



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

OREGON INVESTMENT COUNCIL
NOVEMBER 5, 2014
MEETING MINUTES

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

Member Participating by Phone: Keith Larson

Staff Present: Darren Bond, Austin Carmichael, Karl Cheng, Michael Cox, Garrett Cudahey, Debra Day, Scott Harra, John Hershey, Julie Jackson, Perrin Lim, Tom Lofton, Ben Mahon, Mike Mueller, Paola Nealon, Tom Rinehart, Priyanka Shukla, John Skjervem, Michael Viteri

Consultants Present: David Fann and Tom Martin (TorreyCove); Allan Emkin, David Glickman, John Linder and Dillon Lorda (PCA); Jim Callahan, Uvan Tseng, and Janet Becker-Wold (Callan)

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

The November 5, 2014 OIC meeting was called to order at 9:00 am by Dick Solomon, Chair.

I. 9:02 am Review and Approval of Minutes

MOTION: Treasurer Wheeler moved approval of the September 24, 2014 meeting minutes. Ms. Durant seconded the motion, which then passed by a 5/0 vote.

COMMITTEE REPORTS

John Skjervem, CIO gave an update on the following committee actions taken since the September 24, 2014 OIC meeting:

Private Equity Committee – 2014:

October 27, 2014	Advent Latin America PE Fund VI, L.P.	up to \$100 million
October 27, 2014	Black Diamond Capital Management IV, L.P.	\$200 million
October 27, 2014	Francisco Partners IV, L.P.	up to \$200 million -- OPERF up to \$25 million -- CSF

Alternatives Portfolio Committee – 2014:

October 13, 2014	Sheridan Production Partners Fund III	\$250 million
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Opportunity Portfolio Committee – 2014:

NONE

Real Estate Committee – 2014:

NONE

II. 9:03 am Oregon Short Term Fund – Annual Review

Garrett Cudahey, Investment Officer presented the annual review of the Oregon Short Term Fund (OSTF), which included submission of the OSTF annual audited financial statements. Mr. Cudahey also sought approval for revisions to Investment Policy 4.02.03, the OSTF Portfolio Rules, which would allow asset-backed securities (ABS) as OSTF-eligible.

MOTION: Ms. Adams moved approval of the staff recommendation. Ms. Durant seconded the motion, which then passed on a 5/0 vote.

III. 9:20 am Oregon Savings Growth Plan – 457 Plan Investment Options

Karl Cheng, Investment Officer recommended creating an Environmental Social Governance (ESG) option within the Oregon Savings Growth Plan using the TIAA-CREF Social Choice Equity Fund.

The Oregon Savings Growth Plan (the “Plan” or “OSGP”) is the State of Oregon’s 457 deferred compensation plan. OSGP is a voluntary supplemental retirement plan that provides eligible state and local government employees the opportunity to defer a portion of their current salary on a pre-tax or after-tax (Roth) basis. These deferrals are invested in various investment options until participants draw funds at retirement. The Plan offers an array of specific equity and fixed income investment options, a suite of target-date retirement funds (which in aggregate are considered one investment option) and a self-directed brokerage option. The plan has approximately 25,000 participants and assets totaling over \$1.63 billion as of June 30, 2014.

With support and assistance from the Oregon State Treasury investment division, the OIC is responsible for oversight of the Plan’s investment program. Oversight of the Plan’s administrative operation is the responsibility of the Oregon Public Employees Retirement System Board with support from the OSGP manager. Additional oversight is provided by a seven-member Deferred Compensation Advisory Committee established under ORS 243.505.

MOTION: Treasurer Wheeler moved approval of the staff recommendation. Ms. Adams seconded the motion, which then passed on a 5/0 vote.

IV. 9:30 am OIC Investment Beliefs

John Skjervem, OST Chief Investment Officer and Allan Emkin with PCA provided an update on the Investment Beliefs project and presented proposed changes to the OIC’s existing set of Investment Beliefs. The proposed changes were discussed, and further revisions were requested for consideration at the December OIC meeting.

V. 10:00 am 2015 OIC Meeting Calendar

The proposed 2015 OIC meeting calendar was presented as follows:

Meetings Begin at 9:00 am

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

Wednesday, February 4, 2015

Wednesday, March 4, 2015

Wednesday, April 29, 2015

Wednesday, June 3, 2015

Wednesday, July 29, 2015

Wednesday, September 16, 2015

Wednesday, October 28, 2015

Wednesday, December 9, 2015

MOTION: Ms. Adams moved approval of the proposed 2015 meeting dates. Treasurer Wheeler seconded the motion, which then passed on a 5/0 vote.

VI. 10:15 am SAIF Annual Review

Mike Mueller, OST Deputy Chief Investment Officer introduced John Gilkey and Gina Manley with SAIF Corporation who then gave an update on SAIF, its operating condition and financial profile. The OST-managed SAIF investment portfolio has performed well over the past decade, and as of September 30, 2014, approached an all-time high market value of \$4.7 billion. Over the most recent five-year period, SAIF's investment portfolio generated an average annual return of 6.7 percent, exceeding its corresponding 6.1 percent policy benchmark return. Over the trailing 10-year period, and on an average, annual basis, the fund has returned 5.9 percent versus its 5.5 percent policy benchmark return.

VII. 10:30 am OPERF Public Equity Review

Michael Viteri, Senior Investment Officer and Jim Callahan with Callan Associates presented the annual OPERF public equity review. In OPERF's domestic equity portfolio, consistent excess returns from traditional, discretionary active management have been difficult to achieve. In this highly efficient segment of the market, staff proposed complementing the portfolio's existing and long-standing overweight to small cap stocks with a systematic, low cost bias or "tilt" toward value stocks. Historically, size (i.e., small cap) and value factors have generated statistically significant excess returns; moreover, exposure to these two factors – rather than stock picking prowess – often explains much or all of active managers' "alpha" over time. Accordingly, staff believes that strategies engineered to effect low cost factor tilts have, net of fees, a higher probability of long-term outperformance than traditional strategies based on discretionary active management methodologies.

To facilitate restructuring OPERF's domestic equity portfolio consistent with the rationale described above, Staff also recommended changes to OIC Policy 04.05.01 – Strategic Role of Public Equity Securities within OPERF. These changes include removing the portfolio's active/passive target, reducing its strategic small cap overweight target from 100% to 70% and introducing a strategic target (and accompanying range) for a new, value factor tilt.

MOTION: Treasurer Wheeler moved approval of the staff recommendation. Ms. Durant seconded the motion, which then passed on a 5/0 vote.

VIII. 11:20 am Asset Allocation & NAV Updates

Mr. Skjervem reviewed asset allocations and NAV's across OST-managed accounts for the period ended September 30, 2014.

IX. 11:22 am Calendar-Future Agenda Items

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

X. 11:22 am Other Items

On behalf of current and past OIC members, Chairman Solomon expressed appreciation for the many contributions and long service of Paul Cleary, who is retiring from his Executive Director role at PERS on November 30, 2014. Mr. Cleary then introduced his successor, Steve Rodeman, and extended his own thanks to fellow OIC members and OST staff for their collective efforts on behalf of PERS and its many thousand individual beneficiaries.

11:35 am Public Comments

Rob Sisk with SEIU thanked the OIC for its approval of the TIAA-CREF Social Choice Equity Fund as a new option within the State's 457 voluntary investment program.

Mr. Solomon adjourned the meeting at 11:37 am.

Respectfully submitted,



Julie Jackson
Executive Support Specialist