



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

OREGON INVESTMENT COUNCIL
DECEMBER 4, 2013
MEETING MINUTES

Members Present: Paul Cleary, Katy Durant, Keith Larson, Dick Solomon

Member Absent: Rukaiyah Adams and Ted Wheeler

Staff Present: Darren Bond, Tony Breault, Karl Cheng, Sam Green, John Hershey, Brooks Hogle, Julie Jackson, Perrin Lim, Tom Lofton, Ben Mahon, Mike Mueller, Tom Rinehart, Priyanka Shukla, James Sinks, John Skjervem, Michael Viteri

Consultants Present: David Fann and Tom Martin (TorreyCove); Pete Keliuotis (SIS); Alan Emkin, Christy Fields, David Glickman and John Linder (PCA)

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

The December 4, 2013 OIC meeting was called to order at 9:00 am by Keith Larson, Chair.

I. 9:00 am Review and Approval of Minutes

MOTION: Mr. Solomon moved approval of the October 30, 2013 meeting minutes. Ms. Durant seconded the motion, which then passed by a 3/0 vote.

COMMITTEE REPORTS

John Skjervem, CIO gave an update on committee actions taken since the October 30, 2013 OIC Meeting:

Private Equity Committee – 2013:

December 3, 2013	Palladium Equity Partners IV	\$100 million
December 3, 2013	Union Square Ventures 2014	\$25 million
December 3, 2013	Union Square Ventures 2014 Opportunity Fund	\$25 million
December 3, 2013	Tailwind Capital Partners II	\$75 million
December 3, 2013	Apollo Investments Fund VIII**	\$100 million
December 3, 2013	CDH Fund V**	\$25 million
December 3, 2013	Morgan Stanley PE Asia IV**	\$25 million

** Represents top-off to previously-approved commitment.

II. 9:01 am Rockpoint Group – OPERF Real Estate Portfolio

Tony Breault, Senior Investment Officer introduced Bill Walton, Managing Member and Hank Midgley, Principal, both with Rockpoint. The Rockpoint Core Plus Fund, L.P. (“CPF” or the “Fund”) has a target size of \$1.0 billion and will consist of capital commitments from a limited subset of existing Rockpoint institutional investors. With a core-plus mandate, the Fund will invest in stabilized commercial real estate assets with strong existing cash flows and less capital-intensive business plans than typically found within Rockpoint’s opportunistic investment funds. The Fund will primarily focus on equity investments in office and multi-family commercial real estate assets within the United States, although debt origination, preferred equity, debt acquisitions and, to a lesser extent, other stabilized institutional quality assets may be included.

Rockpoint was formed in 2003 after Bill Walton, Keith Gelb and 11 other senior members left Westbrook, which was co-founded by Bill Walton in 1994, to start their own real estate opportunity fund platform. Rockpoint’s Founding Managing Members have been working together for more than 17 years, and the firm’s 18 senior investment professionals have invested together for an average of 11 years. Over the past decade, Rockpoint has raised six institutional investment funds, not including CPF, totaling \$7.7 billion in equity capital as well as four co-investment vehicles for an additional \$1.0 billion. Headquartered in Boston, the firm has approximately 46 investment personnel globally, with additional offices and investment professionals located in Dallas, San Francisco and London.

MOTION: Staff recommended OIC approval for a \$100 million commitment to Rockpoint Core Plus Fund, L.P., on behalf of OPERF, subject to the successful negotiation of terms and conditions and completion of all requisite documentation by DOJ legal counsel working in concert with OST staff. Ms. Durant moved approval of the staff recommendation. Mr. Solomon seconded the motion which then passed by a vote of 3/0.

III. 9:37 am LS Power Equity Partners III, L.P. – OPERF Alternatives Portfolio

LS Power Group (“LS Power”) was founded in 1990 as an independent energy company. At its inception, LS Power focused exclusively on the development of power generation facilities to take advantage of opportunities created by power market deregulation trends. LS Power also formed the affiliate Luminus Management in 2002 to manage a long/short hedge fund that invests in publicly-traded securities of utility and energy-related companies. LS Power’s first private equity effort, a \$1.2 billion fund, was launched in 2005 to acquire power and energy infrastructure assets. Fund II, a \$3.1 billion fund, was raised in 2006 to pursue corporate/strategic minority investments, operating power generation assets and select development opportunities. LS Power is now launching a third, \$1.5 billion fund (LS Power Equity Partners III or “Fund III”) which will focus exclusively on operating assets and generally not pursue the types of development and corporate/strategic opportunities that were central to the first two funds’ investment objectives.

LS Power’s target return for Fund III is a mid- to high-teens net IRR. Fund III includes a management fee on committed capital with a standard carry and preferred return. Its terms also stipulate a five-year investment period and a ten-year fund life with three, one-year optional extensions. All portfolio company fees are offset 100% against Fund III management fees. Finally, LS Power retained Evercore Partners as its placement agent and with whom OST staff has had contact.

MOTION: Staff and TorreyCove recommended a \$100 million commitment to LS Power Equity Partners III, L.P., subject to the successful negotiation of terms and conditions and completion of all requisite documentation by DOJ legal counsel working in concert with OST staff. Mr. Solomon moved approval of the staff recommendation. Ms. Durant seconded the motion with a request that staff clarify terms and request that the manager calculates incentive fees on a portfolio level as opposed to individual investments. The motion passed by a vote of 3/0.

IV. 10:57 am OPERF Opportunity Portfolio Annual Review

John Hershey, Senior Investment Officer gave an annual update on the Opportunity portfolio.

New Commitments in 2012/13 include:

- RS Investments (\$50 million)
- Blackstone Tactical Opportunities (\$250 million)
- Content Partners (\$50 million)

Strategies of interest include:

- Dislocation oriented
 - Regulatory Capital Arbitrage
 - 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”
 - Tactical/opportunistic partnerships

V. 11:17 am Higher Education Endowment Fund Annual Review

Mike Mueller, Deputy CIO and Penny Burgess with Oregon University System provided an annual review of investment performance for the Higher Education Endowment Fund (the “Fund”). On a quarterly basis, Treasury staff provides the Board of Higher Education with a similar performance review. Oregon University System personnel agreed also to keep the OIC apprised of potential plans for significant distributions from the Fund by individual, participating universities.

The HIED Endowment Fund returned 12.8 percent for the year ended September 30, 2013. This performance was 110 basis points ahead of the Fund’s passive policy benchmark which recorded an 11.7 percent return during the same 12-month period. On a trailing three- and five-year basis, the Fund generated average annual returns of 10.1 percent and 8.7 percent, respectively.

VI. 11:25 am OPERF 3rd Quarter Performance Review

Pete Keliuotis with SIS gave a third quarter 2013 update on both global capital markets and OPERF investment performance.

VII. 11:38 am Election of OIC Officers

Mr. Larson thanked staff and his OIC peers for all of the great work and support during his tenure as Chair.

MOTION: Mr. Larson nominated Mr. Solomon for Chair, a motion that was seconded by Ms. Durant, and Mr. Solomon nominated Ms. Durant for Vice Chair, a motion that was seconded by Mr. Larson. Both motions passed by a vote of 3/0.

VIII. 11:42 am OIC General Consultant Recommendation

Staff recommended retaining Callan Associates and Allan Emkin for separate, initial three-year engagements, subject to the successful negotiation of contract terms with staff working in concert with Department of Justice personnel.

MOTION: Ms. Durant moved approval. Mr. Solomon seconded the motion, which then passed by a vote of 3/0.

IX. 11:45 am Asset Allocations and NAV Updates

Mr. Skjervem reviewed asset allocations and NAV's across OST-managed accounts for the period ended October 31, 2013.

Paul Cleary gave an update on PERS.

X. 11:47 am Calendar – Future Agenda Items

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

XI. 11:48 am Other Business

None

11:49 am Public Comments

None

Mr. Larson adjourned the meeting at 11:50 am.

Respectfully submitted,



Julie Jackson
Executive Support Specialist