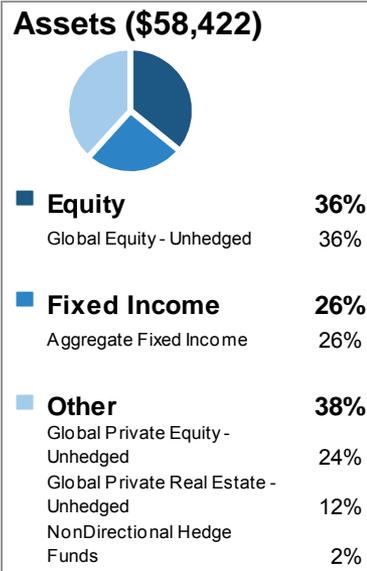
Portfolio Return	2.02
Benchmark Return	2.45
Return Difference	-0.43
Portfolio Standard Deviation	11.20
Benchmark Standard Deviation	11.11
Tracking Error	2.50

Risk Statistics

Historic Beta	0.98
R-Squared	0.95
Jensens Alpha	-0.41
Sharpe Ratio	0.11
Treynor Ratio	1.31
Information Ratio	-0.17

Asset Only Summary Risk Analysis

Oregon State Treasury
As of October 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.

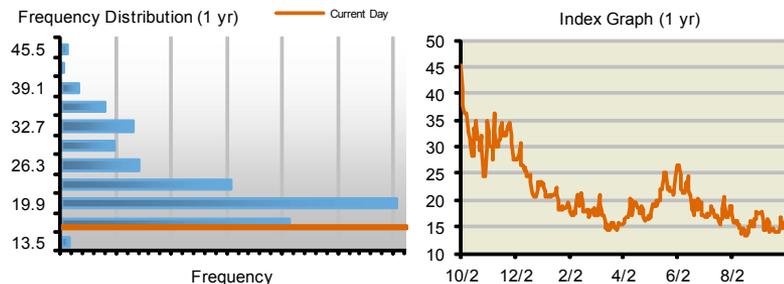
Current Risk Environment

as of 30-Sep-2012

Equity Volatility

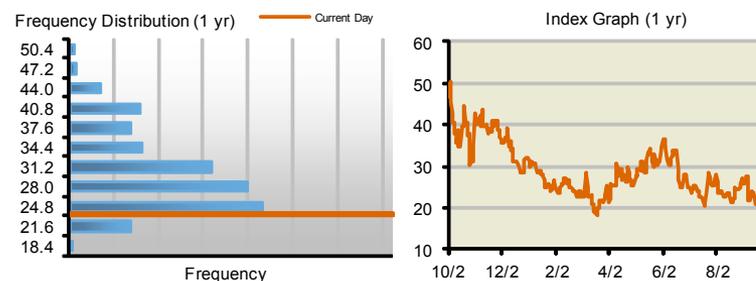
SPX Volatility

Current	1 Day	1 Week	1 Month	1 Year
15.73	0.0%	12.5%	-11.8%	-25.2%



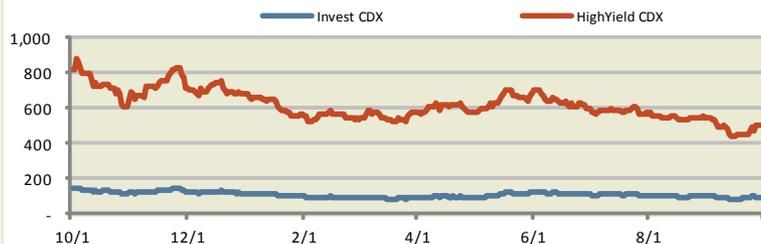
EuroStoxx Volatility

Current	1 Day	1 Week	1 Month	1 Year
23.38	0.0%	21.5%	-13.9%	-19.0%

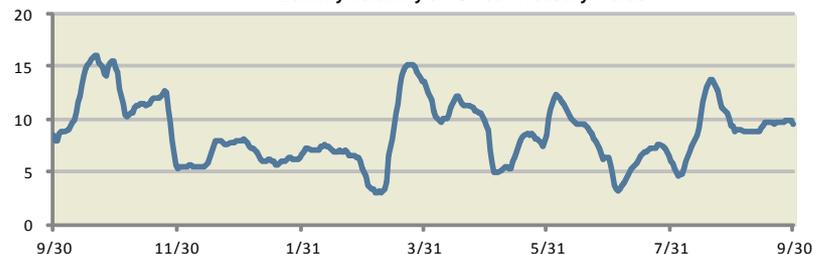


Fixed Income Spreads

Investment Grade and High Yield (spreads)

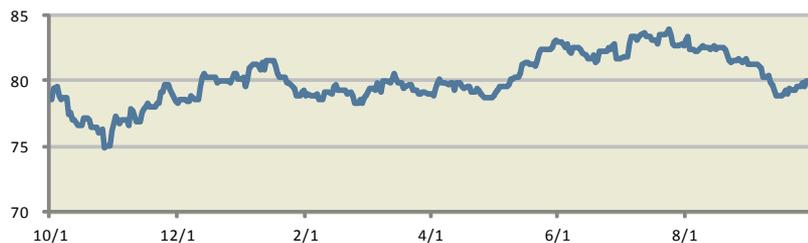


Monthly Volatility of 10-Year Treasury Yields

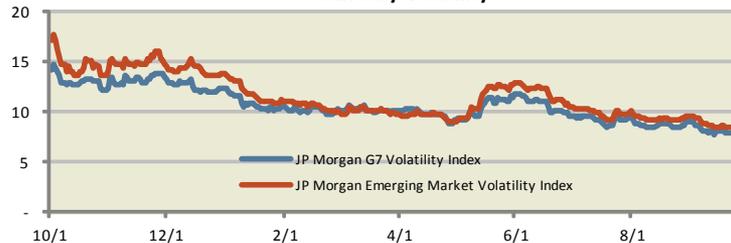


Currency Risk

Dollar Index



Currency Volatility



Sources: The above analysis is based on data provided by Russell and Bloomberg. Please see Important Information at the end of this report for additional details on the analysis provided.

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 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.
 - 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 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.
- 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).

V2.1.0006

Important Information

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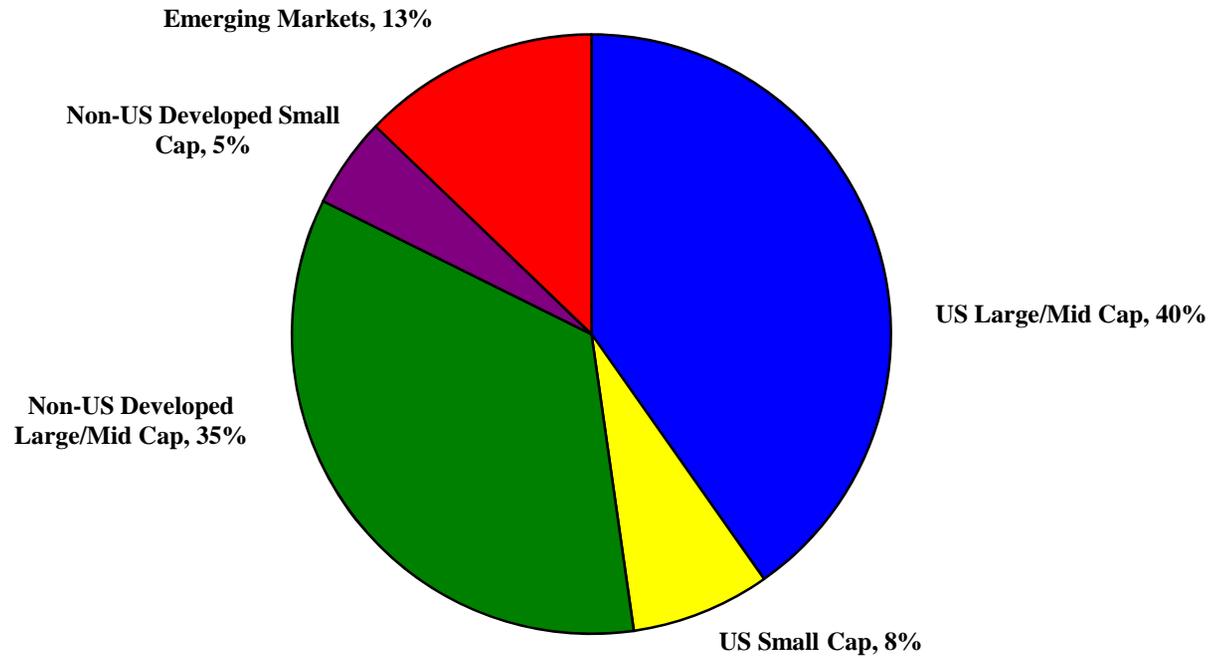
USI-12545-12-13



State of Oregon

Public Equity Regional Allocation*

As of September 30, 2012



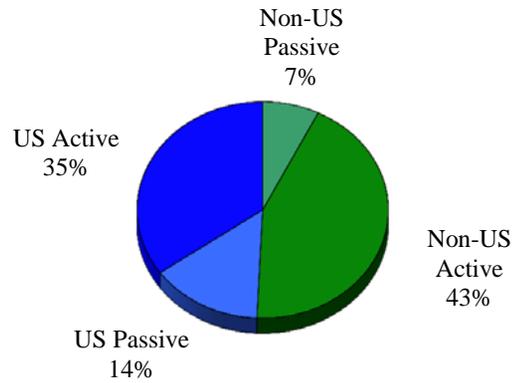
<u>Target</u>	
US Large/Mid:	41%
US Small:	6%
Non-US Developed Large/Mid:	35%
Non-US Developed Small:	5%
Emerging Markets:	12%

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

State of Oregon

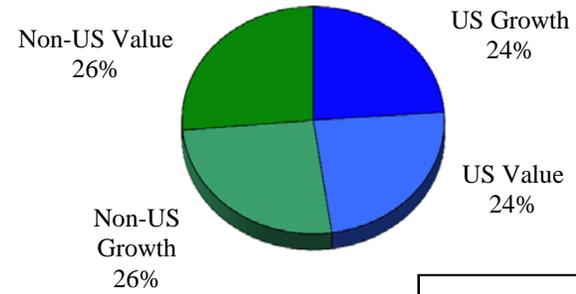
Public Sector Manager Allocation as of September 30, 2012

Active vs. Passive



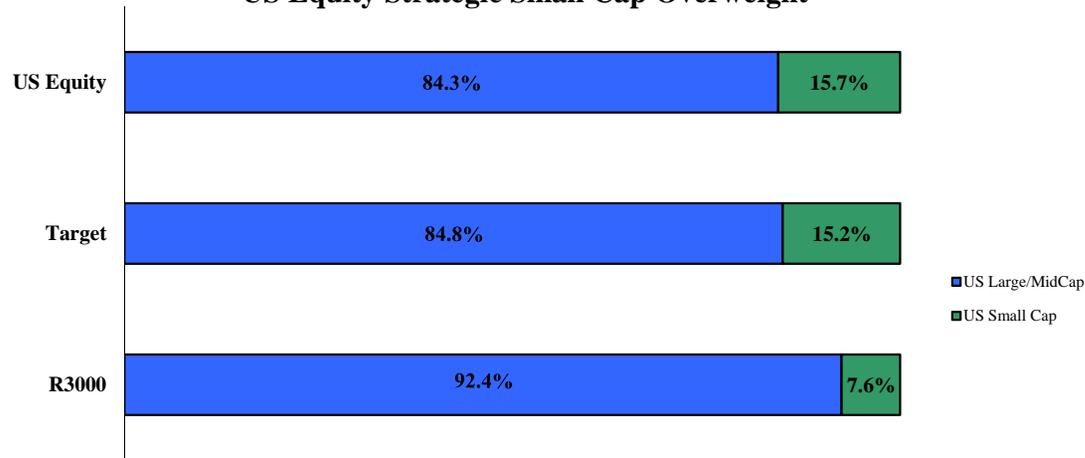
Target	
Active:	75%
Passive:	25%

Value vs. Growth



Target	
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 September 30, 2012

Manager	Market Value (\$M)	Current % of Equities
Total Domestic Equity		
U.S. Large Cap:	7,965,548	37.4%
Aronson+Johnson+Ortiz	768,569	3.6%
Blackrock Russell 1000 Growth	908,496	4.3%
Blackrock Russell 1000 Value	580,175	2.7%
Delaware	508,319	2.4%
MFS	770,536	3.6%
Northern Trust	747,535	3.5%
PIMCO	546,221	2.6%
Russell Fundamental	602,867	2.8%
Pyramis US Core	406,431	1.9%
S&P 400 Index	242,333	1.1%
S&P 500 Index	1,190,541	5.6%
Wells Capital Select	693,525	3.3%
U.S. Small and SMID Cap:	1,905,068	8.9%
AQR	176,097	0.8%
Boston Company	198,974	0.9%
Eudaimonia	101,836	0.5%
Next Century Micro	120,887	0.6%
Next Century Small	110,609	0.5%
R2000 Synthetic	153,863	0.7%
Wanger	685,216	3.2%
Wellington	357,586	1.7%
Passive	4,627,623	21.7%
Active	16,681,274	78.3%
Total Equities*	21,308,905	100.0%

Manager	Market Value (\$M)	Current % of Equities
Total Non-US Equity		
Non-U.S. Large Cap:	8,294,514	38.9%
Acadian	707,371	3.3%
AQR (Non-US LC)	862,411	4.0%
Arrowstreet	1,081,506	5.1%
Brandes	652,988	3.1%
Lazard	763,932	3.6%
Northern Trust (Non-US)	224,293	1.1%
Pyramis Global Advisors	952,401	4.5%
SSgA	1,552,215	7.3%
TT International	495,595	2.3%
UBS	377,944	1.8%
Walter Scott	623,859	2.9%
Non-U.S. Small Cap:	842,750	4.0%
DFA	181,341	0.9%
Harris	197,647	0.9%
Pyramis Select (Non-US Smlcap)	289,560	1.4%
Victory	174,201	0.8%
Emerging Markets:	1,672,456	7.8%
Arrowstreet (EM)	425,420	2.0%
Blackrock TEMs	220,209	1.0%
DFA SC	112,879	0.5%
Genesis	609,984	2.9%
Westwood	113,342	0.5%
William Blair	190,622	0.9%
Global:	628,540	2.9%
AllianceBernstein GSV	628,540	2.9%

* Includes \$29 in other Equity assets not listed above

State of Oregon

Total Active Domestic Equity Characteristics Summary Third Quarter 2012

Top 10 Holdings

	Mkt. Value (\$M)	% of Portfolio
APPLE INC COMMON STOCK NPV	166,320	3.0
EXXON MOBIL CORP COMMON STOCK NPV	117,930	1.5
PFIZER INC COMMON STOCK USD.05	73,830	1.2
JPMORGAN CHASE + CO COMMON STOCK USD1.	71,630	1.2
GOOGLE INC CL A COMMON STOCK USD.001	63,480	1.1
CHEVRON CORP COMMON STOCK USD.75	63,210	1.1
QUALCOMM INC COMMON STOCK USD.0001	60,730	1.1
VISA INC CLASS A SHARES COMMON STOCK USD	58,960	1.1
CROWN CASTLE INTL CORP COMMON STOCK USD.	58,390	1.1
WELLS FARGO + CO COMMON STOCK USD1.666	50,230	0.9

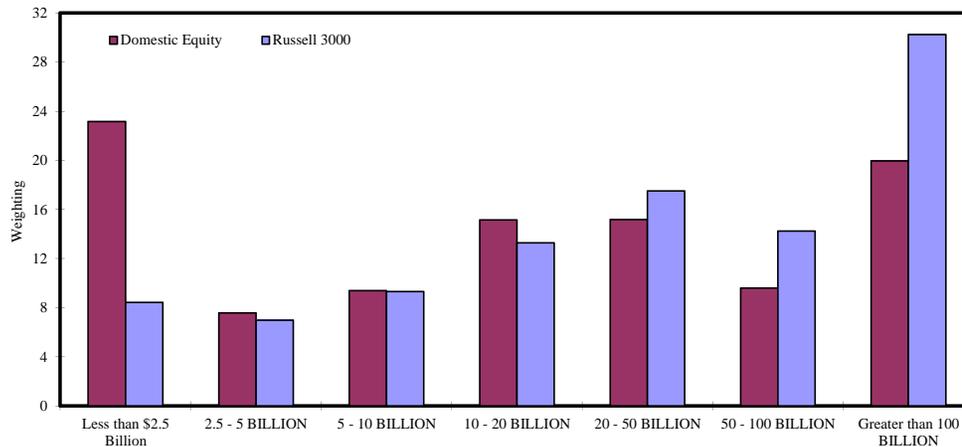
Characteristics

	Domestic Equity	Russell 3000
P/E Ratio	19.9	19.0
P/B Ratio	4.0	3.9
5 Year EPS Growth (%)	12.1	9.9
Market Cap - cap wtd (\$MM)	66.3	98.4
Dividend Yield (%)	1.5	2.1

Risk Statistics

	3 Year	5 Year
Portfolio Return	13.15	1.08
Benchmark Return	13.26	1.30
Portfolio Standard Deviation	17.40	21.12
Benchmark Standard Deviation	16.27	19.88
Tracking Error	1.99	2.49
Historic Beta	1.06	1.06
R-Squared	0.99	0.99
Jensen's Alpha	-0.95	-0.26
Sharpe Ratio	0.75	0.02
Information Ratio	-0.05	-0.09

Market Capitalization



Market Capitalization

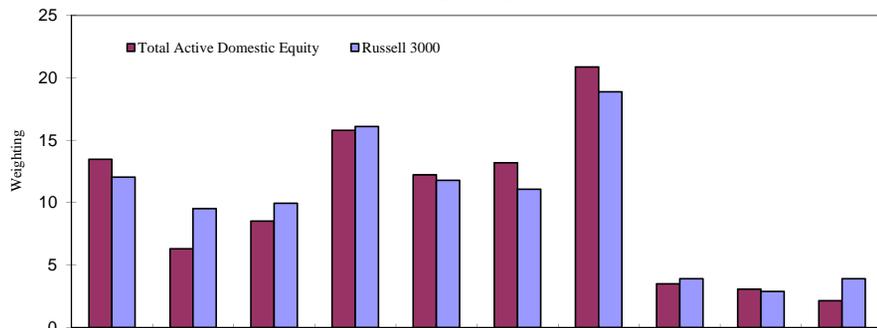
	Domestic Equity	Russell 3000
Less than \$2.5 Billion	23.2	8.4
2.5 - 5 BILLION	7.6	7.0
5 - 10 BILLION	9.4	9.3
10 - 20 BILLION	15.2	13.3
20 - 50 BILLION	15.2	17.5
50 - 100 BILLION	9.6	14.3
Greater than 100 BILLION	19.9	30.2

State of Oregon

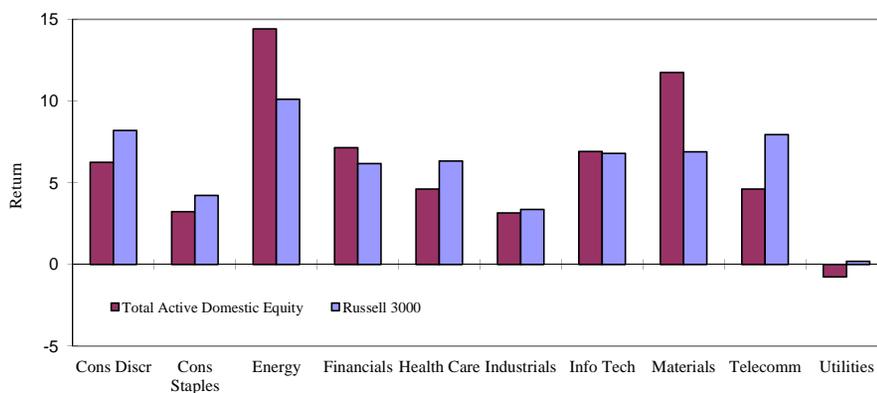
Total Active Domestic Equity Sector Attribution

Third Quarter 2012

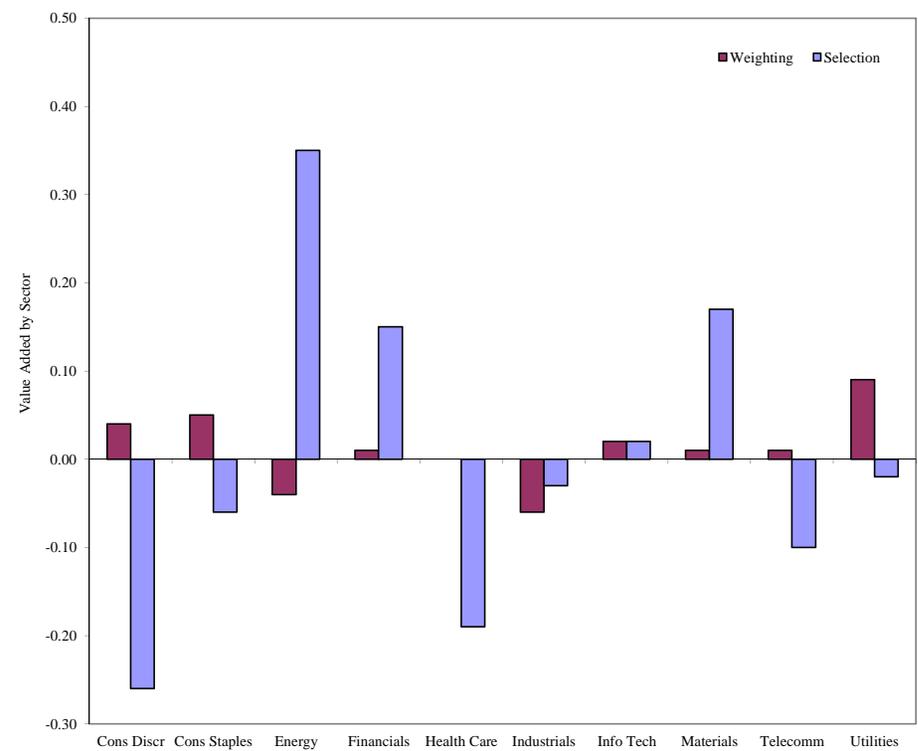
Weighting



Return



Value Added



	BEGINNING WEIGHTS			RETURNS			VALUE ADDED		
	Total Active	Russell	Difference	Total Active	Russell	Difference	Allocation	Selection	Timing
	Dom Equity*	3000		Dom Equity	3000		Allocation	Selection	Timing
Consumer Discretionary	13.5	12.0	1.4	6.3	8.2	-1.8	0.0	-0.3	
Consumer Staples	6.3	9.5	-3.2	3.2	4.2	-1.0	0.1	-0.1	
Energy	8.5	9.9	-1.4	14.4	10.1	3.9	0.0	0.4	
Financials	15.8	16.1	-0.3	7.1	6.2	0.9	0.0	0.2	
Health Care	12.2	11.8	0.4	4.6	6.3	-1.6	0.0	-0.2	
Industrials	13.2	11.1	2.1	3.2	3.4	-0.2	-0.1	0.0	
Info Technology	20.9	18.9	2.0	6.9	6.8	0.1	0.0	0.0	
Materials	3.5	3.9	-0.4	11.7	6.9	4.5	0.0	0.2	
Telecommunication	3.1	2.9	0.2	4.6	7.9	-3.1	0.0	-0.1	
Utilities	2.1	3.9	-1.8	-0.8	0.2	-1.0	0.1	0.0	
Total Fund	100.0	100.0	0.0	6.2	6.2	-0.1	0.1	-0.1	0.0

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

Third Quarter 2012

Top Ten Holdings

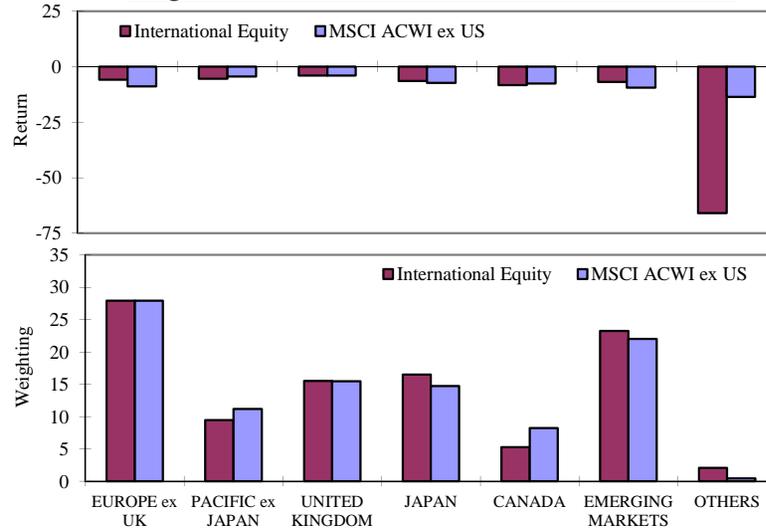
	Mkt. Value (\$M)	% of Portfolio
NOVARTIS AG REG COMMON STOCK	81,790	0.8
CHINA MOBILE LTD COMMON STOC	80,880	0.8
SAMSUNG ELECTRONICS CO LTD CC	77,790	0.7
NESTLE SA REG COMMON STOCK CI	77,680	0.7
NOVO NORDISK A/S B COMMON STC	76,950	0.7
SANOFI COMMON STOCK EUR2.	70,940	0.7
ROCHE HOLDING AG GENUSSCHEIN	64,860	0.6
GLAXOSMITHKLINE PLC COMMON S	63,810	0.6
BRITISH AMERICAN TOBACCO PLC C	53,300	0.5
BAYER AG REG COMMON STOCK NF	52,510	0.5

*Excludes holdings of funds or ETF's

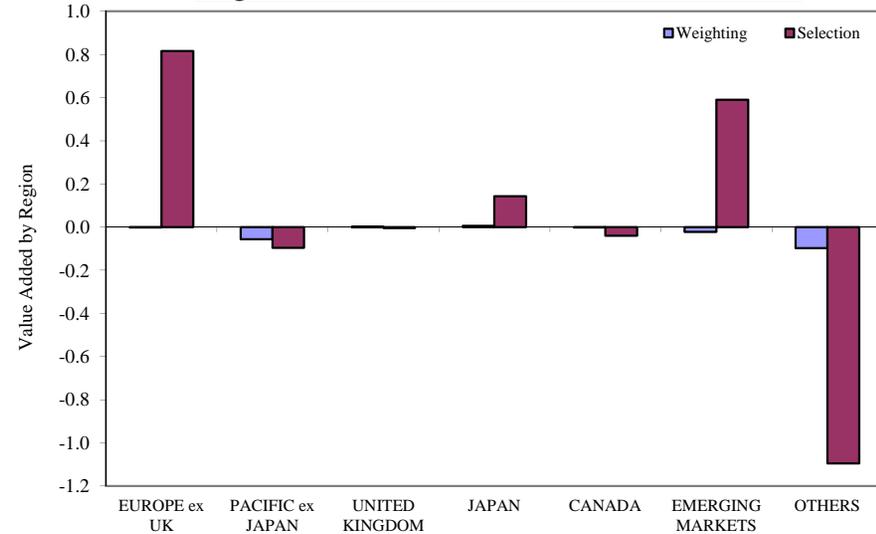
Market Capitalization

	International Equity	MSCI AC WORLD ex US
Less than 2.5 BILLION	12.8	2.4
2.5 - 5 BILLION	10.0	7.6
5 - 10 BILLION	13.8	14.5
10 - 20 BILLION	15.6	18.0
20 - 50 BILLION	20.9	25.8
50 - 100 BILLION	15.8	18.6
Greater than 100 BILLION	11.0	13.1

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 Third Quarter 2012

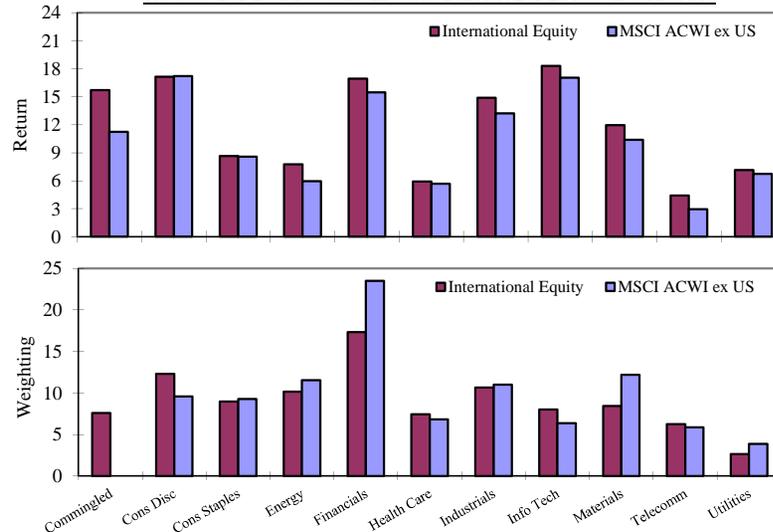
Risk Statistics

	3 Year	5 Year
Portfolio Return	4.55	-2.53
Benchmark Return	3.49	-3.70
Portfolio Standard Deviation	19.37	23.85
Benchmark Standard Deviation	19.56	24.62
Tracking Error	1.30	1.53
Historic Beta	0.99	0.97
R-Squared	1.00	1.00
Jensen's Alpha	1.10	1.03
Sharpe Ratio	0.23	-0.14
Information Ratio	0.81	0.77

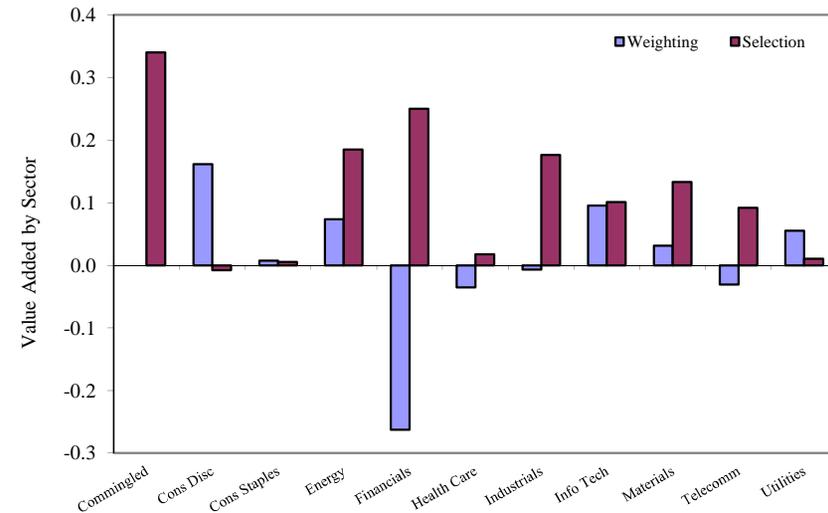
Characteristics

	International Equity	MSCI AC WORLD ex US
P/E Ratio	12.9	13.3
P/B Ratio	2.7	2.5
5 Year EPS Growth (%)	5.8	4.8
Market Cap - cap weighted (\$B)	38.3	45.1
Dividend Yield (%)	3.2	3.5

Sector Attribution vs. MSCI ACWI ex US



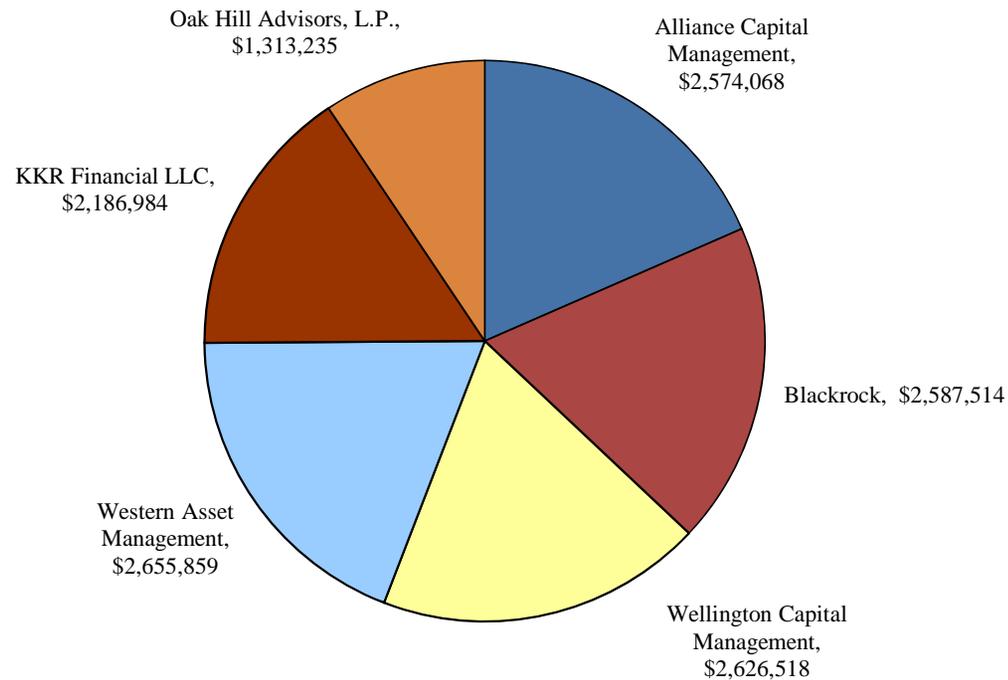
Sector Attribution vs. MSCI ACWI ex US



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.

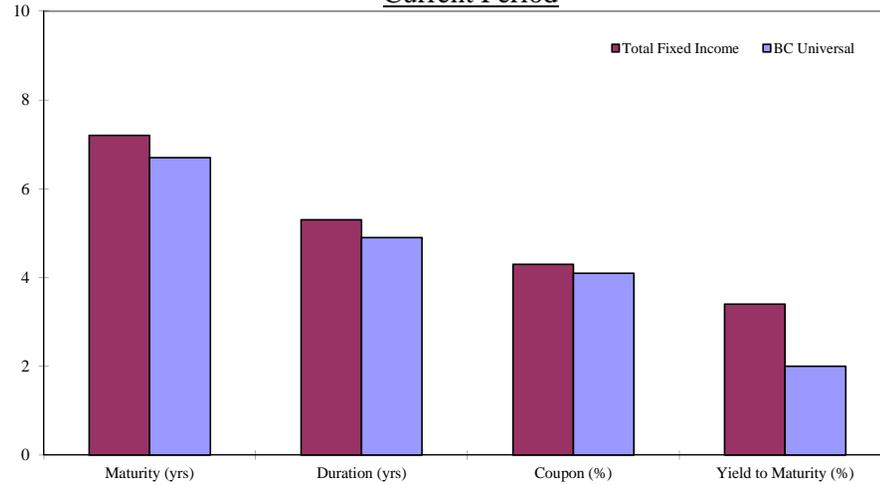
Total Fixed Income
Individual Manager Allocation
As of September 30, 2012

<u>Portfolio</u>	<u>\$M</u>	<u>% Allocation</u>
External Fixed Income		
Alliance Capital Management	\$ 2,574,068	18.5%
Blackrock	\$ 2,587,514	18.6%
Wellington Capital Management	\$ 2,626,518	18.8%
Western Asset Management	\$ 2,655,859	19.0%
KKR Financial LLC	\$ 2,186,984	15.7%
Oak Hill Advisors, L.P.	\$ 1,313,235	9.4%
Total Fixed Income	\$ 13,944,178	



State of Oregon
Fixed Income Characteristics Summary
Third Quarter 2012

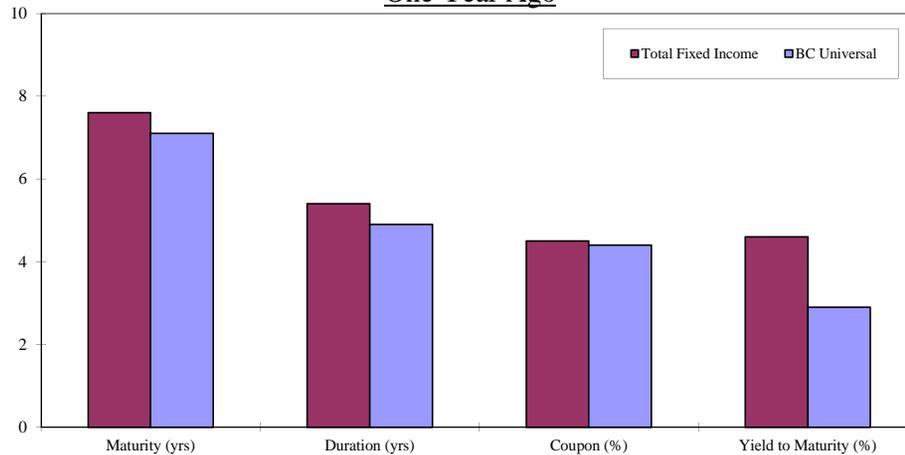
Current Period



Characteristics

Characteristics	9/30/12		9/30/11	
	Portfolio	BC Universal	Portfolio	BC Universal
Maturity (yrs)	7.2	6.7	7.6	7.1
Duration (yrs)	5.3	4.9	5.4	4.9
Coupon (%)	4.3	4.1	4.5	4.4
Yield to Maturity (%)	3.4	2.0	4.6	2.9
Moody's Quality Rating	A-2	AA-3	A-2	AA-3
S&P Quality Rating	A-	A+	A	AA-

One Year Ago

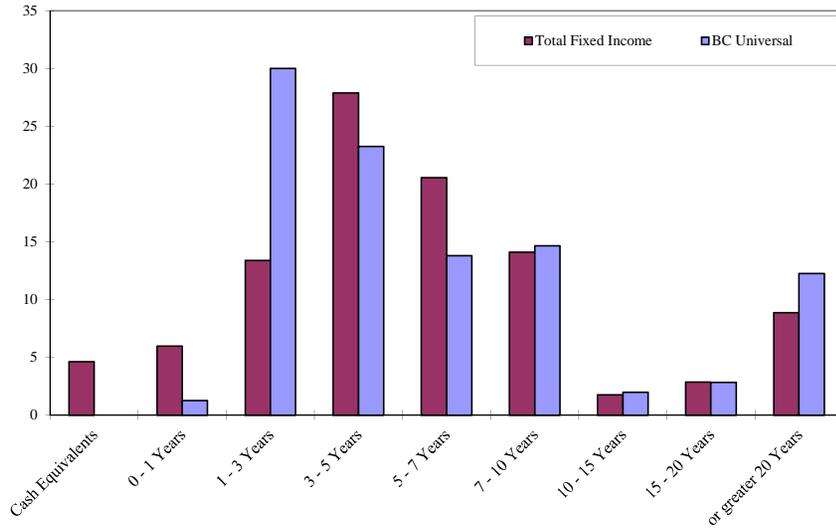


Risk Statistics

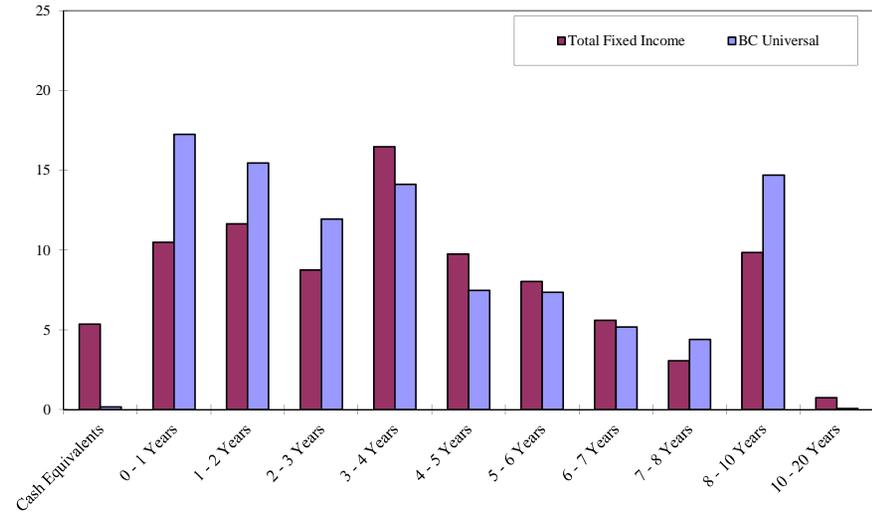
	3 Year	5 Year
Portfolio Return	9.51	8.03
Benchmark Return	6.61	6.56
Portfolio Standard Deviation	2.69	5.74
Benchmark Standard Deviation	2.74	3.64
Tracking Error	1.82	4.19
Historic Beta	0.76	1.12
R-Squared	0.60	0.50
Jensen's Alpha	4.45	0.75
Sharpe Ratio	3.49	1.27
Information Ratio	1.59	0.35

State of Oregon
 Fixed Income Characteristics Detail
 Third Quarter 2012

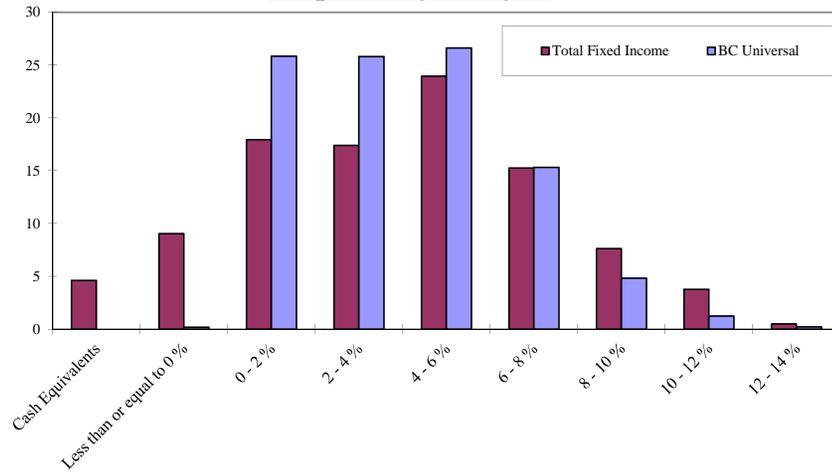
Maturity Range Weights



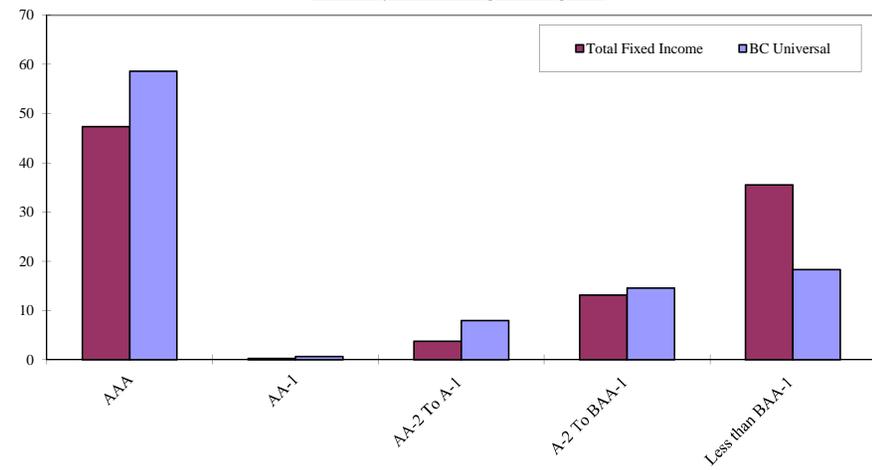
Duration Range Weights



Coupon Range Weights

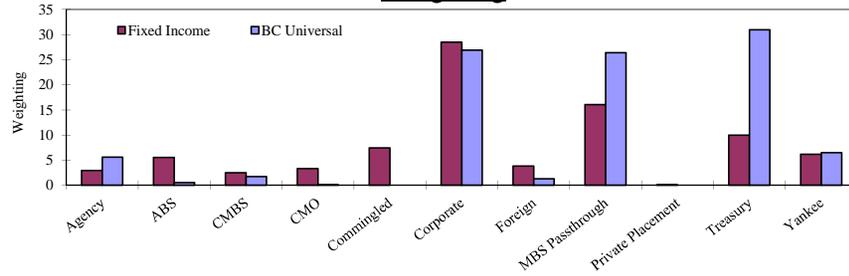


Moody's Rating Weights

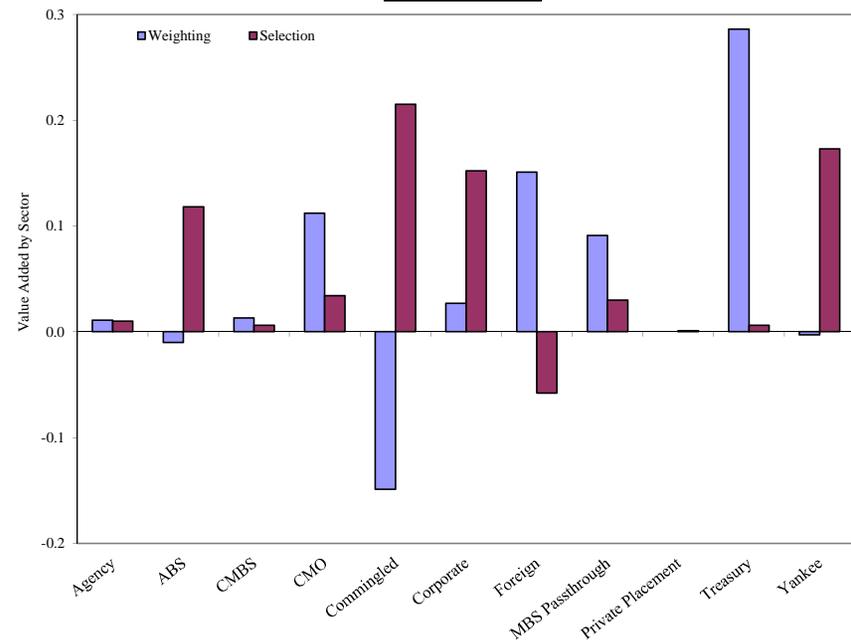


State of Oregon
Fixed Income Sector Attribution
Third Quarter 2012

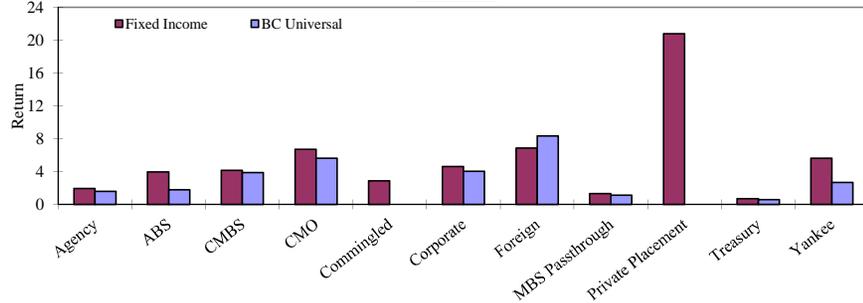
Weighting



Value Added



Return



	BEGINNING WEIGHTS			RETURNS			VALUE ADDED		
	Total Fixed Income*	BC Universal	Difference	Total Fixed Income*	BC Universal	Difference	Weighting	Selection	Timing
AGENCY	3.0	5.6	-2.7	2.0	1.6	0.3	0.0	0.0	-
ASSET BACKED	5.5	0.5	5.0	4.0	1.8	2.1	0.0	0.1	-
CMBS	2.5	1.7	0.8	4.1	3.9	0.3	0.0	0.0	-
CMO	3.3	0.0	3.3	6.7	5.6	1.0	0.1	0.0	-
COMMINGLED FUND	7.4	0.0	7.4	2.9	-	-	-0.1	0.2	-
CORPORATE	28.5	26.9	1.6	4.6	4.1	0.5	0.0	0.2	-
FOREIGN	3.8	1.3	2.5	6.9	8.3	-1.4	0.2	-0.1	-
MORTGAGE PASS-THROUGH	16.1	26.4	-10.4	1.3	1.1	0.2	0.1	0.0	-
PRIVATE PLACEMENT	0.0	0.0	0.0	20.8	-	-	0.0	0.0	-
US TREASURY	9.9	31.0	-21.0	0.7	0.6	0.1	0.3	0.0	-
YANKEE	6.1	6.5	-0.3	5.6	2.7	2.9	0.0	0.2	-
TOTAL	100.0	100.0	0.0	3.3	2.0	1.2	0.3	1.0	0.0

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
Second Quarter 2012

REAL ESTATE PORTFOLIO SUMMARY

Real Estate Portfolio and Investment-level data are provided below for period ended June 30, 2012. Portfolio refers to all real estate Investments held by OPERF, which is referred to herein as the Fund.

OPERF REAL ESTATE PORTFOLIO SUMMARY	
June 30, 2012	
Current Portfolio Net Asset Value	\$6.908 billion 11.73% of Total Fund (\$58.4B)
Current Unfunded Investment Commitments	\$2.229 billion
Total Portfolio NAV plus Unfunded Commitments	\$9.137 billion 15.51% of Total Fund
Target Allocation to Real Estate	\$6.479 billion 11.00% of Total Fund
Total Number of Investments	80

SUMMARY OF PORTFOLIO INVESTMENT NET RETURNS				
Investment	Qtr	1-Yr.	3-Yr.	5-Yr.
Private Real Estate				
Direct Core	3.45%	11.55%	2.85%	2.03%
Opportunistic	1.85%	3.12%	8.35%	-4.21%
Value Added	3.04%	11.32%	0.48%	-9.39%
Total Private Real Estate	2.62%	7.53%	4.92%	-1.93%
Public Real Estate				
Domestic REIT Portfolio	4.79%	17.04%	37.44%	2.01%
Global REIT Portfolio	-0.43%	-8.19%	9.20%	-6.82%
Total Portfolio Return	2.76%	7.71%	9.52%	-1.11%
NCREIF Index	2.68%	12.04%	8.82%	2.51%
NAREIT Index	4.00%	12.48%	32.40%	2.60%
EPRA/NAREIT Global (ex-US) Index	0.73%	-5.37%	11.53%	-5.55%

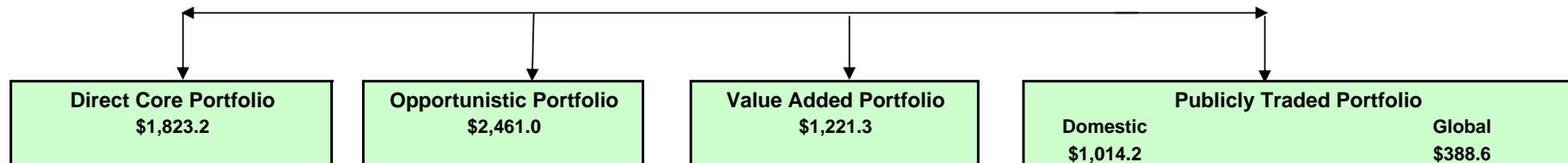
Note: Time weighted returns by category and for the portfolio include all historical investments converted by the Private Edge Group (i.e. exited investments and managers).

EXECUTIVE SUMMARY

PORTFOLIO NET RETURNS BY COMPONENT
Portfolio Net Asset Value (\$M)

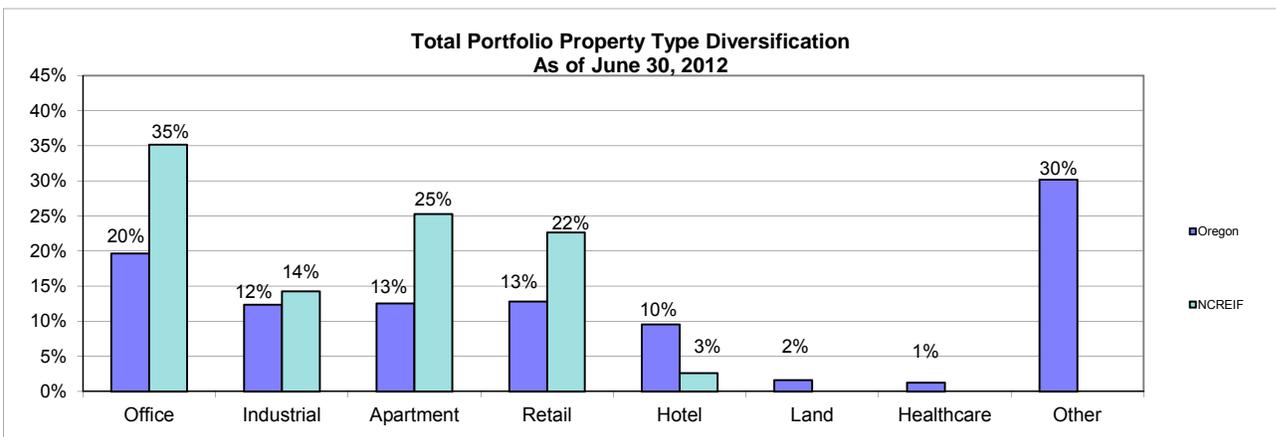
Total Real Estate
\$6,908.2

One year return 7.71%
NCREIF Index 12.04%

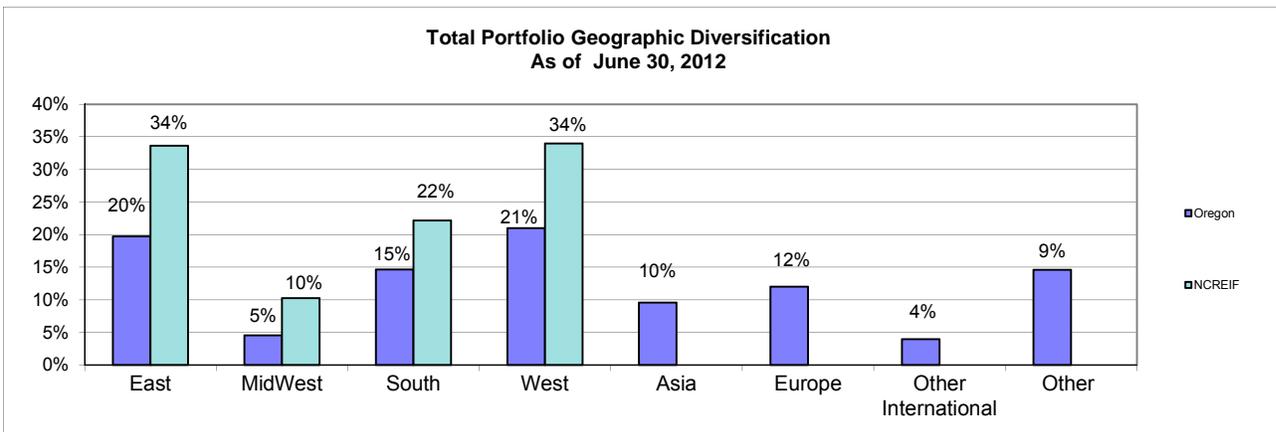


Direct Core Portfolio \$1,823.2		Opportunistic Portfolio \$2,461.0		Value Added Portfolio \$1,221.3		Publicly Traded Portfolio	
						Domestic \$1,014.2	Global \$388.6
% of total portfolio	26.39%	% of total portfolio	35.63%	% of total portfolio	17.68%	14.68%	% of total portfolio 5.61%
One year return	11.55%	One year return	3.12%	One year return	11.32%	17.04%	One year return -8.19%
NCREIF Index	12.04%	NCREIF Index	12.04%	NCREIF Index	12.04%	NAREIT 12.48%	Index EPRA/NAREIT Global (ex US) -5.37%
Clarion (Office)		Aetos Capital Asia II & III - B		Alpha Asia Macro Trends I & II		Domestic REITS	The PrivateEdge Group
Clarion Office Properties		AG Asia Realty Fund II, L.P.		Beacon Capital Strategic Partners VI, LP		Cohen & Steers	Global REITS
Guggenheim Separate Account		Canyon Johnson Urban Fund III		Buchanan Fund V		Columbia Woodbourne	European Investors
Lincoln (Industrial)		Blackstone Partners VI, VII		CBRE US Value Fund 5		LaSalle REIT	Morgan Stanley
Regency Retail Partners I (Retail)		Brazil Real Estate Opportunities II		CBRE US Value Fund 6			
Regency Retail Partners II (Retail)		Europe Fund III		Guggenheim III			
RREEF America II		Fortress Fund II - V		Hines U.S. Office Value Added II			
Windsor Columbia Realty Fund		Fortress Fund III PIK Note		Keystone Industrial Fund I			
Regency Cameron (Non Mandate)		Fortress Residential Inv. Deutschland		KTR Industrial Fund II			
Lincoln (Non Mandate)		GI Partners Fund II & III		Lionstone CFO One			
		Greenfield Acquisition Partners III		Lionstone CFO One (Non Mandate)			
		Hampstead Fund I, II & III		Pac Trust			
		Heritage Fields Capital		Prologis Global Investment Ventures			
		IL & FS India Realty Fund I & II		Rockpoint Finance Fund			
		Lion Mexico Fund		Rockwood Real Estate VII & VIII			
		Lone Star Opportunity Fund III - VII		Vornado Capital Partners L.P.			
		Lone Star Real Estate Fund I & II		Waterton Residential Property Venture XI			
		OCM RE Oppo Fund A, LP		Western National Realty II & Co-Invest II			
		Rockpoint Real Estate Fund I - IV		Windsor Realty VII			
		Starwood Cap Hospitality Fund II Global					
		Starwood Hospitality Fund					
		SH Group I, LP					
		Starwood Hospitality Fund Co-Inv.					
		Westbrook Real Estate Fund I - IV					

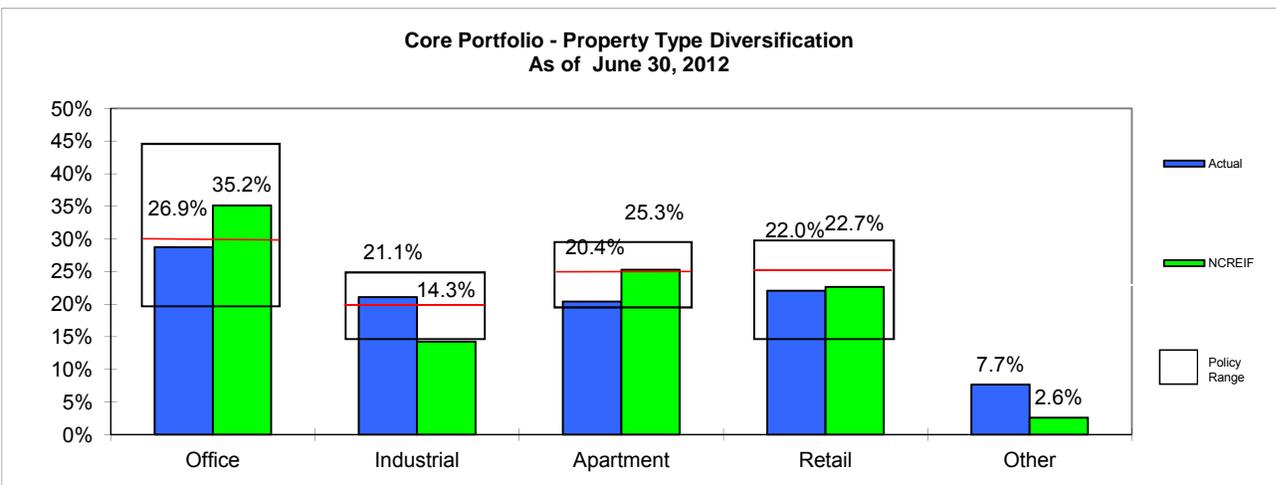
PORTFOLIO COMPOSITION REVIEW (% of Total Portfolio FMV)



Note: Other is primarily composed of Debt Instruments (41%), Operating Cos. (35%) and Diversified (16%) investments.



Note: Other is primarily composed of Investments with Diverse locations within the United States.



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 June 30, 2012, private equity represented 25.1% of total pension assets, a 44 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 June 30, 2012, the Program has achieved a total return of 15.8% since inception.

AS OF 30 JUN 2012	1 YEAR	3 YEAR	5 YEAR	10 YEAR	SINCE INCEPTION
Program IRR	4.4%	16.0%	5.2%	12.6%	15.8%
Russell 3000 (+ 300 bps) **	7.5%	20.0%	5.8%	9.8%	15.0%
<i>Value Added</i>	-3.0%	-4.0%	-0.6%	2.8%	0.8%

** Data is a dollar-weighted Long-Nickels calculation of quarterly changes in the Russell 3000 index plus 300 basis points.
 Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes.
 Russell® is a trademark of Russell Investment Group.
 Figures may not foot due to rounding.

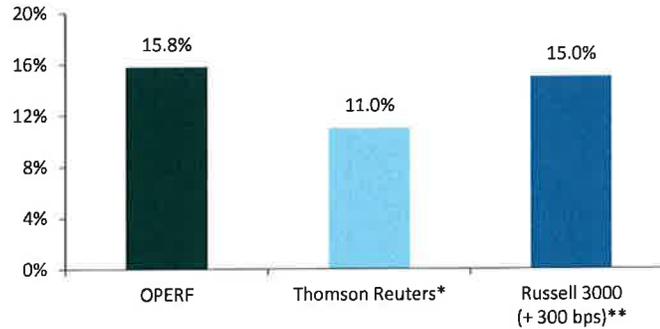
PEER BENCHMARK

Prior quarter is compared based on quarter lag of benchmark data.

AS OF 30 MAR 2012	1 YEAR	3 YEAR	5 YEAR	10 YEAR	SINCE INCEPTION
Program IRR	7.0%	18.5%	6.2%	12.6%	15.9%
Thomson Reuters *	9.8%	11.8%	4.2%	8.2%	11.0%
<i>Value Added</i>	-2.8%	6.7%	2.1%	4.4%	4.9%

* Thomson Reuters Pooled IRR: All Private Equity Funds as of March 31, 2012.

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.

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%	72%	64%	69%
Venture Capital	5%-10%	5%	5%	5%
Special Situations	5%-15%	12%	13%	12%
Fund-of-Funds	5%-10%	7%	12%	9%
Co-Investments	0%-7.5%	4%	6%	5%
Total:		100%	100%	100%
<i>USA & Canada</i>	<i>70%-100%</i>	<i>72%</i>	<i>65%</i>	<i>70%</i>
<i>International & Global</i>	<i>0%-30%</i>	<i>28%</i>	<i>35%</i>	<i>30%</i>

RECENT PROGRAM DEVELOPMENTS

- During the quarter, the OIC authorized \$375 million of new commitments for the Program to four private equity funds.
- During the quarter, the Program was net cash-flow positive by \$180.0 million. Compared to the second quarter of 2011, contributions and distributions increased 41.4% and 50.1%, respectively.

Portfolio Summary

Portfolio Review

THREE NEW FUND COMMITMENTS

During the quarter, OPERF closed on \$350 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 increased during the quarter, growing by 46.3% from the prior quarter's \$418 million. Contributions were 7.9% of unfunded commitments at the beginning of the quarter and 5.4% lower than the most recent four-quarter average of \$646 million.

DISTRIBUTIONS INCREASED

Distributions increased 75.4% from the prior quarter and were 5.0% below the all-time peak of \$833 million during the first quarter of 2011. Quarterly distributions were 5.4% of the quarter's opening balance and were 31.6% higher than the most recent four-quarter average, which now stands at \$601 million.

PORTFOLIO GAINS

The Portfolio appreciated by \$79 million, net of cash flows, during the quarter, representing a 0.6% appreciation from the prior quarter. The relatively small quarterly appreciation caused the Program's long-term historical IRR since inception to decrease by 12.4 basis points.

WEIGHTED AVERAGE AGE UP

Based on the remaining value of all underlying funds, the weighted average age of the Portfolio was 5.8 years as of June 30, 2012, representing a 0.5% decrease 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 \$412 million net positive during 2012.

Portfolio Activity

\$ Million | Figures may not foot due to rounding

	2011			2012	
	Q2	Q3	Q4	Q1	Q2
Starting Valuation	\$13,430	\$13,744	\$13,243	\$13,888	\$14,645
Contributions	\$432	\$680	\$873	\$418	\$611
Distributions	(\$527)	(\$464)	(\$698)	(\$451)	(\$791)
Appreciation/(Depreciation)	\$410	(\$717)	\$470	\$790	\$79
Ending Valuation	\$13,744	\$13,243	\$13,888	\$14,645	\$14,544
Unfunded Commitments	\$7,810	\$7,801	\$7,790	\$7,758	\$7,536
IRR Since Inception	16.2%	15.8%	15.8%	15.9%	15.8%
Weighted Avg. Age of Portfolio (yrs)	5.6	5.7	5.7	5.9	5.8

Program Summary

Active, Exited and Overall Program Performance

\$ Million | Figures may not foot due to rounding

	March 31, 2012	June 30, 2012
Total Pension Assets *	\$59,226	\$58,051
Allocation to Private Equity: (Target 16.0% +/- 4.0%)	24.6%	25.1%
ACTIVE		
# of Partnerships	198	200
Capital Committed	\$26,107	\$26,357
Cash Contributed	\$21,148	\$21,666
Recallable Return of Capital	\$2,492	\$2,560
Cash Distributed (Other) ¹	\$11,178	\$11,750
Estimated FMV	\$14,573	\$14,533
Total Value (Excl. Recallable ROC)	\$25,751	\$26,282
Total Value Multiple ²	1.38x	1.38x
IRR Since Inception	10.6%	10.4%
EXITED		
# of Partnerships	46	47
Capital Committed	\$4,514	\$4,614
Cash Contributed	\$5,649	\$5,765
Recallable Return of Capital	\$1,018	\$1,033
Cash Distributed (Other) ¹	\$9,792	\$9,954
Estimated FMV**	\$9	\$11
Total Value (Excl. Recallable ROC)	\$9,802	\$9,965
Total Value Multiple ²	2.12x	2.11x
IRR Since Inception	18.0%	18.0%
OVERALL		
Portfolio Multiple ²	1.53x	1.52x
IRR	15.9%	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 \$27.4 billion, funding approximately 88.5% of aggregate capital commitments made since inception. Approximately \$7.6 billion of capital commitments remain outstanding.
- Since inception, a total of approximately \$21.7 billion has been distributed to the OPERF.
- 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.

Activity Detail

Recent Investment Activity

INVESTMENT NAME	DATE AUTHORIZED	DATE CLOSED	AMOUNT COMMITTED
Oaktree (OCM) Opportunities Fund IX	3/21/2012	5/23/2012	\$75 million
Court Square Capital Partners Fund III	6/27/2012	8/27/2012	\$75 million
Crescent Mezzanine Partners Fund VI	6/27/2012	N/A	\$75 million
Harbourvest Partners 2012 Direct Fund LP	9/27/2011	6/20/2012	\$75 million
KKR Asian Fund II	6/11/2012	6/18/2012	\$200 million
Mayfield XIV	6/27/2012	7/11/2012	\$25 million
<u>Subsequent Activity:</u>			
Avista Capital Partners III	7/25/2012	9/5/2012	\$100 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 7 – ASSET ALLOCATIONS & NAV UPDATES

Asset Allocations at October 31, 2012

Regular Account								Variable Fund	Total Fund
OPERF	Policy	Target	\$ Thousands	Pre-Overlay	Overlay	Net Position	Actual	\$ Thousands	\$ Thousands
Public Equity	38-48%	43%	21,260,176	36.3%	(167,621)	21,092,555	36.0%	776,802	21,869,357
Private Equity	12-20%	16%	14,067,125	24.0%		14,067,125	24.0%		14,067,125
Total Equity	54-64%	59%	35,327,301	60.4%	(167,621)	35,159,680	60.1%		35,936,482
Opportunity Portfolio			936,530	1.6%		936,530	1.6%		936,530
Fixed Income	20-30%	25%	14,056,883	24.0%	1,056,347	15,113,230	25.8%		15,113,230
Real Estate	8-14%	11%	6,891,925	11.8%	(3,300)	6,888,625	11.8%		6,888,625
Alternative Investments	0-8%	5%	412,552	0.7%		412,552	0.7%		412,552
Cash*	0-3%	0%	911,523	1.6%	(885,426)	26,097	0.0%	8,177	34,274
TOTAL OPERF		100%	\$ 58,536,714	100.0%	\$ -	\$ 58,536,714	100.0%	\$ 784,979	\$ 59,321,693

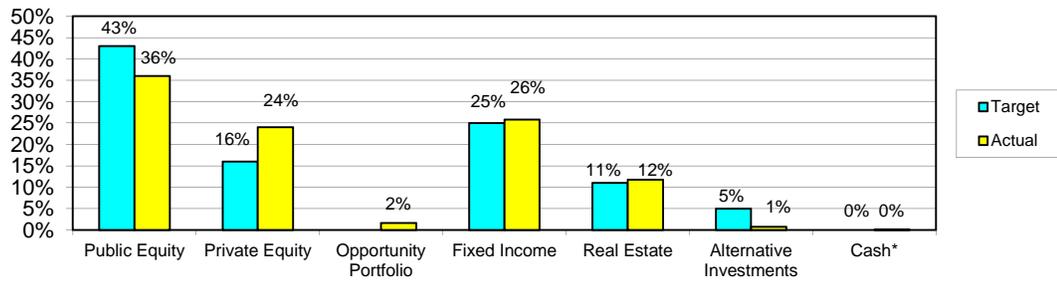
*Includes cash held in the policy implementation overlay program.

SAIF	Policy	Target	\$ Thousands	Actual
Total Equity	7-13%	10.0%	426,378	9.7%
Fixed Income	87-93%	90.0%	3,935,790	89.3%
Cash	0-3%	0%	46,292	1.1%
TOTAL SAIF		100%	\$4,408,460	100.0%

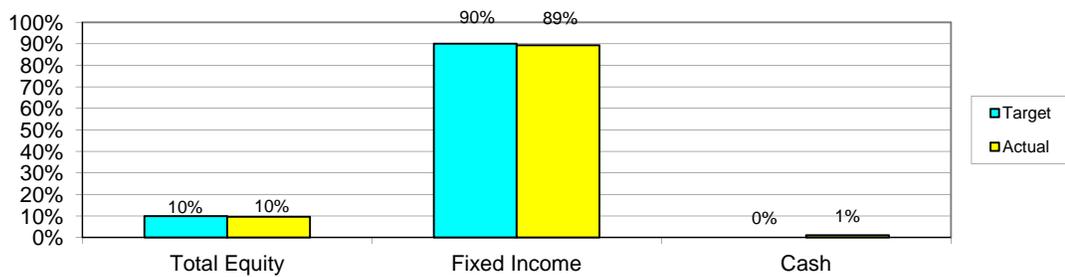
CSF	Policy	Target	\$ Thousands	Actual
Domestic Equities	25-35%	30%	\$340,774	29.5%
International Equities	25-35%	30%	342,307	29.6%
Private Equity	0-12%	10%	110,907	9.6%
Total Equity	65-75%	70%	793,988	68.7%
Fixed Income	25-35%	30%	341,603	29.6%
Cash	0-3%	0%	19,431	1.7%
TOTAL CSF			\$1,155,022	100.0%

HIED	Policy	Target	\$ Thousands	Actual
Domestic Equities	20-30%	25%	\$17,352	26.6%
International Equities	20-30%	25%	15,791	24.2%
Private Equity	0-15%	10%	6,633	10.2%
Growth Assets	50-75%	60%	39,776	60.9%
Real Estate	0-10%	7.5%	4,740	7.3%
TIPS	0-10%	7.5%	4,792	7.3%
Inflation Hedging	7-20%	15%	9,532	14.6%
Fixed Income	20-30%	25%	15,611	23.9%
Cash	0-3%	0%	398	0.6%
Diversifying Assets	20-30 %	25%	16,009	24.5%
TOTAL HIED			\$65,317	100.0%

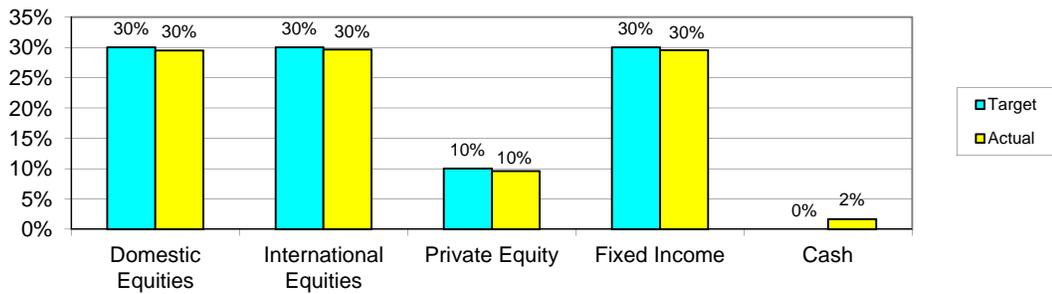
OPERF Asset Allocation



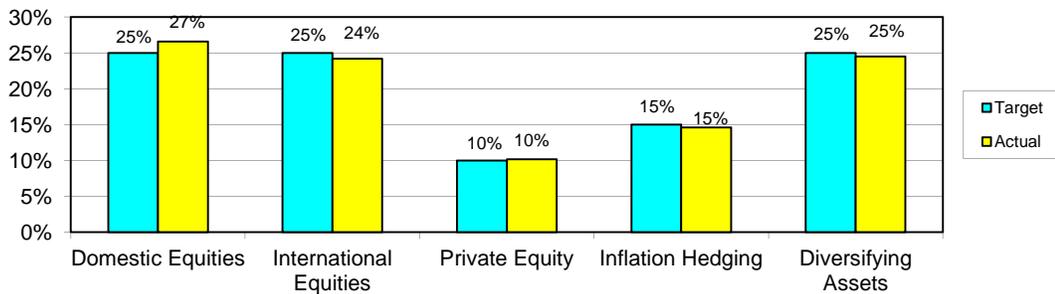
SAIF Asset Allocation



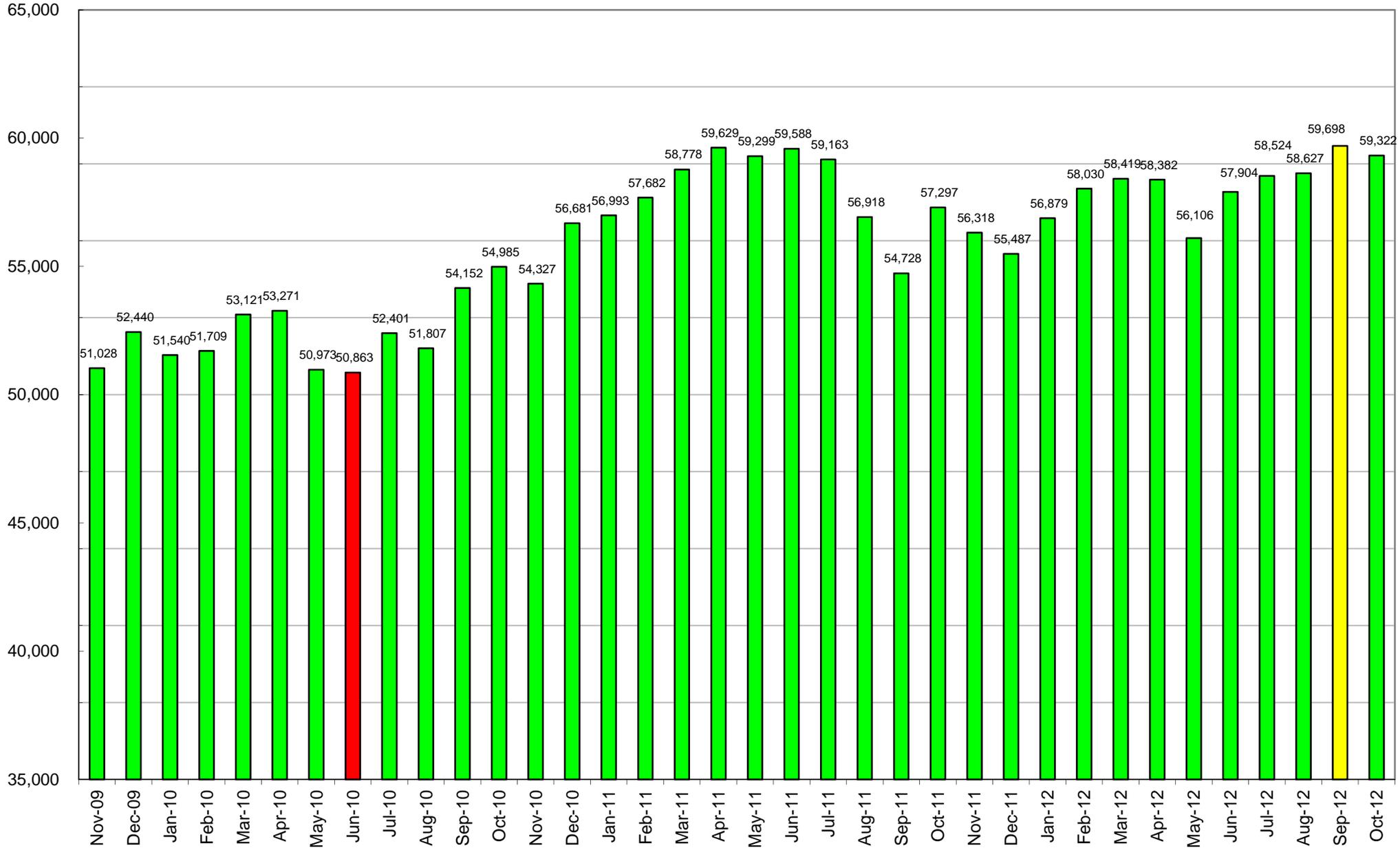
CSF Asset Allocation



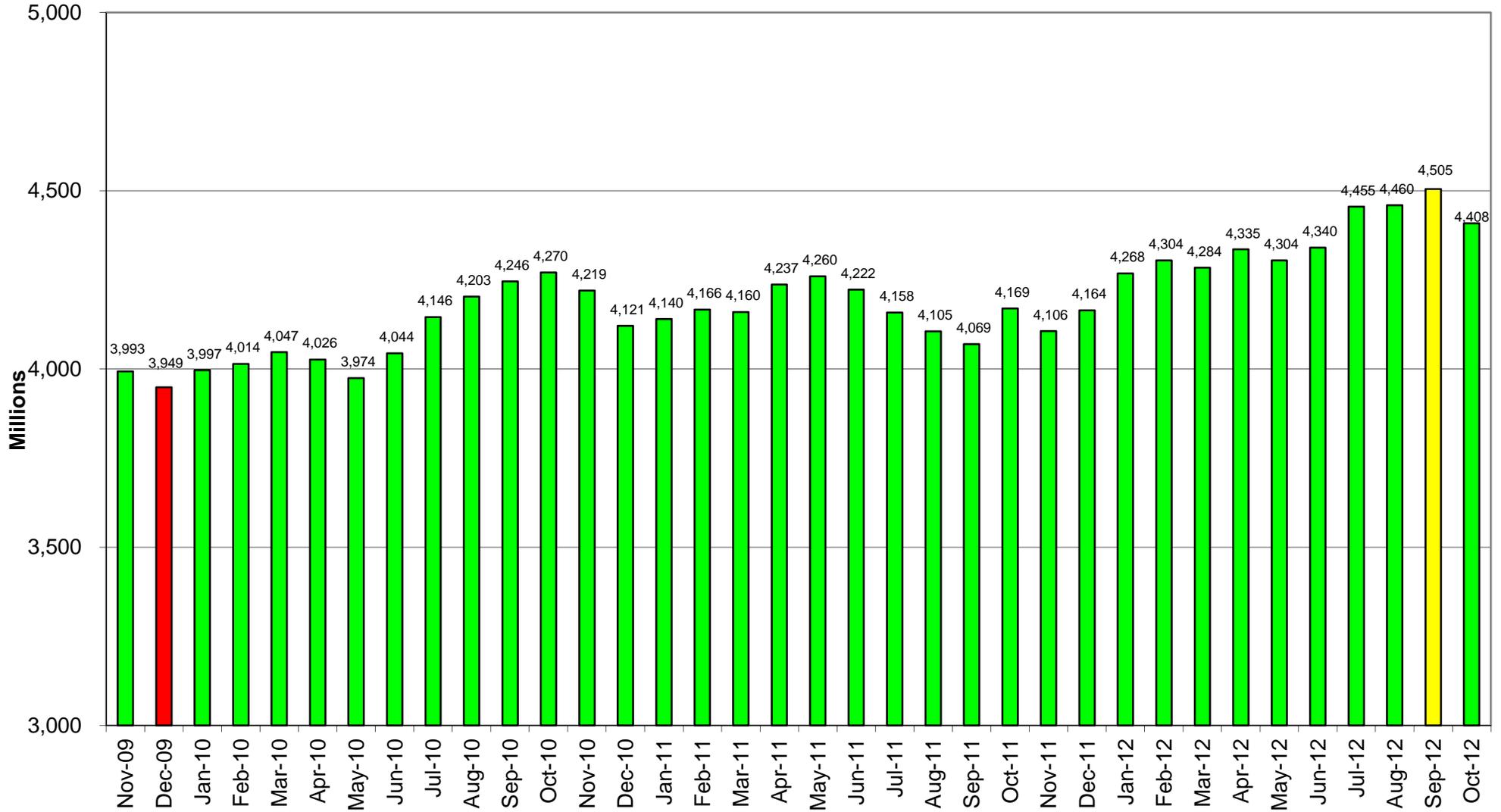
HIED Asset Allocation



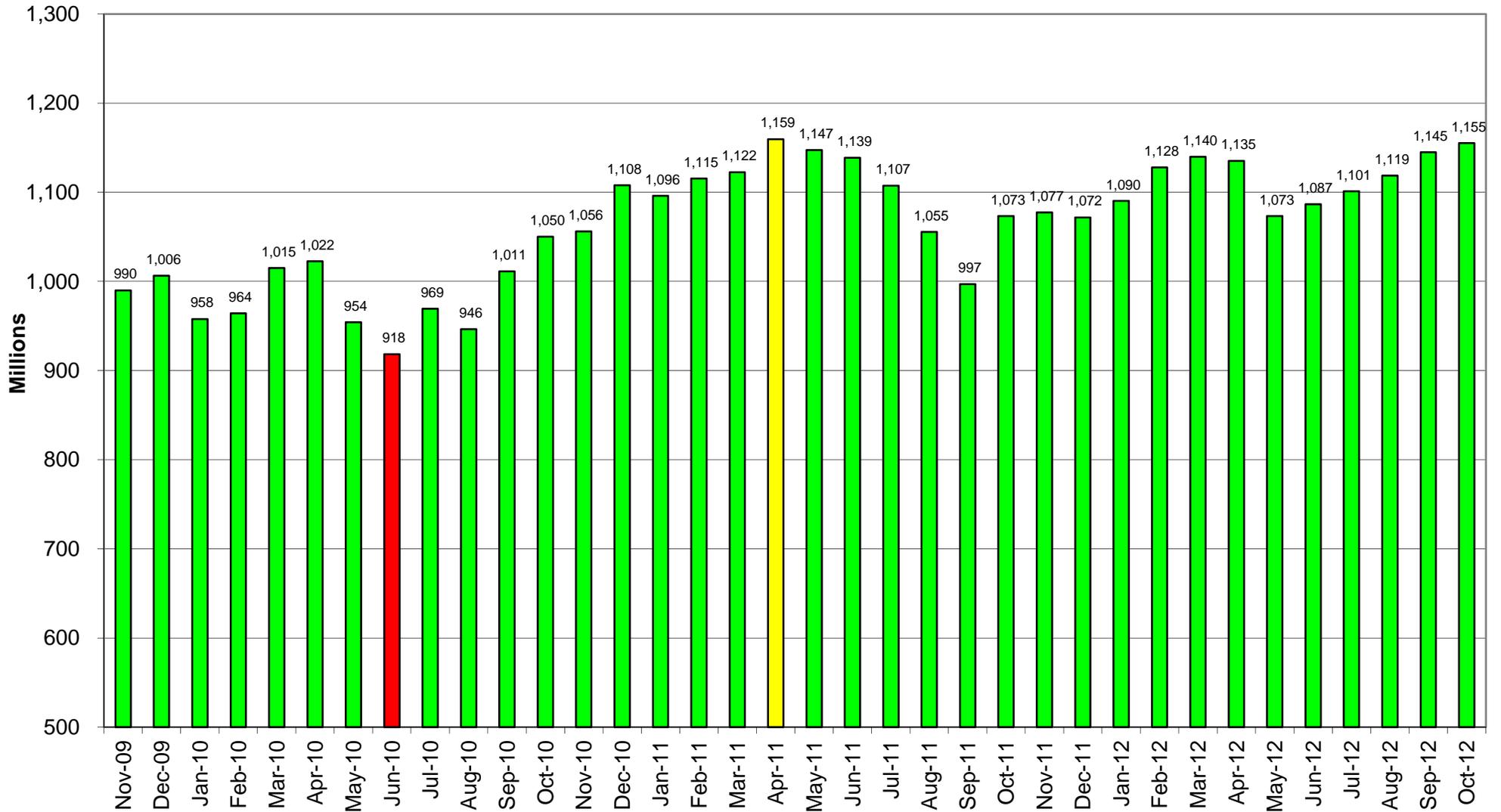
OPERF NAV
Three years ending October 2012
(\$ in Millions)



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



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



TAB 8 – CALENDAR – FUTURE AGENDA ITEMS

2013 OIC Forward Agenda Topics

- January 23:** OPERF Asset/Liability Study Kickoff
OPERF Fixed Income Portfolio Review
Annual Placement Agent Report
OIC Consultant Contract Discussion
- February 20:** OPERF Private Equity Review & 2013 Plan
Proxy Voting Annual Review
OPERF 4th Quarter Performance Review
- April 17:** OSGP Annual Review
Annual OIC Policy Review & Update
Securities Lending Review
DOJ Litigation Update
- May 29:** OPERF Alternative Portfolio Review
SAIF Annual Review
OPERF Policy Implementation Overlay Review
OPERF 1st Quarter Performance Review
- July 31:** OPERF Real Estate Portfolio Review
OPERF Public Equity Review
- September 25:**
- October 30:** Common School Fund Review
CEM Benchmarking Report
Internal Audit Report
- December 4:** OPERF Opportunity Portfolio Review
HIED Annual Review
OPERF 3rd Quarter Performance Review