



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

OREGON INVESTMENT COUNCIL
MAY 30, 2012
MEETING MINUTES

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

Member on Phone: Keith Larson-dialed in at 9:50 am

Staff Present: Darren Bond, Karl Cheng, Garrett Cudahey, Jay Fewel, Sam Green, Scott Harra, Andy Hayes, John Hershey, Julie Jackson, Perrin Lim, Tom Lofton, Ben Mahon, Mike Mueller, Tom Rinehart, James Sinks, Michael Viteri

Consultants Present: John Meier (SIS), Alan Emkin, John Linder and Mike Moy (PCA), David Fann, Jeff Goldberger, Ken Lee, Tom Martin (TorreyCove)

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

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

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

MOTION: The April 25, 2012, minutes were approved unanimously by a vote of 4/0 (Keith Larson was absent for the vote).

II. 9:01 a.m.: OPERF Alternatives Portfolio Annual Review

John Hershey, Sr. Investment Officer gave an update on the Alternatives Portfolio. There are a total of eight committed investments in the portfolio, with two not funded as of March 2012.. The objectives of the Alternatives Portfolio are to seek "real assets" and "real return" strategies; be a source of diversification for OPERF; have less correlated returns; seek hedges against inflation and provide a benchmark of CPI plus four percent.

The strategies of interest are:

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

The portfolio is currently comprised of six funded investments, across three strategies (energy, infrastructure, and hedge funds), totaling approximately \$384 million at the end of March 2012. Mr. Hershey discussed the pacing of expected future investments, as well as thoughts on a dedicated consultant and progress on consolidated reporting for the asset class. No action was taken by the Council.

III. 9:30 a.m.: SAIF Annual Review

Theresa McHugh-VP of Financial Services, Jerry Dykes, CFO, and Gina Manley, Financial Reporting Manager of SAIF gave an annual update of SAIF's financial condition and on the worker's compensation marketplace. No action was taken by the Council.

Keith Larson dialed in at 9:50 AM

****VI. 9:50 a.m.: Stable Value Manager Recommendation-Oregon Savings Growth Plan (taken out of order):**

Michael Viteri, Sr. Investment Officer and Jake O'Shaughnessy with Arnerich Massena recommended the following:

- Termination of the Dwight/GSAM stable value mandate for OSGP.
- Hiring Galliard Capital Management as the OSGP Stable Value Option provider, subject to the successful negotiation of terms.
- Amending OIC policy 04.07.05 accordingly.

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

****IV. 10:16 a.m. KKR Asia Fund II, L.P. – OPERF Private Equity and CSF (taken out of order):**

Jay Fewel, Sr. Investment Officer and Jeff Goldberger with TorreyCove introduced George Roberts and Joe Bae, with KKR. After the presentation by Roberts and Bae, staff and TorreyCove recommended the following:

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

There was a brief question and answer period with the Council.

MOTION: Mr. Demorest moved approval of staff recommendations. Ms. Durant seconded the motion. The motion passed by a vote of 5/0.

VII. 11:12 a.m.: OPERF Policy Implementation Overlay Review (taken out of order)

Greg Nordquist, Senior Portfolio Manager and Steve Cauble, Regional Director, both with Russell Investments provided the OIC with an update on the OPERF Policy Implementation Overlay program. This presentation was informational only. Mr. Nordquist also introduced a slide and a brief discussion on a summary risk analysis presentation of OPERF entitled a "Hazard Report."

There was a brief question and answer period after the presentation.

VIII. 11:35 a.m.: OPERF 1st Quarter Performance Review

John Meier (Strategic Investment Solutions) gave an update on OPERF's first quarter investment results.

****X. 11:47 a.m.: Asset Allocation and NAV Updates (taken out of order)**

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

****XI. 11:32 am: Calendar – Future Agenda Items (taken out of order)**

Mr. Mueller highlighted future agenda topics.

****XII. 11:32 am: Other Business (taken out of order)**

None

****IX. 11:49 am: Litigation Update Regarding Lone Star Matter EXECUTIVE SESSION (taken out of order)**

Mr. Carlson read ORS 192.660(2)(f) and (j). The executive session, held pursuant to stated ORS, began at 11:49 am.

The meeting returned to public session at 11:55 am

11:55 am: Public Comments

There were no public comments.

The meeting adjourned at 11:56 am

Respectfully submitted,



Julie Jackson
Executive Support Specialist