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OREGON INVESTMENT COUNCIL  
APRIL 30, 2014  
MEETING MINUTES

Members Present: Rukaiyah Adams, Paul Cleary, Katy Durant, Keith Larson, Dick Solomon, Ted Wheeler

Staff Present: Tony Breault, Karl Cheng, Garrett Cudahey, Sam Green, Andy Hayes, Scott Harra, John Hershey, Julie Jackson, Perrin Lim, Tom Lofton, Ben Mahon, Mike Mueller, Paola Nealon, James Sinks, John Skjervem, Michael Viteri, Byron Williams

Consultants Present: David Fann and Tom Martin (TorreyCove); Alan Emkin, Christy Fields and John Linder (PCA); Jim Callahan, Uvan Tseng and Janet Becker-Wold (Callan)

Legal Counsel Present: Dee Carlson, Jennifer Peet and Deena Bothello, Oregon Department of Justice

The April 30, 2014 OIC meeting was called to order at 9:00 am by Dick Solomon, Chair.

**I. 9:00 am Review and Approval of Minutes**

**MOTION:** Treasurer Wheeler moved approval of the March 5, 2014 meeting minutes. Mr. Larson seconded the motion, which then passed by a 5/0 vote.

**COMMITTEE REPORTS**

John Skjervem, CIO gave an update on committee actions taken since the March 5, 2014 OIC Meeting:

**Private Equity Committee:**

March 31, 2014	Vista Equity Partners V	\$200 Million
March 31, 2014	GGV Capital Fund V	up to \$60 Million
March 31, 2014	Littlejohn V	up to \$150 Million

**Alternatives Portfolio Committee:**

March 19, 2014	EnCap	\$50 Million
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**Opportunity Portfolio Committee:**

No action since March 5, 2014

**Real Estate Committee:**

March 31, 2014	LoneStar Fund IX	\$300 Million
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**II. 9:01 am The Energy & Minerals Group Fund III, LP - OPERF Alternatives Portfolio**

The Energy & Minerals Group (“EMG”) was established in 2006 by John Raymond and John Calvert to pursue a broad natural resources investment mandate. In aggregate and since the firm’s inception, EMG has managed over \$6.7 billion in natural resources investment commitments. This fund (Energy & Minerals Group Fund III, LP or the “Fund”) will be EMG’s third offering since 2006, and the firm is targeting a \$2.5 billion (with a \$4.0 billion cap) raise with a mid-teens net return expectation. In addition to a 2% GP commitment to the Fund, EMG management is expected to make sizeable co-invest commitments too.

EMG intends to invest Fund capital across the entire energy value chain as well as all facets of the minerals and metals industry. The firm will focus in North America and Australia and will typically target equity investments ranging between \$150 million to \$400 million. In order to generate what EMG believes are the most attractive risk-adjusted returns, the firm relies on capital allocation flexibility, utilizing an investment strategy with “three dimensional” diversification (i.e., geography, commodity and business function), which allows EMG to adapt to an ever-changing investment landscape. EMG will target portfolio companies with the following three key characteristics: 1) low cost sources of supply and/or production; 2) high quality products; and 3) strategic proximal locations. EMG pushes its portfolio companies to develop “franchise” businesses which are positioned to achieve meaningful growth during its ownership period.

The Alternatives Portfolio is targeting a 10-20% allocation (approximately \$650 million - \$1.3 billion at current OPERF NAV) to oil and gas investments and a 5-10% allocation (approximately \$325 million - \$650 million) to metals and mining investments. To date, OPERF has made \$275 million in aggregate commitments to these sectors, and EMG would represent a complementary strategy as Staff builds out OPERF’s natural resources allocation.

Staff and Torrey Cove recommended a \$200 million commitment to the Energy & Minerals Group Fund III, L.P., subject to satisfactory completion of all terms and conditions negotiations with Staff working in concert with Department of Justice personnel.

**MOTION:** Mr. Larson moved approval of a commitment of up to \$250 million. Ms. Durant seconded the motion, which passed by a vote of 4/1 (Treasurer Wheeler voted no).

**III. 9:55 am Warburg Pincus Energy Fund - OPERF Private Equity**

Warburg Pincus (“WP” or the “Firm”) was founded in 1966, and has grown to be one of the largest pure-play private equity firms in the world. Since inception, the Firm has grown to approximately 450 employees, including 170 investment professionals, 60 of which are at the Managing Director (partner) level, and with offices around the world. Warburg has historically focused on growth investments in five core sectors: energy; healthcare; technology, media and telecom; financial services; and consumer/industrial services. The Firm began targeting energy investments in 1987, and has since invested over \$9.0 billion in more than 50 energy investments. Warburg has 21 investment professionals, including six Managing Directors, dedicated to their energy strategy. This long tenure, extensive track record and large team rank WP among the leaders in energy-focused private equity investing.

Prior energy investments were made out of the Firm’s global, diversified private equity funds. WP believes the opportunities arising from the recent unconventional oil and gas plays far exceed the amount of capital it can earmark for energy investments from their current global fund. According, the Firm is raising this stand-alone energy fund to invest in future energy investments alongside its global fund, on a 50/50 pro rata basis. OPERF has committed to two previous Warburg Pincus global funds, with commitments of \$200 million to Fund IX in 2005 and \$400 million to Fund X in 2007.

Staff recommended that the OIC authorize a \$150 million commitment to Warburg Pincus Energy Group, L.P, on behalf of OPERF, subject to satisfactory completion of all terms and conditions negotiations with Staff working in concert with Department of Justice personnel.

**MOTION:** Mr. Larson moved approval of the staff recommendation. Mr. Solomon seconded the motion. Treasurer Wheeler, Ms. Adams and Ms. Durant voted no, and the motion did not pass.

**IV. 11:14 am      Securities Lending Update**

Mike Mueller, Deputy CIO and State Street's Steve Meier, Matt Steinway and Johnson Shum gave an update on the OPERF securities lending program.

**V. 11:32 am      OPERF Policy Implementation Overlay Review**

Mike Mueller, Deputy CIO and Greg Nordquist with Russell Investments gave an update on the policy implementation overlay.

**VI. 11:52 am      Calendar – Future Agenda Items**

Mr. Skjervem presented a revised schedule of future OIC meetings and associated agenda topics.

**VII. 11:52 am      Other Business**

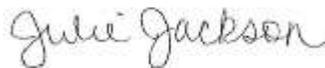
Scott Harra, Chief Administrative Officer gave an update on Treasury's plans to improve the Investment Division's middle- and back-office functionality.

**11:55 am      Public Comments**

None

Mr. Solomon adjourned the meeting at 11:55 am.

Respectfully submitted,



Julie Jackson  
Executive Support Specialist