
Oregon Investment Council

~ Agenda ~
January 27, 2010 - 9:00 AM

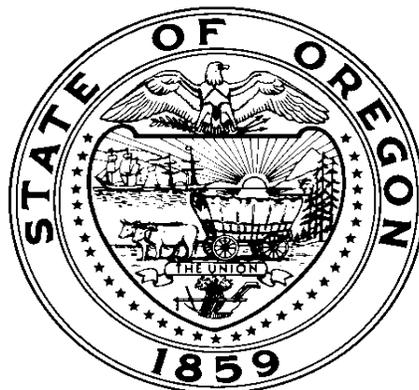
**PERS Headquarters
11410 S.W. 68th Parkway
Tigard, OR 97223**

**Oregon
Investment
Council**

Katy Durant
Chair

**Office of The
State Treasurer
Ben Westlund**
State Treasurer

Ronald Schmitz
Chief Investment Officer





OREGON INVESTMENT COUNCIL

Agenda

January 27, 2010

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 December 2, 2009	Ron Schmitz <i>Chief Investment Officer</i>	1
9:05-9:30	2. OPERF Customized Secondary Program <i>OPERF Private Equity</i>	Jay Fewel Sam Green <i>Investment Officer</i> David Fann <i>President & CEO</i> Sundeep Rana <i>Vice President</i>	2
9:30-10:15	3. Sanders Capital, LLC <i>OPERF Opportunity Portfolio</i>	John Hershey <i>Investment Officer</i> Lew Sanders <i>CEO & Co-CIO</i> John Meier <i>Strategic Investment Solutions</i>	3
10:15-10:30	----- BREAK -----		
10:30-10:45	4. SAIF Policy Revisions	Mike Mueller <i>Deputy Chief Investment Officer</i> Jerry Dykes <i>CFO, SAIF Corporation</i>	4
10:45-11:15	5. Oregon Intermediate Term Pool	Perrin Lim <i>Senior Investment Officer</i> Darren Bond <i>Deputy State Treasurer</i>	5
11:15-11:25	6. Election of OIC Officers	Katy Durant, Chair	6

Katy Durant
Chair

Harry Demorest
Vice-Chair

Ben Westlund
State Treasurer

Richard Solomon
Member

Keith Larson
Member

Paul Cleary
PERS Director
(Ex-officio)

B. Information Items

11:25-11:30	7. Asset Allocations & NAV Updates	Ron Schmitz	7
	a. Oregon Public Employees Retirement Fund		
	b. SAIF Corporation		
	c. Common School Fund		
	d. HIED Pooled Endowment Fund		
	8. Calendar—Future Agenda Items	Ron Schmitz	8
	9. Other Items	Council Staff Consultants	

C. Public Comment Invited

15 Minutes

OREGON INVESTMENT COUNCIL

2010 Meeting Schedule

Meetings Begin at 9:00 am

at

PERS Headquarters Building

11410 SW 68th Parkway

Tigard, OR 97223

January 27, 2010

February 24, 2010

April 28, 2010

May 26, 2010

July 28, 2010

September 29, 2010

October 27, 2010

December 1, 2010

TAB 1 – MINUTES
DECEMBER 2, 2009



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

OREGON INVESTMENT COUNCIL
DECEMBER 2, 2009
MEETING MINUTES

Members Present: Paul Cleary, Harry Demorest, Katy Durant, Dick Solomon, Ben Westlund (joined the meeting at 11:32 am)

Member on Phone: Keith Larson

Staff Present: Andrea Belz, Darren Bond, Tony Breault, Garrett Cudahey, Jay Fewel, Sam Green, Ellen Hanby, Andy Hayes, John Hershey, Brooks Hogle, Julie Jackson, Perrin Lim, Tom Lofton, Ben Mahon, Mike Mueller, Kevin Nordhill, Ron Schmitz, James Sinks, James Spencer, Michael Viteri

Consultants Present: Allan Emkin, John Linder, and Mike Moy (PCA), John Meier (SIS), David Fann and Sundeep Rana (PCG), Nori Gerardo Lietz (Partners Group)

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 Katy Durant, Chair.

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

MOTION: Ms. Durant brought approval of the October 27 and November 4, 2009 OIC minutes to the table. Mr. Demorest moved to approve the minutes (as amended to note that Keith Larson was at the October 27 meeting in person rather than via phone). The motion was seconded by Mr. Solomon and passed by a vote of 4/0 with Treasurer Westlund absent for the vote.

II. 9:02 a.m.: SMID International Mandate-OPERF Private Equity

Jay Fewel, Senior Investment Officer introduced Juan Delgado-Moreira and Tara Blackburn, Managing Directors of Hamilton Lane. The purpose of the proposed investment would be to create a customized separate account for OPERF, focused on building a high-quality, diversified, portfolio of small to mid-market (SMID), international private equity funds. The fund will target smaller established and emerging private equity funds raising up to \$1.0 billion/€1.0 billion, or equivalent, and will invest at least 80 percent of committed capital in funds focused on international markets with up to 20 percent in U.S. Funds on an opportunistic basis, subject to Staff approval.

The proposed investment would have a three year commitment period, and would be allocated (for yearly allocation purposes) \$100 million per year for each of 2009, 2010, and 2011. The maximum exposure to any single manager will be 10 percent. Hamilton Lane anticipates that the portfolio will be allocated along the following lines:

- Buyouts 30-50%
- Growth Equity 40-60%
- Special Situations 5-15%

Mr. Demorest asked if there were other managers considered for this mandate. Staff believes that Hamilton Lane is the best qualified manager for this mandate, for several reasons. First, the firm has achieved a respectable track record in private equity investing in its other discretionary mandates and investment programs, consistently outperforming benchmarks, and has generated a 43 percent return on international investments since 1997. Second, Hamilton Lane has long been established as one of the few truly global leaders in private equity advisory and investment management services, with offices in Philadelphia, New York, San Francisco, London, San Diego, Fort Lauderdale, Tel Aviv, Tokyo, Hong Kong, and Singapore. The firm has over 115 employees, including 30 investment professionals. Lastly, the firm is well-known, well-regarded, and of a scale such that its market knowledge and deal-flow “funnel” captures virtually the entire universe of institutional-quality private equity funds. As an additional benefit, establishing this relationship with Hamilton Lane would allow staff access to their research platform, and provide another source of market intelligence, beyond that being provided by PCG.

MOTION: Mr. Solomon moved to approve the staff recommendation that the OIC authorize a \$300 million commitment to the SMID International Fund, managed by Hamilton Lane L.P., subject to satisfactory negotiation of terms and conditions, completion of the requisite legal documents by DOJ legal counsel working in concert with OST staff, and subject to a favorable review by a third-party consultant. Mr. Demorest seconded the motion. The motion was passed by a vote of 4/0 with Treasurer Westlund absent for the vote.

III. 10:10 a.m.: Customized Secondary Program-OPERF Private Equity

This topic was tabled until a later date after it is reviewed by a third-party consultant.

Keith Larson left the meeting at 10:10 am.

IV. 10:22 a.m.: State Accident Insurance Fund (SAIF) Asset Allocation Study

Mike Mueller, Deputy Chief Investment Officer introduced Brenda Rocklin, President and CEO of SAIF Corporation, and Andrew Canning, Senior Consultant and Partner of Wells Canning and Associates. After SAIF conducted a Request for Proposal, Wells Canning and Associates was hired to perform an asset liability study. After the study was complete, the following key recommendations were made:

1. Reduce the strategic duration for fixed income from 7 years to 5 years.
2. Reduce equity exposure from 15 percent to 10 percent.
3. Diversify the remaining equity allocation by including a “small” allocation to international stocks.
4. Increase higher yielding assets within fixed income by approximately 10 to 15 percent.

MOTION: Mr. Demorest moved to approve the staff recommendations. Mr. Solomon seconded the motion. The motion was passed by a vote of 3/0 with Keith Larson and Treasurer Westlund absent for the vote.

V. 10:36 a.m.: State Street Foreign Exchange Update

At the OIC's request, Nicholas Bonn, Executive Vice President and Global Head of Sales for State Street Bank's Global Markets and Securities Division, provided an update on the recent lawsuit filed by the California State Attorney General against State Street Bank as well as a general discussion of State Street's foreign currency exchange services.

State Street has reviewed all of their contracts and believes that the issue with California is isolated. The OIC asked Dee Carlson of the Department of Justice to look at the Oregon contract to confirm this and follow up with his analysis.

VI. 10:48 a.m.: Fortress Portfolio Review

Brad Child, Senior Investment Officer introduced Wes Edens, Principal and Co-Chairman of Fortress Investment Group. Mr. Eden provided an update on the recent performance of the various OPERF investments with Fortress and talked about their prognosis for the future.

OPERF has invested in numerous funds with Fortress, beginning with Fund II in 2002. After Lonestar, they are one of the largest opportunistic exposures in the Real Estate portfolio, with over \$300 million in FMV and unfunded commitments. The strategy uses significant amounts of leverage and has a meaningful percentage of its assets in companies that are, at least partially, publically traded. Accordingly, Fortress has had a difficult time over the last year or two.

From a return perspective, things have gotten better. The second quarter returns were strongly positive. The improvement has continued during the third quarter, though final numbers are not yet in. One portfolio company has been able to access the public markets recently and some debt has been restructured for other holdings. Mr. Edens addressed questions from the Council during his presentation.

VII. 11:32 a.m.: HIED Annual Review

Mike Mueller provided the OIC with an update on the Higher Education Endowment Fund as required by OIC Policy..

Treasurer Westlund joined the meeting at 11:32 am.

Ms. Durant requested that staff send out a questionnaire to the Private Equity and Real Estate managers regarding their historical use of placement agents.

VIII. 11:34 a.m.: OPERF Third Quarter Review

John Meier of Strategic Investment Solutions (SIS) presented the OPERF Performance Summary for the quarter ending September 30, 2009.

IX. 11:43 a.m.: Asset Allocation and NAV Updates

Mr. Schmitz reviewed the Asset Allocations and NAV's for the period ended October 31, 2009. All asset classes are within their allocation ranges. The OPERF and SAIF portfolios are extremely tight to target. CSF and HIED are within one to two percent of targets.

X. 11:44 a.m.: Calendar – Future Agenda Items

Mr. Schmitz highlighted future agenda topics.

XI. 11:45 a.m.: Other Business

There was no other business discussed.

11:45 a.m.: Public Comments

There were no public comments.

The meeting adjourned at 11:46 a.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Julie Jackson".

Julie Jackson
Executive Support Specialist

TAB 2 –
OPERF CUSTOMIZED SECONDARY PROGRAM

DATE: January 11, 2010 (rescheduled from December 2, 2009 OIC Meeting)
TO: Oregon Investment Council
FROM: Sam Green, Private Equity Investment Officer
SUBJECT: Customized Secondary Program

Purpose

Staff recommends a commitment of \$100 million to establish a customized Secondary Program (the Program), an opportunistic, semi-discretionary investment program targeting attractively priced secondary LP interests in private equity funds, as managed by PCG Asset Management, LLC.

Background

The financial crises and economic disruptions of the last two years dramatically altered the supply-demand balance, and resultant pricing, for secondary private equity partnership interests. Many high net-worth individuals, endowments, foundations, family offices, and even some public and private retirement plans have, for a variety of reasons, found a need to exit some, or all, of their private equity partnership commitments. The current “buyers market” in private equity secondaries is an attractive opportunity for OPERF to generate incremental investment returns.

There are several characteristics needed for a private equity secondaries program to be successful. First, is the ability to maintain confidentiality, as many sellers wish to avoid being publicly disclosed, and the scrutiny such disclosure can bring. Second, is the ability to make a rapid investment decision in a fast moving market, as some sellers require speed of execution. Third, is the certainty of the buyer’s execution ability, as many secondaries are sold through a bid process, and sellers do not look favorably on contingent offers that require subsequent approval processes. Fourth, is the capability to assess and appropriately value the portion of the commitment that has already been invested, so as not to overpay for existing investments. Lastly, is the market knowledge and manager selection skill necessary to conclude that the fund general partner will be able to invest the unfunded part of the commitment successfully.

With these necessary characteristics in mind, staff has concluded that this proposed investment is the appropriate way to expeditiously capitalize on the current (and probably short-lived) opportunity in private equity secondaries. As proposed, this program would target secondary fund interests from funds that are currently in the OPERF portfolio, and also opportunistically from other funds which PCG, and or staff, know well. Original commitments of between \$5 million and \$20 million will be targeted, as there is less competition in this size range, from large secondaries funds. This will be a semi-discretionary mandate, in that PCG would have investment discretion for the program, but staff will have the right to veto any transaction if there are significant concerns about the manager, pricing, fund

or manager overconcentration, or other terms. As proposed, PCG would not receive a carried interest from the program, and would be compensated via a modest transaction fee for completed transactions, and ongoing monitoring fees on the invested portfolio. Following approval, Staff and PCG will work collaboratively in marketing the program to the GP and intermediary community, sourcing potential transactions, and establishing portfolio sector targets. Staff will also have the ability to participate in joint due diligence, pricing analysis, negotiations, and transaction structuring with PCG, to enhance staff skills and experience in secondary transactions.

Recommendation

Staff recommends that the OIC authorize a \$100 million commitment to establish the Customized Secondary Program, run by PCG Asset Management LLC, 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.

TAB 3 –
SANDERS CAPITAL, LLC

Sanders Capital All Asset Value Fund

Purpose

Staff recommends approval of a commitment to Sanders Capital LLC (“SC”) in the amount of \$200 million for the OPERF Opportunity Portfolio.

Background

In July 2008, the OIC approved a commitment of \$200 million to the Alliance Bernstein All Asset Deep Value Fund (AADV), a fund designed to be managed by Lew Sanders, the then CEO of Alliance Bernstein. Mr. Sanders subsequently resigned as CEO of Alliance Bernstein and the unanimous decision was made by the LPs of the AADV fund to dissolve the fund (at a small profit for its LPs).

Mr. Sanders has recently formed a new investment management firm, Sanders Capital, and its core fund will be a new All Asset Value Fund.

Discussion/investment considerations

Opportunity:

Sanders Capital believes the next logical step in value investing is to deploy an “all asset” investing approach, across opportunities in equities, fixed income, commodities and currencies. By developing a broad opportunity set, the investment process benefits from research synergy across asset classes to generate improved return/risk trade-offs. The strategy is available in three forms: capital preservation; low volatility (bond-like); and higher volatility (equity-like) risk targets.

Strategy:

The strategy of the fund is to combine fundamental research analysis with both qualitative and quantitative tools to identify value investment opportunities across asset classes. At any given point in time, the fund will be pursuing a handful or two of value-based investment themes to build positions that offer attractive risk-adjusted returns designed to generate an absolute return in all market conditions.

- *Investment process.* The investment approach will follow a six-step process built at its core around fundamental research and a proprietary expected return model that the investment team will use to force rank the attractiveness of various investment opportunities. Total position weights will be set to maximize return per unit of risk within the constraints of the fund’s risk parameters.
- *Risk management.* In addition to its fundamental returns analysis, SC will use a risk assessment process to identify cross asset correlations to inform its overall portfolio construction. Furthermore, a contribution to risk analysis (or risk budget) will be used to maintain the portfolio volatility at a prescribed target consistent with the fund’s stated mission (available in capital preservation, bond-like and equity-like risk targets). This analysis will use a combination of Barra tools and qualitative judgment to forecast expected asset volatility across various asset classes.

Investment considerations:

Pros:

- *Low Sanders.* Mr. Sanders has over 40 years of investment management experience and an over 14 year relationship with OPERF. During his career, Mr. Sanders built one of the leading investment management firms in the industry (Alliance Bernstein). Mr. Sanders will be the Chief Investment Officer of this fund which will be the core fund of the firm.
- *Team.* The senior investment team has worked together for over 20 years and has demonstrated the ability to produce superior investment returns over multiple market cycles. The team's background is consistent with the value investing theme and the unconstrained structure of this fund.
- *Unconstrained strategy/Diversification.* The unconstrained nature of the strategy enables the investment team to pursue its best investment ideas, based on idiosyncratic investment themes, which ought to be less correlated to market benchmarks. This thematic approach should provide overall diversification benefits to the OPERF portfolio. Moreover, this fund will allow for both long and short positions (though will be predominantly long the vast majority of the time), thereby expanding the investment opportunity set to accommodate the best investment expression in any specific market condition.
- *Past performance/financial commitment.* A similar fund managed by the senior investment team (AADV), which OPERF committed to last year, had positive investment returns during a very challenging investment period (Q3/Q4 2008) when the rest of the market exhibited severely negative performance. In addition, as with the prior AADV fund, Mr. Sanders will personally invest a significant amount of his personal capital as an LP alongside OPERF and other LPs.
- *OPERF reputational enhancement.* OPERF has a history of being an early investor and supporter of a number of investment managers that proved to be successful, thereby affording OPERF a subsequent access advantage. By becoming an early SC investor, OPERF would continue to enhance its reputation as a valued partner within the investment management industry.

Cons:

- *Start up.* Sanders Capital is a start up investment management firm with OPERF being one of the first institutional investor clients. [Mitigant: The founding team has worked together at predecessor firms thereby greatly diminishing the risks associated with typical start-up organizations. Moreover, Sanders Capital will become the sub-advisor for a leading mutual fund provider, thereby providing a source of management fee income to support SC overhead and operations.]
- *Infrastructure.* The firm has a lean team and is building out much of the operational services through outsourcing relationships. [Mitigant: The firm is using well established and respected partners to provide best of breed services (JP Morgan, Northern Trust, etc.).]
- *Depth.* The senior investment team will be supported by five generalist analysts who were recently added to the team. At their predecessor firms, the senior team was supported by a much larger pool of specialist analysts. [Mitigant: The senior investment professional built his predecessor firm to a large AUM base with a relatively small initial investment team.]

Terms:

The fund will have a typical management fee for funds of this structure, which shall initially be based on committed capital and will subsequently switch to a percent of assets under management (beyond the initial portfolio building stage), and incentive fee (carry). In addition, unlike many funds of this structure, there will be a significant cumulative hurdle rate that will need to be achieved before a “catch-up” of incentive fees. Funds are redeemable (upon five business days notice) at the end of each month.

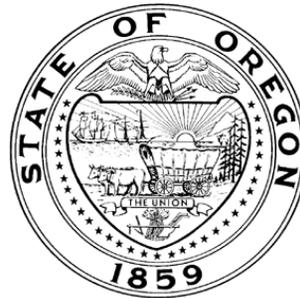
Conclusion:

Despite the recent improvement in asset values, there exist a number of attractive value oriented investment themes that experienced value investors can identify and mine to produce attractive long term returns that are less correlated to the broader markets.

Recommendation

Staff and SIS recommend a commitment of \$200 million to the Sanders Capital All Asset Value Fund with the equity risk targeted strategy subject to the negotiation of the requisite legal documents with staff working in concert with the Department of Justice.

SANDERS CAPITAL



Oregon Investment Council

January 27, 2010

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All Asset Value Investing

ABOUT OUR FIRM

Sanders Capital: Value Driven Investment Firm

Highlights

Value Oriented

- Emotions generate value opportunities that informed, dispassionate investors can exploit
- Multi-asset class investing is seen as the best way to capitalize on value opportunities
- Single asset class portfolios are believed to benefit from multi-asset class research

Experienced

- Led by an industry pioneer with 40 years of value investing experience
- Joined by senior partners with expertise in fundamental and quantitative research, legal, compliance and operations

Research Driven

- Knowledge is seen as the basis of competitive advantage
- Proven leadership in fundamental and quantitative research

Scale/ Stability

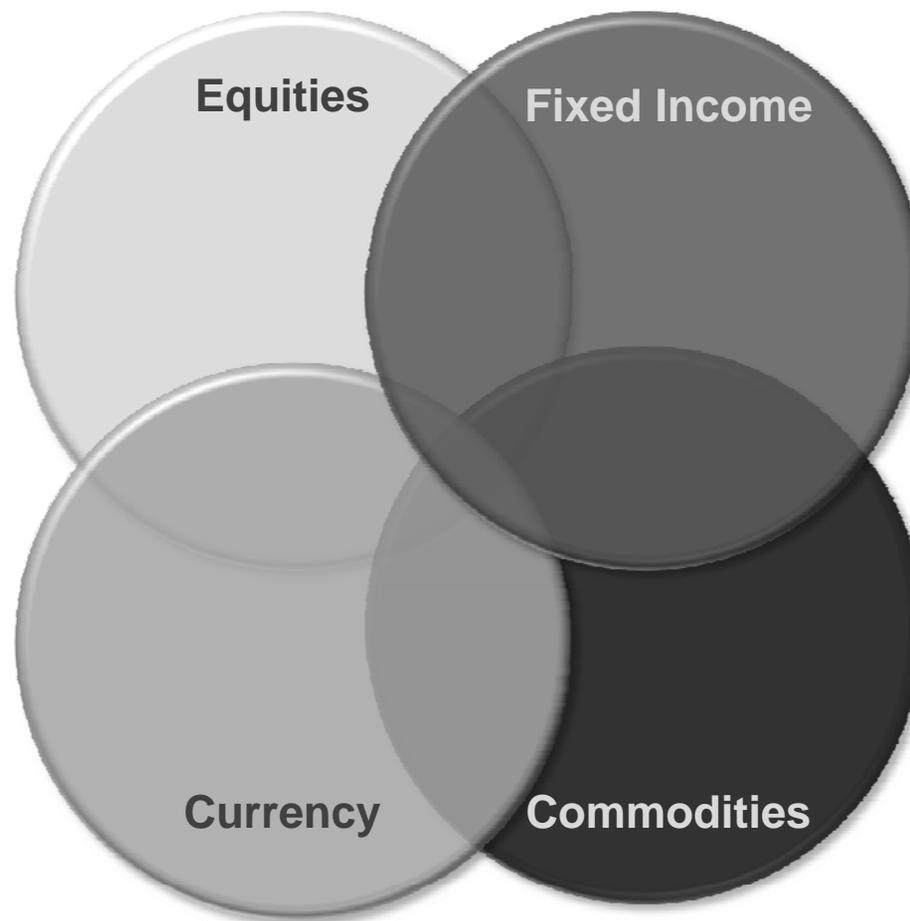
- Assets under management exceed \$3 billion
- Stable capital structure

Client Centric

- Client interests are placed above all else
- Substantial investment in firm's services by CEO/CIO

All Asset Value: The Next Logical Step in Value Investing

- Broader Opportunity Set
- Research Synergy across Asset Classes
- Improved Return/Risk Trade-Off



All Asset Value: Design Features

Features / Benefits

Return Objective

- Absolute Return Close To or Above Absolute Volatility

Risk Tolerance

- 3 Choices: Low (*capital preservation*), Moderate (*bond-like*), High (*equity-like*)

Investable Assets

- Global Universe of Liquid Securities and Derivatives

Leverage

- Limited and Confined to Assets with Low Inherent Volatility

Turnover

- Low, Approximately 30% per Annum

Liquidity

- Redemption at Any Time with Short Notice

Accountability

- Full Portfolio Transparency On-Demand

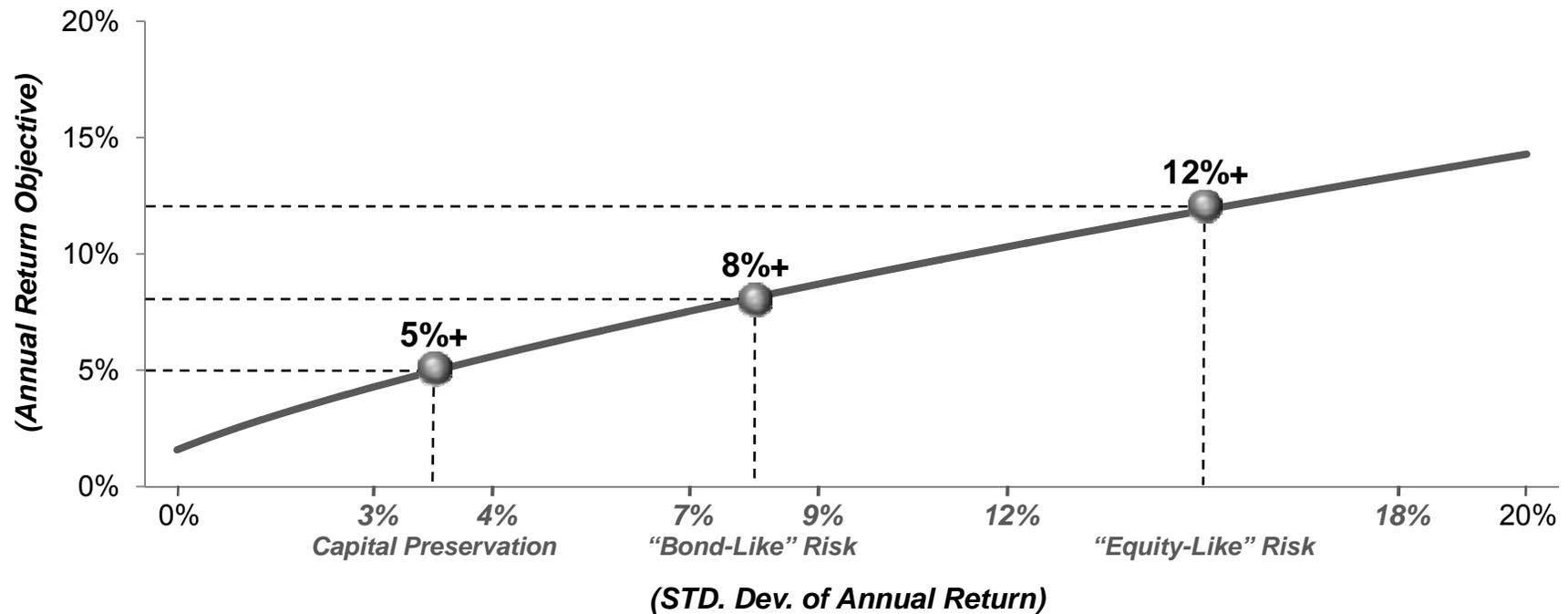
Alignment of Interests

- Substantial Investment by CEO/CIO

All Asset Value: Tailored to Varying Risk/Return Objectives

- Position Weights Set to Maximize Return per Unit of Risk
- Total Portfolio Risk Constrained to Specified Risk Budget
- Asset Allocation is a Derivative of the Process

All Asset Value Offered in Three Formulations



All Asset Value: Investment Process

SCREEN global capital market for **HIGH EXPECTED RETURNS**



VALIDATE or reject leads through **FUNDAMENTAL RESEARCH**



RANK order opportunity **WITHIN** and **AMONG** asset classes



BUY OR SHORT high returns

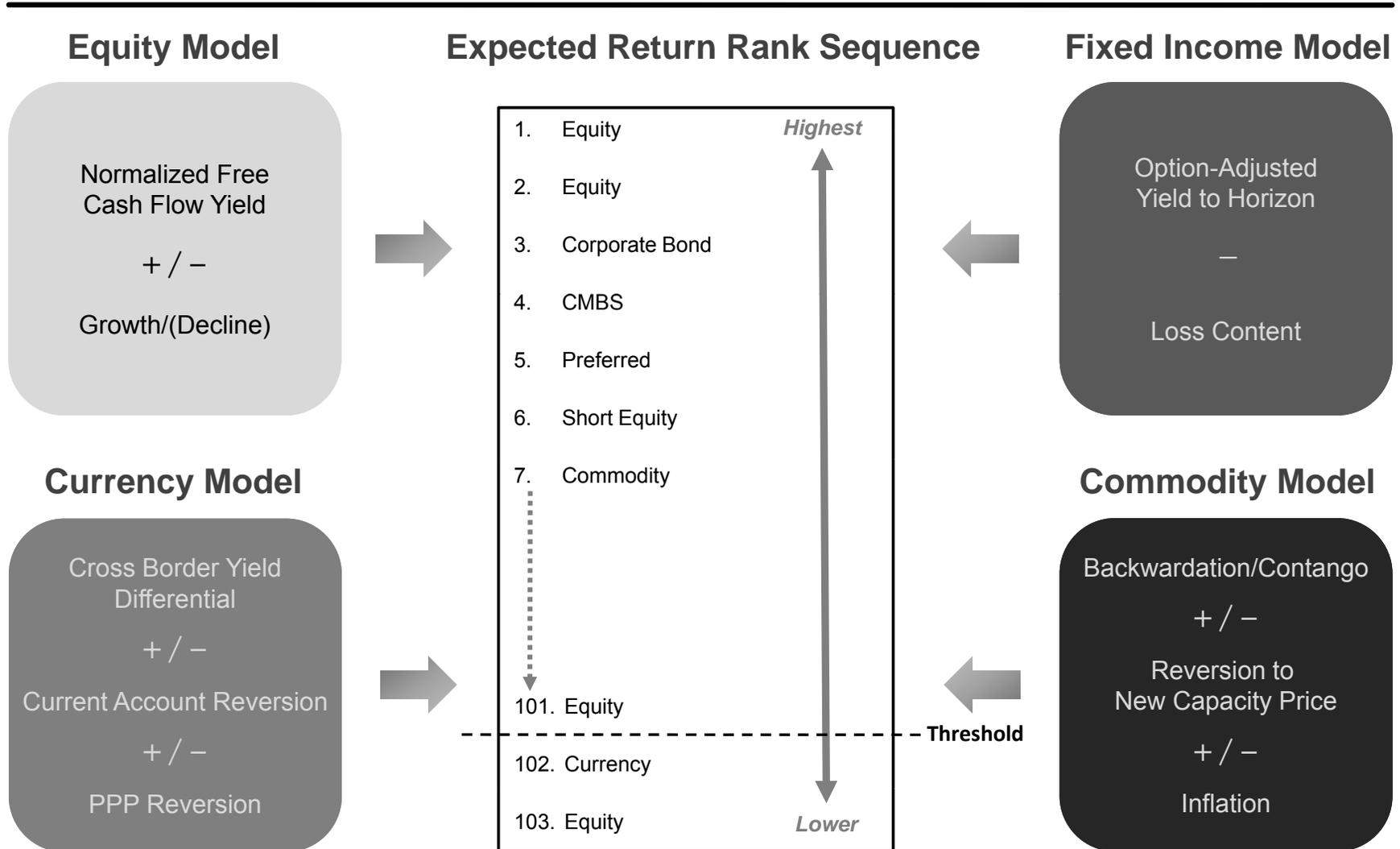


LEVERAGE only those investments with **LOW INHERENT VOLATILITY**



CONSTRAIN RISK to portfolio boundaries

Expected Return: Common Language of All Asset Value



Quantitative Analysis: Adjunctive Contribution to Process

Contribution to Investment Process

Screen	<ul style="list-style-type: none">Rank securities universe within/across asset classesPrioritize fundamental research
Challenge	<ul style="list-style-type: none">Signal potential forecast error
Timing	<ul style="list-style-type: none">Improve the timing of purchases and sales
Size	<ul style="list-style-type: none">Calibrate investment position with risk, return and liquidity
Assess Risk	<ul style="list-style-type: none">Measure overall portfolio risk

Investment decisions are informed by quantitative factors but made on fundamental grounds

All Asset Value: Risk Assessment Process

Equity Model

- **Global:** World, Country, Industry and Style
- **Local:** Industry and Style
- **Stock-Specific Residual**

Currency Model

- **Euro / European Regional Currency Model**
- **Other Currencies:** Developed and Emerging
- **U.S. Dollar Numeraire**

Cross-Asset Correlation through Global Factors

	Equity	Fixed Income	Currency	Commodity
Equity	1.00			
Fixed Income	x	1.00		
Currency	x	x	1.00	
Commodity	x	x	x	1.00

Fixed Income Model

- **Global:** Term, Swap, Credit
- **Local:** Term, Swap, Credit
- **Convertible Option**

Commodity Model

- **GSCI Five Sectors**
- **24 Most Liquid Commodities**

All Asset Value Portfolio

EXAMPLE OF THEMES

Themes Driving Return/Risk Premiums

Equity

- Patent Cliffs: Big Pharma
- Persistent Credit Losses: Banks
- Natural Gas Glut: Gas E&P's
- Low Economic Beta: Non-Durables
- Maturation/Destructive Competition: Telecom

Currency

- High Relative Yield vs. US dollar

Fixed Income

Bonds/Preferreds

- Capital Adequacy Fears
- Cheap Equity Conversion Options

CMBS

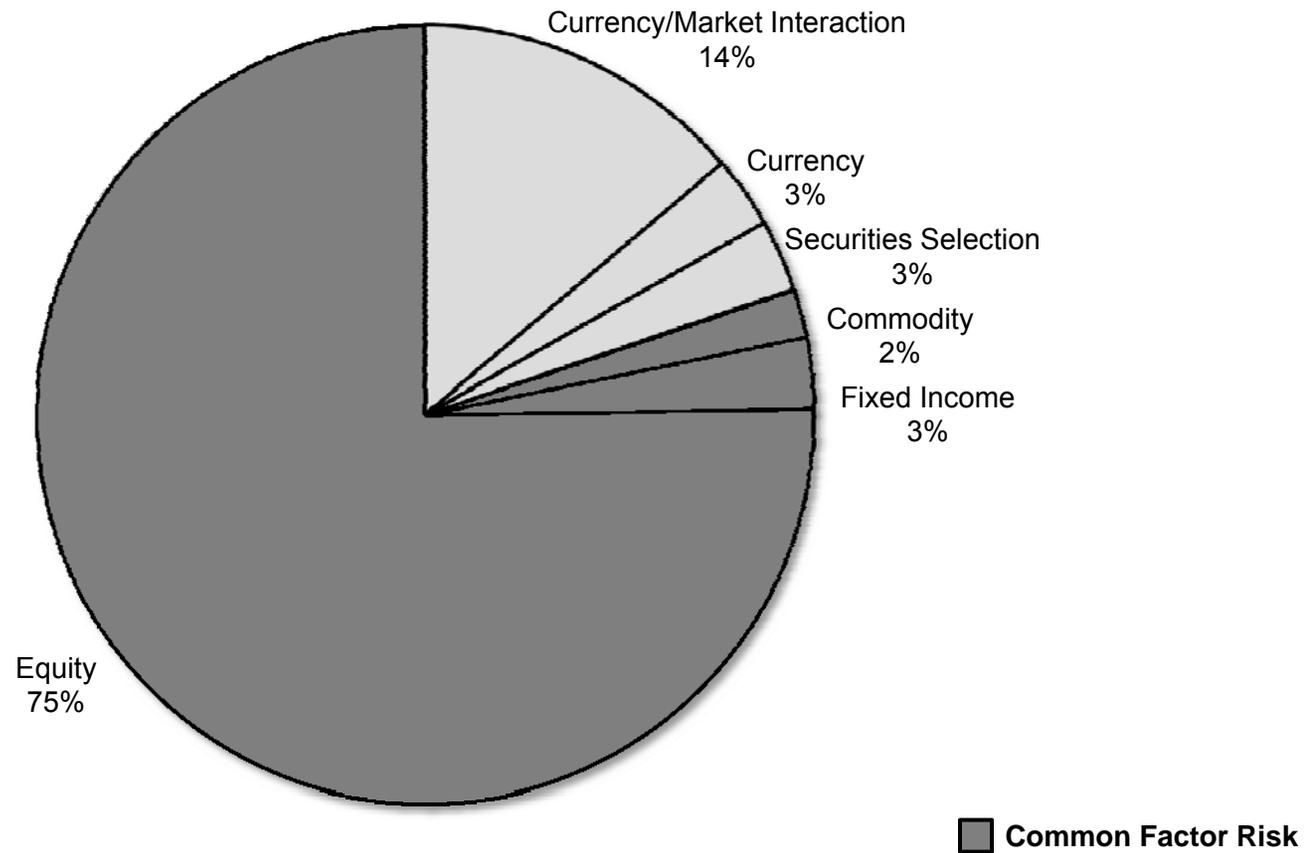
- Collateral Over-Valued
- Refinancing Risk Large
- NOI, DSCR Deteriorating
- High Loss Content in all but Super Senior AAA
- High Odds of Ratings Downgrades

Commodity

- Steep Contango in Natural Gas

Contribution to Portfolio Risk

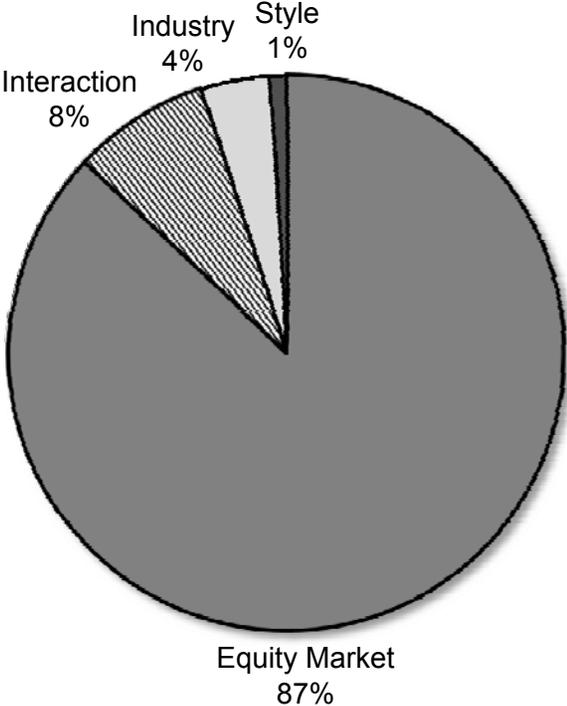
Total Risk: 18%



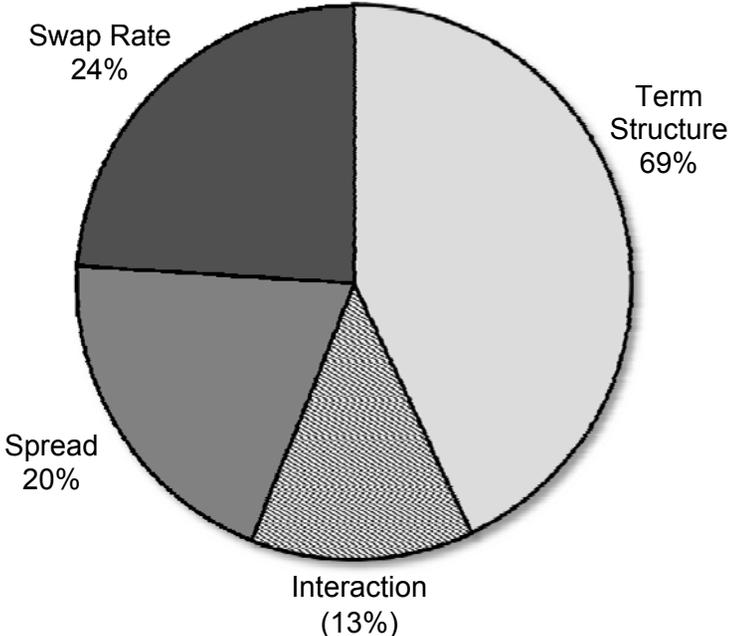
Source: MSCI Barra

Contribution to Asset Class Risk

Equities



Fixed Income



Source: MSCI Barra

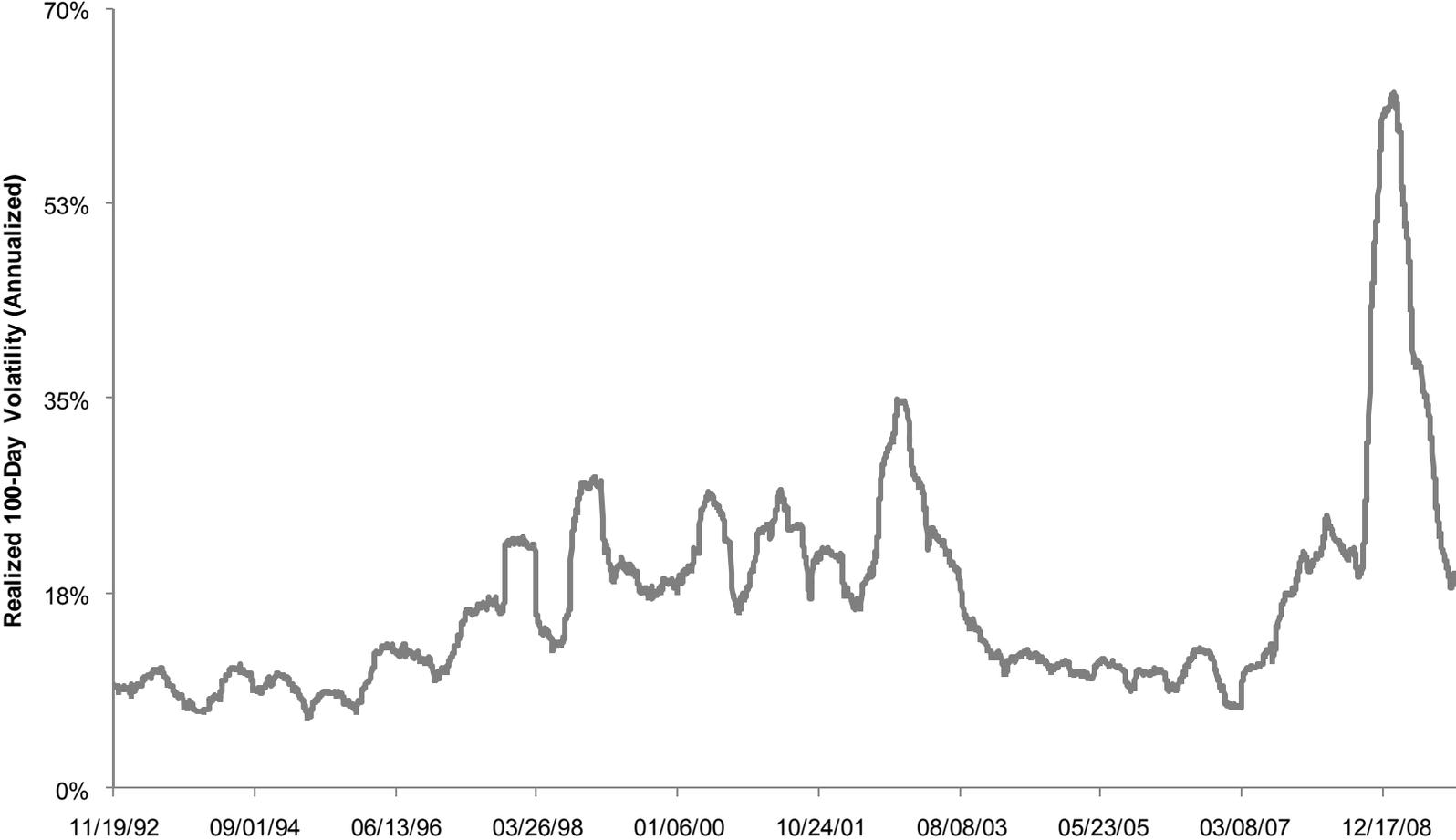
Asset Class Correlation Matrix

	Equity	Bonds	CMBS	Preferred	Nat Gas	AUD	EURO	Cash
Equity	1.00							
Bonds	0.46	1.00						
CMBS	(0.08)	(0.01)	1.00					
Preferred	0.36	0.18	0.53	1.00				
Nat Gas	0.16	0.15	(0.21)	(0.03)	1.00			
AUD	0.44	0.38	(0.03)	0.25	0.29	1.00		
EURO	0.35	0.24	0.05	0.36	0.23	0.51	1.00	
Cash	(0.35)	(0.24)	0.33	0.09	(0.10)	(0.17)	0.05	1.00

Source: MSCI Barra

Adaptable Risk Analytics: Reflects Volatility of Key Variables

Rolling Annualized 100-Day Volatility of S&P 500



Source: Bloomberg

Function and Background of Key Personnel

SENIOR STAFF

Senior Staff

	Education	Vocational Experience
<p>Lewis Sanders (CEO & Co-CIO)</p>	<ul style="list-style-type: none"> ■ B.S. Operations Research (Columbia Univ.) ■ C.F.A. 	<ul style="list-style-type: none"> ■ AllianceBernstein L.P. <ul style="list-style-type: none"> - Chairman ('05 - '08) - CEO ('03 - '08) - Vice Chairman & CIO ('00 - '03) ■ Sanford C. Bernstein & Co., Inc. <ul style="list-style-type: none"> - Chairman & CEO ('93 - '00) - President & COO ('81 - '92) - EVP Research & Investment Mgmt ('79 - '81) - Research Director ('72 - '81) - Research Analyst ('68 - '72) ■ 4 times Institutional Investor All-America Research
<p>John Mahedy (Co-CIO & Research Director)</p>	<ul style="list-style-type: none"> ■ B.S. Accting/Mgmt (NYU) ■ M.B.A. (NYU) ■ C.P.A. 	<ul style="list-style-type: none"> ■ AllianceBernstein L.P. <ul style="list-style-type: none"> - CIO, U.S. Value ('09) & Co-CIO ('03 - '09) - Research Director, U.S. Value ('01 - '08) ■ Sanford C. Bernstein & Co., Inc. <ul style="list-style-type: none"> - Senior Research Analyst <ul style="list-style-type: none"> ○ Energy ('95 - '01) / Oil Services ('88 - '91) ■ Morgan Stanley & Co. <ul style="list-style-type: none"> - Senior Research Analyst, Oil Services ('91 - '95) ■ Top 5 oil analyst in Reuters & Greenwich ('99 - '00) ■ 3 times Institutional Investor All-America Research

Senior Staff (continued)

	<u>Education</u>	<u>Vocational Experience</u>
<p>Alex Shabshis <i>(Director of Quant Analysis)</i></p>	<ul style="list-style-type: none"> ■ B.E. Electrical Engineering <i>(Cooper Union)</i> 	<ul style="list-style-type: none"> ■ AllianceBernstein L.P. <ul style="list-style-type: none"> - Co-Head of Product Development, Alternative Investments ('07 - '09) - Senior Quantitative Research Analyst ('00 - '06) ■ Sanford C. Bernstein & Co., Inc. <ul style="list-style-type: none"> - Senior Quantitative Research Analyst ('95 - '00) - Quantitative Analyst ('92 - '94)
<p>Frank D. Speno <i>(Director of Marketing & Client Service)</i></p>	<ul style="list-style-type: none"> ■ B.S. Economics <i>(Colgate)</i> ■ M.B.A. <i>(Kellogg)</i> 	<ul style="list-style-type: none"> ■ AllianceBernstein L.P. <ul style="list-style-type: none"> - Co-Head of Defined Contribution Distribution ('09) - Senior Marketing Director for All Asset Deep Value Fund ('08) - Global Head of Consultant Relations ('08 - '09) - Head of Global Retail Distribution ('04 - '08) - SVP of Institutional Marketing & Product Manager for Bernstein Value Equity ('02 - '04) ■ Sanford C. Bernstein & Co., Inc. <ul style="list-style-type: none"> - Director of Consultant Relations ('97)

Senior Staff (continued)

	Education	Vocational Experience
<p>Michael T. Borgia <i>(CFO & Head of Operations)</i></p>	<ul style="list-style-type: none"> ■ B.B.A. Accting <i>(Hofstra)</i> ■ M.B.A. <i>(Hofstra)</i> ■ C.P.A. 	<ul style="list-style-type: none"> ■ AllianceBernstein L.P. <ul style="list-style-type: none"> - Co-Head of Global Operations ('01 - '08) ■ Sanford C. Bernstein & Co., Inc. <ul style="list-style-type: none"> - Head of Operations ('92 - '00) - Head of Investment Mgmt Operations ('81 - '92) - Operations Manager ('78 - '81) ■ Seidman & Seidman, LLP <ul style="list-style-type: none"> - Senior Accountant ('76 - '78)
<p>Jean Margo Reid <i>(General Counsel & CCO)</i></p>	<ul style="list-style-type: none"> ■ B.A. History <i>(Wells College)</i> ■ J.D. <i>(Harvard)</i> 	<ul style="list-style-type: none"> ■ BlackRock Inc. <ul style="list-style-type: none"> - Indep. Director, Equity-Bond Funds ('06 - '09) ■ Merrill Lynch Investment Management (MLIM) <ul style="list-style-type: none"> - Indep. Director, MLIM Funds Cluster B ('04 - '06) ■ Sanford C. Bernstein & Co., Inc. <ul style="list-style-type: none"> - General Counsel, Secretary & Director ('97 - '00) - Associate General Counsel ('92 - '96) - Attorney ('88 - '92) ■ New York University's School of Business <ul style="list-style-type: none"> - Assistant Professor of Business Law ('81 - '88)

Background of Research Personnel

RESEARCH STAFF

Research Staff

	Education	Experience In:
<p>Tali Asias <i>(Research Analyst)</i></p>	<ul style="list-style-type: none"> ■ B.S. Econ/Finance (Georgia Tech) ■ M.B.A. (Wharton) 	<ul style="list-style-type: none"> ■ Equity Research ■ Private Equity M&A/Refinancing ■ Government Communications
<p>D. Brixen Dillman <i>(Research Analyst)</i></p>	<ul style="list-style-type: none"> ■ A.B. Mathematics (Princeton) ■ M.B.A. (Univ. of Chicago) ■ C.F.A. 	<ul style="list-style-type: none"> ■ Currency/Swaps/Swaption Valuation ■ Equity Research ■ Investment Analytics ■ Rail Fleet Finance & Management ■ Technology and International M&A/Restructuring ■ Derivatives Trading & Risk-Arbitrage
<p>Andrea Himmel <i>(Research Analyst)</i></p>	<ul style="list-style-type: none"> ■ B.S. Real Estate (Wharton) 	<ul style="list-style-type: none"> ■ Real Estate loan underwriting ■ Real Estate property valuation ■ Financial analysis of Real Estate transactions
<p>Rama Katkar <i>(Research Analyst)</i></p>	<ul style="list-style-type: none"> ■ B.A. Applied Math (Northwestern) ■ B.A. Economics (Northwestern) ■ M.B.A. (Stanford) 	<ul style="list-style-type: none"> ■ Food and Beverage Consulting & Strategy ■ Media and Communications M&A/Refinancing ■ Private Equity M&A/Refinancing

Research Staff (continued)

	<u>Education</u>	<u>Experience In:</u>
<p>Judah Rifkin <i>(Research Analyst)</i></p>	<ul style="list-style-type: none"> ■ B.A. Economics/English (Columbia) 	<ul style="list-style-type: none"> ■ Equity Research (Cable, Telecom, Satellite & Alternative Energy) ■ Retail Order/Inventory Management
<p>Steven L. Sanders <i>(Research Analyst)</i></p>	<ul style="list-style-type: none"> ■ B.S. Economics/Finance/Marketing (Wharton) 	<ul style="list-style-type: none"> ■ Financial Services Consulting & Strategy ■ Sell-Side Research Consulting & Strategy ■ Principal M&A/Refinancing, Financial Services
<p>Mila Skulkina <i>(Research Analyst)</i></p>	<ul style="list-style-type: none"> ■ B.A. Business Economics (Univ. of California) ■ M.B.A. (UCLA) 	<ul style="list-style-type: none"> ■ Principal M&A/Refinancing ■ Equity Research (Managed Care, Retail & Insurance) ■ Media, Consumer and IT Consulting & Strategy

Partnership Terms

- General Partner/Limited Partner Structure
- No Lock Up, No Capital Calls
- On-Demand Liquidity
- Substantial Preferred Return Threshold
- Substantial Co-Investment by CEO/CIO
- \$10 Million Minimum Commitment

TAB 4 –
SAIF POLICY REVISIONS

**Oregon Investment Council
SAIF Corporation
Policy Updates**

Purpose

To adopt revised investment policies for the SAIF Corporation, based on recommendations approved by the OIC in December.

Background

At the December OIC meeting, the OIC heard a presentation from Wells Canning & Associates, a specialist insurance industry consultant, retained by SAIF.

A summary of the key recommended changes, approved at the December meeting were:

1. Reduce the strategic duration for fixed income from 7 years to 5 years.
2. Reduce equity exposure from 15 percent to 10 percent.
3. Diversify the remaining equity allocation by including a “small” allocation to international stocks.
4. Increase higher yielding assets within fixed income by approximately 10 to 15 percent.

Working with Wells Canning, Western, Wellington, SAIF staff and Treasury staff, attached are the recommended investment policy changes to align with the strategy adopted in December. Note that the recommendation to include a “small” allocation to international stocks was revised to adopt a global equity benchmark with an index fund.

Recommendation

Approve recommended policy changes and implement changes over reasonable time period, with staff working in concert with external managers.

FUNCTION: State Accident Insurance Fund

ACTIVITY: General Policies and Procedures

POLICY: An asset allocation policy shall be adopted and appropriate guidelines shall be defined for the SAIF Corporation (“Corporation”) portfolio that takes into account the operating and regulatory considerations applicable to the Corporation.

PROCEDURES:

1. **General Objective:** Optimize the long-term investment return while enabling SAIF to meet benefit/expense payment obligations, maintain a high probability of adequate capitalization, and minimize rate fluctuations.
2. **Philosophy Underlying Asset Allocation Policy:**
 - Select asset allocation and other strategies only after the volatility of both operational and investment risks have been quantified and considered in an integrated manner.
 - Given the combined volatility of both business and investment results, structure the portfolio to create at least a ~~90~~95% probability that surplus will exceed NAIC Risk-Based Capital (RBC) company action level requirements during the next four years.
 - Structure a bond portfolio so as to minimize market value risk in the event of severe cash flow downturns.
 - Comply with statutory constraints on investment parameters.
 - Minimize fluctuation in premium rates.
 - Maximize long-term economic value to support surplus requirements.

SAMPLE FORMS, DOCUMENTS, OR REPORTS:

None

FUNCTION: State Accident Insurance Fund**ACTIVITY: Asset Classes and Allocation**

POLICY: The Oregon Investment Council approves asset classes and allocation guidelines in which State of Oregon moneys are invested.

PROCEDURES:

1. **Authority.** The Oregon Investment Council formulates broad policies for the investment and reinvestment of moneys in the investment Funds and the acquisition, retention, management and disposition of investments of the investment Funds. Ultimate control and authority for selecting and implementing the asset allocation classes and policy for the SAIF Corporation portfolio lies with the Oregon Investment Council (OIC). The Treasurer's office will work with SAIF to ensure the implementation of the asset allocation policy meets the business needs of the Fund. The Oregon Investment Council shall not make asset allocation changes without requesting input from the SAIF Board.
2. **Reviews.** Asset allocation reviews will be performed at least annually to assure the Fund is positioned properly, given the unique industry, regulation, and changing business and financial conditions SAIF Corporation experiences. Any asset classes not specifically addressed in the policy below will be reviewed by Treasury staff and by SAIF for approval by the OIC.
3. **Asset Classes.** Recognizing the general objectives and operating philosophy of the Fund, the following asset classes have been approved by the OIC:
 - A. **Equities.** Investments which represent a direct ownership of, or partnership in, a going concern. The Fund currently is invested in alternative equity interests which are included in the equity allocation. These positions are self-liquidating.
 - B. **Fixed Income.** Investments which have pre-defined interest and principal payment schedules and amounts (debt). This asset class includes mortgage obligations.
 - C. **Cash.** Cash and cash equivalents are defined as cash held in the State Treasury's Oregon Short-Term Fund (OSTF).

4. **Asset Allocation.**

- The actual asset allocation is monitored monthly relative to established asset allocation policy targets and ranges. A deviation outside of any of the ranges triggers a review and rebalancing back to the target asset allocation with due consideration given to the liquidity of the investments and transaction costs.

- Whenever possible, cash flows into and out of the fund will be used to rebalance between asset classes. Cash is to be held only for business operating purposes. The long-term goal for cash is zero percent.

- The asset allocation will be managed to limit the invested asset risk component of the NAIC RBC calculation as periodically reported.

Asset Class	Benchmark	Strategic Target Allocation	Range
Domestic and International Global Equities	MSCI ACWI IMI Index Russell 3000 Index and MSCI EAFE Index	105%	87 10% - 13 20%
US Fixed Income	Custom Fixed Income Benchmark *	90 85%	87 0% - 92 0%
Cash		0%	0% - 3%
Policy Mix	Weighted aggregate of indexes listed above at target allocation	100%	

* Custom Fixed Income Benchmark:

Index:	Percentage:
Lehman BarCap U.S. Corporate Intermediate Index	45 10%
Lehman BarCap Long U.S. Government Index	25 15%
Lehman BarCap Mortgage Backed Fixed Rate Security Index	20%
Lehman Long BarCap Corporate Index	10 50%
BarCap Ba to B U.S. High Yield 2% issuer cap	5 %

SAMPLE FORMS, DOCUMENTS, OR REPORTS: None

FUNCTION: State Accident Insurance Fund
ACTIVITY: Fixed Income Investments

POLICY: A portion of the SAIF Corporation's investment portfolio shall be invested in fixed income securities.

PROCEDURES:

1. **Fixed Income Holdings:** Fixed income holdings shall be the largest component of the Fund and shall have multiple purposes:
 - To provide a positive cash flow
 - To dampen overall volatility of the fund
 - To provide positive real rates of return
 - To possess an asset class which is linked to the Fund liabilitiesDynamic, flexible management of the fixed income portfolio is both permitted and encouraged.

2. **Objective:** Maintain a well-diversified bond portfolio. Manage the portfolio to maximize total return; however trading resulting in recognized losses, is discouraged.

3. **Strategy:**
 - Maintain an overall portfolio quality of at least "~~AA~~-A+" or higher using a rating to worst methodology
 - Maintain an average bond duration level of +/-20% of the custom fixed income benchmark; refer to Activity Reference 4.09.02. This benchmark was designed to support a strategic duration target of approximately ~~5~~7 years.
 - Structure maturities to provide reinvestment opportunities that consider SAIF's operating cash flow projections. This should take into account market risk, produced by cash shortfalls.

4. **Permitted Holdings:**
 - Bond and notes issued, assumed or guaranteed by the U.S. Government or its agencies;
 - Corporate notes and bonds rated B+2/B or better at time of purchase;
 - Asset Backed Securities;
 - Mortgage pools and mortgage related securities;
 - Securities eligible for the Oregon Short-Term Fund (OSTF);
 - Yankee Bonds (dollar denominated sovereign and corporate debt);
 - Rule 144A securities ~~with the expectation that they will carry registration rights~~that the manager believes have liquidity similar to publicly registered securities.

5. **Diversification:** The portfolio should be adequately diversified to minimize various risks. The following specific limitations reflect, in part, the OIC's current investment philosophy regarding diversification.

- No fixed income investment in any one issue shall be in excess of 5% of the outstanding fixed income obligations of the issuer.
- **Issuer diversification:**
 - Not more than 5.0% of the total market value of the SAIF fixed income portfolio shall be invested in any one issuer rated Aaa
 - Not more than 3.5% of the total market value of the SAIF fixed income portfolio shall be invested in any one issuer rated Aa
 - Not more than 2.5% of the total market value of the SAIF fixed income portfolio shall be invested in any one issuer rated A
 - Not more than 1.5% of the total market value of the SAIF fixed income portfolio shall be invested in any one issuer rated Baa
 - Not more than 0.75% of the total market value of the SAIF fixed income portfolio shall be invested in any one issuer rated less than Baa3

~~Not more than 3% of the total market value of the SAIF fixed income portfolio shall be invested in fixed income securities of any one issuer.~~ These issuer level restrictions shall not apply to except U.S. Government and Agency obligations including Agency backed mortgages (no limit) and private mortgage-backed and asset-backed securities, which shall be limited to 10% per issuing trustee. Obligations of other national governments are limited to 10% per issuer.

6. **Liquidity:**

SAIF may have the occasional need to draw on a portion of the funds under management for money to be used in the payment of expenses, claims, or other funding purposes. Prior to any withdrawal, SAIF will communicate its requirement in such a manner as to allow the greatest amount of time possible for planning purposes.

7. **Portfolio Restrictions:**

- No more than 10% of the total fixed income portfolio, at market value, may be maintained in securities rated less than Baa3 (NAIC class code 3-6).
- No more than ~~150%~~ of the total fixed income portfolio, at market, may be maintained in Rule 144A securities.
- There shall be a maximum of 25% in any one industry, or Government Agency excluding Agency backed mortgages.
- There shall be no investments in non-dollar denominated securities.
- There shall be no use of leverage in any fixed securities (excluding use of securities in a securities lending program). Securities such as ABS and CMBS shall not be considered as using leverage unless they are part of a broader structure, such as TARP funds, that explicitly use leverage.

- The maximum allocation to each taxable fixed income sector shall be limited to a percentage of the total market value of the investment portfolio, as follows:

US Treasury Notes	100%
US Government Agencies	50%
Mortgage Backed Securities (Pass Through and CMO)	40%
Commercial Mortgage Backed Securities	10%
US Corporates	785%
Asset Backed Securities	25%
Non-US Dollar Denominated	0%
Tax-Exempt Municipal Bonds	0%
Taxable Municipal Bonds	25%
Structured Securities (Combined MBS, CMBS, ABS)	50%

8. **Policy Compliance:** Any out of compliance issues with this policy, shall result in the external manager providing OST staff with a timely plan to achieve compliance.
9. **Performance Expectations/Reviews:** Over a market cycle of 3-5 years, this portfolio is expected to outperform the Custom Fixed Income Benchmark, net-of-fees. Quarterly investment review will take place focusing on:
 - Performance relative to objectives, and
 - Adherence to guidelines.

SAMPLE FORMS, DOCUMENTS, OR REPORTS:

None

FUNCTION: State Accident Insurance Fund

ACTIVITY: Equity Investments

POLICY: A portion of SAIF Corporation's investment portfolio shall be invested in equity securities.

PROCEDURES:

1. **Objective:** The objective of the equity portfolio is to enhance total return by investing in a broadly diversified portfolio of stocks. The OIC and SAIF are mindful of the potential volatility of the equity markets and choose to dampen this potential through diversification.
2. **Strategy:**
 - Hold a fully invested, diversified portfolio of securities.
3. **Permitted Holdings:**
 - -Publicly traded ~~domestic or international~~global common stock, and other financial instruments commonly held in the management of passive, or enhanced, index funds.
4. **Diversification:** The OIC recognizes the need for high levels of diversification to minimize the risk of large losses to the Fund. Diversification by capitalization, style, and sector distribution shall be obtained by participation in a broad market strategy.
5. **Portfolio Restrictions:**
 - There will be no engagement in short sales, purchases on margin, or investments in options, futures, or private placements, unless prior authorization is given by Treasury staff.
 - The Treasurer is statutorily prohibited from directly purchasing or holding equity investments (ORS 293.736). Private investment management firms are retained on behalf of the OIC to select and purchase equities on the Fund's behalf.
6. **Proxy Voting:** The OIC has delegated the responsibility of voting all proxies to the investment manager according to the manager's internal proxy voting guidelines. Managers are required to vote the issues in the interest of SAIF, or in proportion to SAIF's interest in the pooled account.

7. **Performance Expectations/Reviews:**

- Passive portfolios are expected to achieve returns similar to the performance of the relevant index less investment management and custody fees. Enhanced portfolios are expected to achieve returns above the benchmark, commensurate with the marginally higher tracking error.
- Quarterly review will take place focusing on adherence to guidelines and evaluation of investment performance to objectives.

8. **Target Manager Weightings and Ranges:**

	<u>Target</u>	<u>Range</u>
<u>MSCI ACWI IMI Index Fund</u>	<u>10%</u>	<u>7-13%</u>
<u>BGI Russell 3000 Index Fund (to be selected by Treasury)</u>	<u>108.5%</u>	<u>7-103%</u>
<u>BGI Russell 3000 Alpha Tilts</u>	<u>5%</u>	<u>3-7%</u>
<u>Developed Markets Int'l Index Fund (to be selected by Treasury)</u>	<u>1.5%</u>	<u>1-3%</u>
<u>Totals</u>	<u>1510%</u>	<u>108-2013%</u>

SAMPLE FORMS, DOCUMENTS, OR REPORTS:

None

TAB 5 –
OREGON INTERMEDIATE TERM POOL

Oregon Intermediate Term Pool

Purpose

This presentation is to inform the Council of a project to structure and implement a fixed income investment pool that provides a vehicle for state-owned and sponsored entities to invest monies not needed to cover short-term needs. This topic is informational only.

Background and Objective

Certain state agencies and sponsored entities have monies available to invest on a longer term basis. Currently, the investment options available to most state entities are restricted by ORS and governed by the OIC. Except in specific and limited circumstances provided by ORS, the only investment vehicle available for state agencies and sponsored entities is the Oregon Short Term Fund (OSTF).

The Oregon State Treasury (OST) would like to provide state-owned and sponsored entities the opportunity to place funds, not needed for short-term cash needs, in a vehicle that is able to accept greater market risk, within certain parameters, in order to achieve improved investment returns.

The Oregon Intermediate Term Pool (OITP) has been an ongoing objective for OST, and has been influenced by the current economic conditions, interest from state agencies, and OST's capability of providing additional opportunities for agencies to invest funds. The OST has been approached a number of times over the years, by state entities with larger "investable" balances in the OSTF or with discretely managed funds, with requests to establish a longer duration co-mingled fund. The issue has become more pressing recently with the changes at the Oregon University System (OUS) and their efforts to consolidate finances. OUS' resulting consolidation of balances creates a significant corpus with which to launch a longer term investment vehicle that fits with their investment needs. In staff's opinion, other likely investors in the pool would be the Oregon Department of Transportation and the Oregon Department of Veterans Affairs as well as several other agency separate accounts managed by investment staff. It is anticipated that combining these accounts will create improved economies of scale from both an administrative and portfolio management perspective.

Although the structure of the OITP and certain administrative hurdles has not been finalized, Investment staff feels it is able provide a substantive description to the Council. Investment staff expects to provide the Council with investment policies, and have the OITP fully operational and ready for OIC action by the April 2010 meeting.

Recommendation None at this time.

TAB 6 –
ELECTION OF
OREGON INVESTMENT COUNCIL OFFICERS

FUNCTION: O.I.C. Section
ACTIVITY: Oregon Investment Council (OIC) and Staff Duties

POLICY: The Oregon Investment Council formulates broad policies for the investment and reinvestment of moneys in the investment funds and the acquisition, retention, management and disposition of investments of the investment Funds (Fund or Funds). The Council includes the State Treasurer and four appointees of the Governor. Additionally, the PERS Director sits with the Council, but may not vote. The members of the Council biennially elect a chair and a vice chair from among the four Governor appointed, voting members. The vice chair functions as the chair in the event the chair is unable to fulfill the duties. OIC meetings are conducted according to the rules set forth in sample Form A.

PROCEDURES:

1. **Staff and Research Support.** Should the OIC wish to investigate or research a matter related to current or potential investment activities, OST Investment Division staff shall provide support and assistance as required.
2. **Record, Transcribe, and Distribute Minutes of OIC Meetings.** A member of the Investment Division staff records and distributes minutes for OIC meetings. Approved minutes, except those taken during executive session, are posted to OST's website. In addition, meetings shall be recorded by audio file.
3. **Draft OIC Resolutions.** The Chief Investment Officer or staff may draft policies or resolutions for OIC action upon request. All advisors of the Council, including but not limited to private investment advisors, staff members of the OST and legal counsel, when practicable, shall submit to the Council for its consideration written recommendations, whenever the advisor provides information to the Council which the advisor believes may require action by the Council. From the written recommendations, OST staff shall have prepared for the Council's consideration appropriate forms of motion. Whenever practicable, OST staff shall review and advise the Council in writing whether proposed Council action concerning investments falls within or outside of existing investment policies and, if within, shall state the policy that is applicable.
4. **Council Elections.** The Council shall select one of its members as chair, for a term and with powers and duties necessary for the performance of the functions of the office as the council determines (ORS 293.711(2)). The Council shall biennially elect a chair, and vice chair, at the first regular meeting of the Council in each even-numbered calendar year. A person may not serve as chair of the Council for more than four years in any 12-year period (ORS 293.711(4)). Between biennial elections, with at least one week notice, a majority of the Council may request a special election to be held at the next meeting of the Council to elect officers for the unexpired term.

SAMPLE FORMS, DOCUMENTS, OR REPORTS (Attached)

Sample Form A—Rules of Conduct for OIC Meetings

Sample Form A

Rules for Conduct for Oregon Investment Council Meetings

Applicability of Rules

1. These rules are applicable to convened business meetings, regular and special, of the Oregon Investment Council.
2. Meetings will be called from time-to-time by the Chairman:
 - a. Regular meetings will generally be held eight times per year;
 - b. Special meetings and informal meetings will be held as needed;
 - c. Meetings may also be held by telephone; and
 - d. Meetings in Executive Session shall be held according to Oregon Revised Statutes.
3. Notice of meetings will be given in compliance with Oregon Revised Statutes 192.610-690 and cases applicable thereto.
4. **Agenda:** Notice of the meeting shall also contain a copy of the agenda for the meeting setting forth, with reasonable clarity, the matters to be discussed.
5. **Quorum:** Three members are a quorum to take action.
6. **Majority Vote:** An affirmative vote of three members of the Council is required for the Council to approve resolutions.
7. **Conflict of Interest:** Notice of conflict of interest, as defined in Oregon Revised Statutes 244.120 and rules promulgated by the Oregon Government Ethics Commission and this Council, shall be announced prior to taking an action on an issue. Announced conflicts should be recorded as provided in Oregon Revised Statutes 244.130 (See also: 4.00.03). "Take action" means to vote, debate, recommend or discuss.
8. **Voting:** Members, when present, shall vote either aye or nay on an issue, except in the case of a potential conflict of interest. If such a potential conflict of interest exists, the member shall make a declaration of that conflict and may be excused from voting by the body.
9. **Record of Votes:** Roll call votes shall be tallied by the Chief Investment Officer through an oral roll call.
10. **Recess or Adjournment:** A quorum being present, any meeting of the Council may be recessed or adjourned by a majority vote of the Council or by the Chair of the meeting.

TAB 7 –
ASSET ALLOCATIONS & NAV UPDATES

Asset Allocations at December 31, 2009

OPERF	Regular Account							Variable Fund	Total Fund
	Policy	Target	\$ Thousands	Pre-Overlay	Overlay	Net Position	Actual	\$ Thousands	\$ Thousands
Public Equity	41-51%	46%	20,809,263	40.4%	1,158,360	21,967,623	42.7%	963,170	22,930,793
Private Equity	12-20%	16%	9,846,874	19.1%		9,846,874	19.1%		9,846,874
Total Equity	57-67%	62%	30,656,137	59.6%	1,158,360	31,814,497	61.8%		32,777,667
Opportunity Portfolio			1,036,473	2.0%		1,036,473	2.0%		1,036,473
Fixed Income	22-32%	27%	13,282,985	25.8%	(58,168)	13,224,817	25.7%		13,224,817
Real Estate	8-14%	11%	5,386,640	10.5%	-	5,386,640	10.5%		5,386,640
Cash*	0-3%	0%	1,109,361	2.2%	(1,100,192)	9,169	0.0%	5,584	14,753
TOTAL OPERF		100%	\$ 51,471,596	100.0%	\$ -	\$ 51,471,596	100.0%	\$ 968,754	\$ 52,440,350

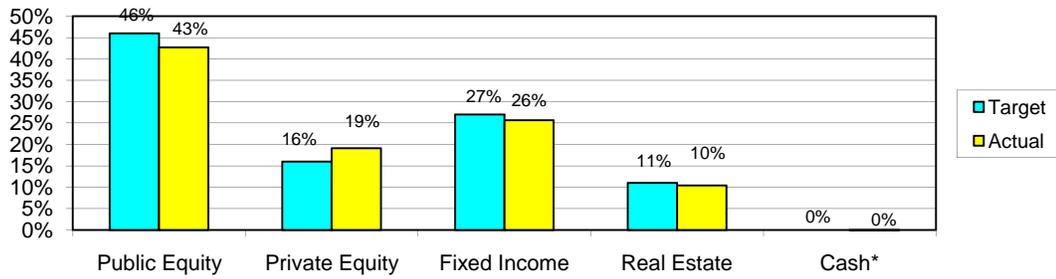
*Includes cash held in the policy implementation overlay program.

SAIF	Policy	Target	\$ Thousands	Actual
Total Equity	10-20%	15.0%	640,584	16.2%
Fixed Income	80-90%	85.0%	3,283,675	83.2%
Cash	0-5%	0%	24,389	0.6%
TOTAL SAIF		100%	\$3,948,648	100.0%

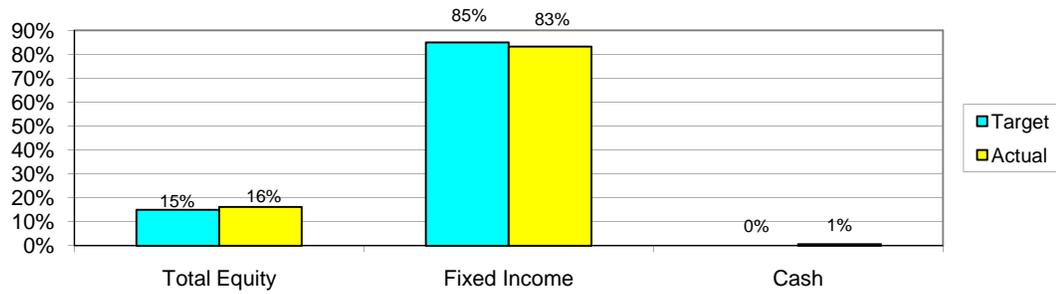
CSF	Policy	Target	\$ Thousands	Actual
Domestic Equities	25-35%	30%	\$330,145	32.8%
International Equities	25-35%	30%	334,987	33.3%
Private Equity	0-12%	10%	25,676	2.6%
Total Equity	65-75%	70%	690,808	68.6%
Fixed Income	25-35%	30%	278,624	27.7%
Cash	0-3%	0%	36,955	3.7%
TOTAL CSF			\$1,006,387	100.0%

HIED	Policy	Target	\$ Thousands	Actual
Domestic Equities	25-35%	30%	\$18,145	29.6%
International Equities	25-35%	30%	20,238	33.1%
Private Equity	0-10%	10%	5,016	8.2%
Total Equity	65-75%	70%	43,399	70.9%
Fixed Income	25-35%	30%	17,045	27.8%
Cash	0-3%	0%	769	1.3%
TOTAL HIED			\$61,213	100.0%

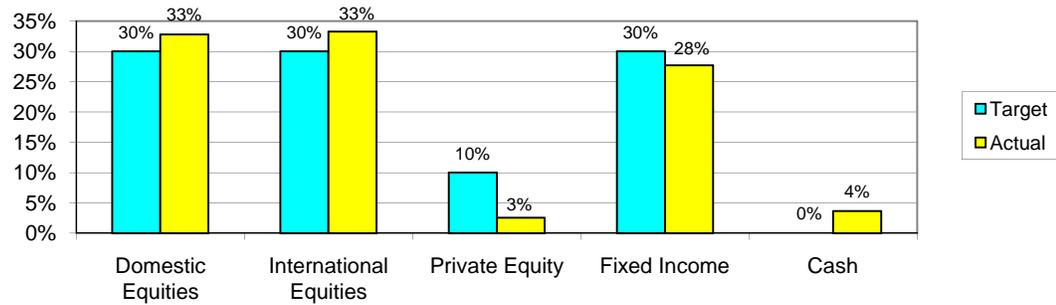
OPERF Asset Allocation



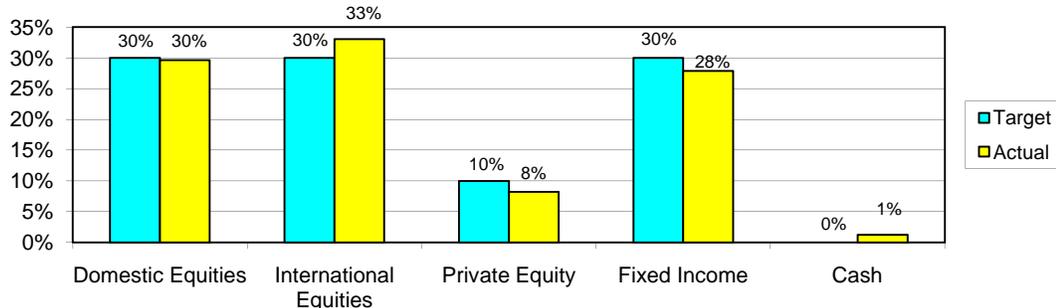
SAIF Asset Allocation



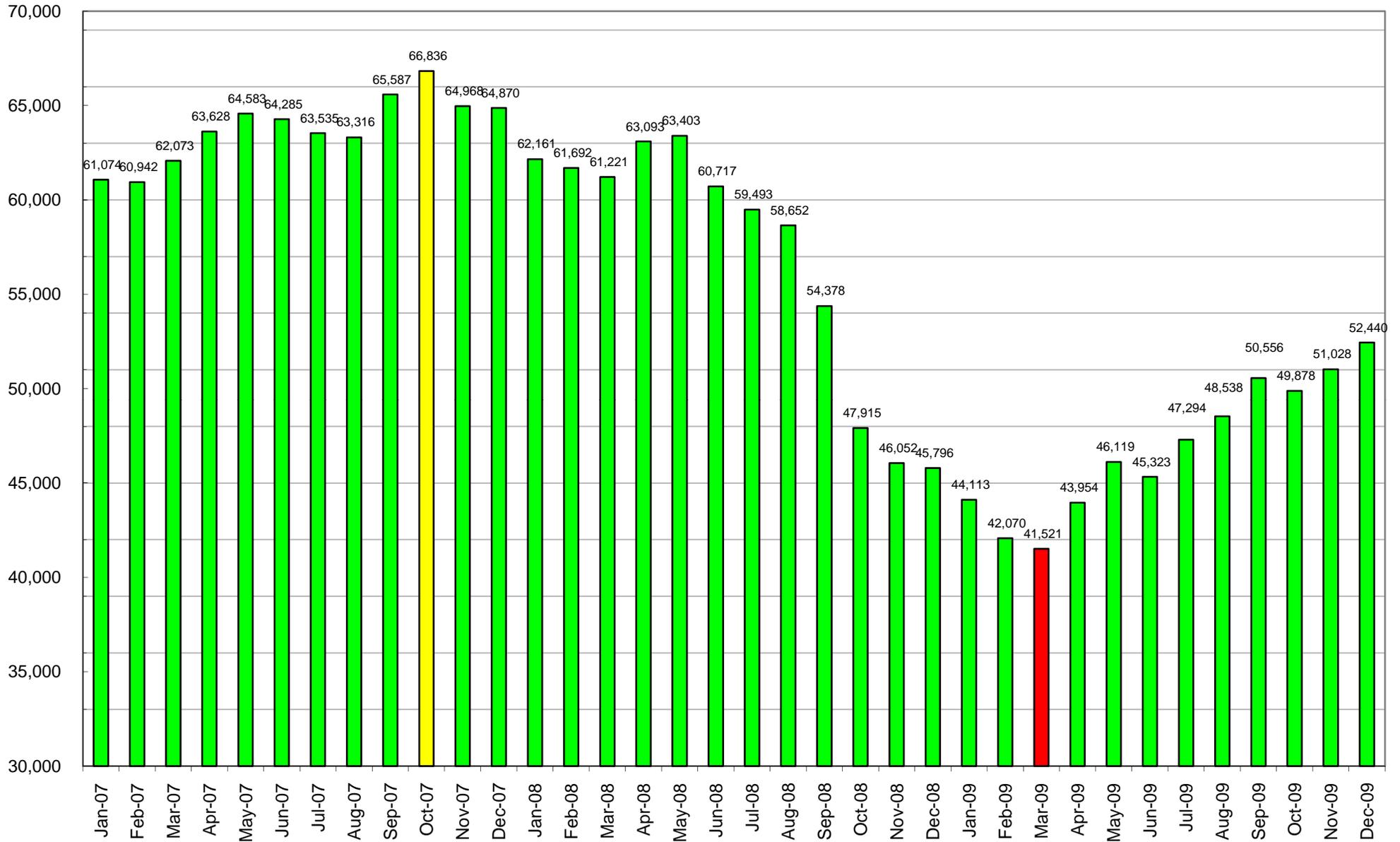
CSF Asset Allocation



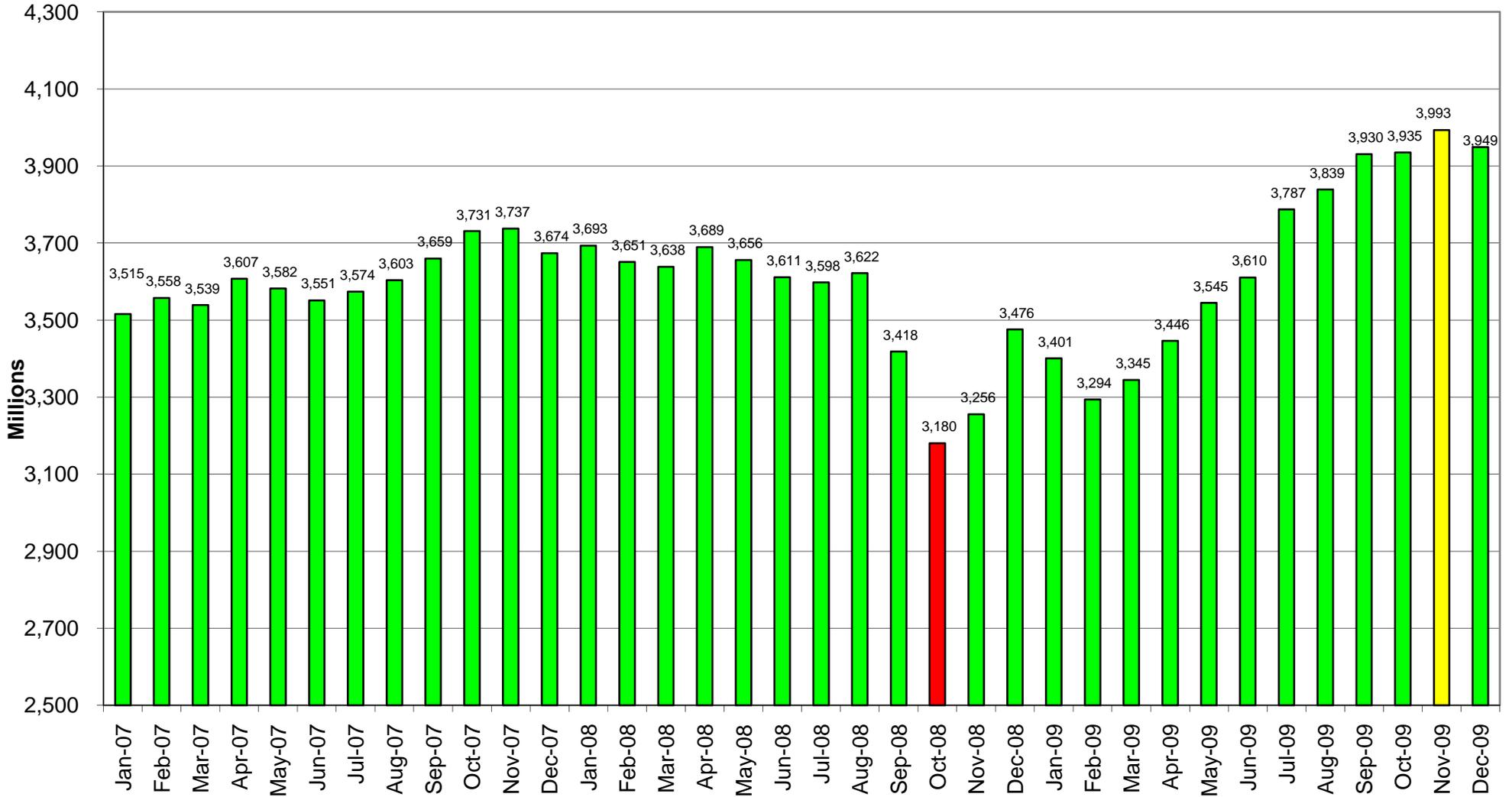
HIED Asset Allocation



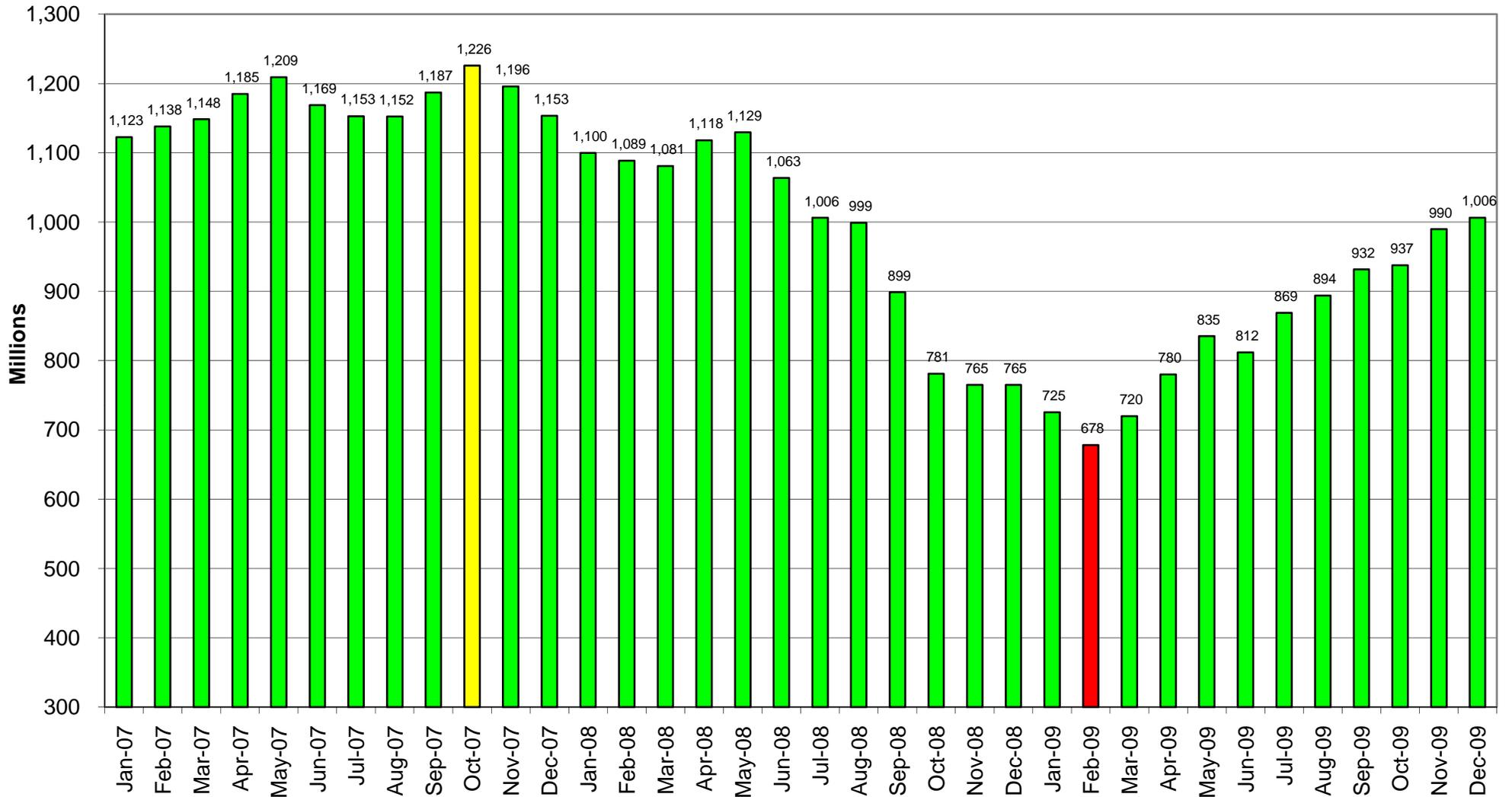
OPERF NAV
Three years ending December 2009
(\$ in Millions)



SAIF NAV
Three years ending December 2009
(\$ in Millions)



CSF NAV
Three years ending December 2009
(\$ in Millions)



TAB 8 –
CALENDAR – FUTURE AGENDA ITEMS

2010 OIC Forward Agenda Topics

- February 24:** Jay Crandall—Oak Hill
Sageview Capital—OPERF Private Equity
Public Equity Review
OPERF Private Equity Annual Plan
Securities Lending Review
OPERF 4th Quarter Performance Review
- April 28:** Brookfield—OPERF Real Estate
OSTF Annual Review
DOJ Litigation Update
Annual Policy Updates
- May 26:** OPERF 1st Quarter Performance Review
- July 28:** OPERF Real Estate Annual Review
Annual Audit Update
- September 29:** CEM Annual Review
CSF Annual Review
- October 27:** OPERF Opportunity Portfolio Annual Plan
- December 1:** OPERF 3rd Quarter Performance Review
HIED Annual Review