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OREGON INVESTMENT COUNCIL
OCTOBER 26, 2016
MEETING SUMMARY

Members Present: Rukaiyah Adams, Rex Kim, Steve Rodeman, John Russell, Katy Durant (via phone)

Staff Present: John Skjervem, Deena Bothello, Karl Cheng, May Fanning, Karl Hausafus, Michael Langdon, Perrin Lim, Aliese Jacobsen, Paola Nealon, Jen Plett, Jen Peet, David Randall, Priyanka Shukla, James Sinks, Michael Viteri, Lisa Massena, Garrett Cudahey, Tony Breault, Amanda Kingsbury, Kristin Johnson, Austin Carmichael, Dana Millican, Ricardo Lopez, William Hiles, Andrew Coutu, John Hershey, Jo Recht, Roy Jackson, Mark Selfridge, Christian Maynard-Philipp, Kathie Garcia, Nancy O'Halloran, Angela Schaffer, Ben Mahon, Mike Mueller, Dana Millican, Lauren Guy

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

Legal Counsel Present: Dee Carlson, Oregon Department of Justice

The October 26th, 2016 OIC meeting was called to order at 9:03 am by Rex Kim, OIC member.

Ms. Adams joined the meeting at 9:04am.

I. **9:04 am Review and Approval of Minutes**

MOTION: Mr. Russell moved approval and Ms. Durant seconded a motion to approve both the September 14, 2016 OIC meeting minutes and the September 30, 2016 joint PERS/OIC meeting minutes which then passed by a 4/0 vote.

Committee Reports

John Skjervem, OST Chief Investment Officer gave an update on the following committee actions taken since the September 14, 2016 OIC meeting:

Private Equity Committee:

None

Alternatives Portfolio Committee:

September 29, 2016	Starwood Energy Infrastructure Fund III	\$150 million
September 29, 2016	Homestead Capital USA Farmland Fund II LP	\$100 million

Opportunity Portfolio Committee:

September 29, 2016 Lone Star Fund X

\$150 million

Real Estate Committee:

None

II. 9:05 am General Consultant Recommendation – OPERF

Karl Cheng, Investment Officer, Portfolio Risk & Research addressed the OIC's general consulting contracts with Callan Associates Inc. (Callan) and Pension Consulting Alliance LLC (PCA), both of which expire on December 31, 2016.

Staff proposed that the OIC extend its current contracts with both Callan and PCA, subject to existing terms and conditions, for an additional two-year period beginning January 1, 2017 and ending December 31, 2018.

MOTION: Mr. Russell moved approval of the staff recommendation. Mr. Kim seconded the motion, which then passed by a 4/0 vote.

III. 9:06 am MBK Partners IV, L.P. – OPERF Private Equity Portfolio

Michael Langdon, Senior Investment Officer, Private Equity recommended approval of a \$200 million commitment to MBK Partners Fund IV, L.P. ("Fund IV" or the "Fund") for the OPERF Private Equity portfolio, subject to the satisfactory negotiation of all terms and conditions with Staff working in concert with legal counsel. This proposed commitment would establish a new general partner relationship with MBK Partners. Mr. Langdon then introduced Mr. Michael ByungJu Kim, Partner, MBK Partners and Mr. Tae Hyun Park, Partner, MBK Partners who had traveled from South Korea to provide the Council with a presentation on the Fund, their firm and their firm's strategy.

MOTION: Ms. Durant moved approval of the staff recommendation. Mr. Russell seconded the motion which then passed by a vote of 4/0.

IV. 9:50 am AQR Managed Futures Strategy – OPERF Alternatives Portfolio

Ben Mahon, Senior Investment Officer, Alternatives, Karl Cheng and Callan recommend a \$250 million commitment to the AQR Capital Management Managed Futures Strategy for the Diversifying Strategies sleeve of the OPERF Alternatives Portfolio, subject to the satisfactory negotiation of terms and conditions with Staff working in concert with legal counsel. Mr. Mahon introduced Mr. Yao Hua Ooi, Principal, AQR Capital Management, LLC who gave an introduction to futures-based investment strategies and then talked about the unique approach AQR uses in this area.

MOTION: Ms. Durant moved approval of staff recommendation, and Mr. Kim seconded the motion which then passed by a vote of 3/1. Mr. Russell cast the dissenting vote.

V. 10:55 am Public Equity Review – OPERF Public Equity Portfolio

Michael Viteri, Senior Investment Officer, Public Equity, and Paola Nealon, Investment Officer, Public Equity along with Janet Becker-Wold and Uvan Tseng from Callan Associates provided the Council with an annual review of the Oregon Public Employees Retirement Fund (OPERF) Public Equity portfolio.

VI. 11:21 am Public Equity Restructuring – OPERF Public Equity Portfolio

Mr. Viteri presented staff's recommendation to restructure 25% of the OPERF Public Equity portfolio in the form of a Low Volatility strategies sleeve. Mr. Viteri said that staff believes a 25 percent allocation to Low Vol strategies was projected to result in OPERF Public Equity portfolio risk dropping by approximately 10 percent (from 15.33% to 14.05%). In addition, risk at the total OPERF level was also projected to drop a meaningful amount (from 11.71% to 11.24%).

Recommendation:

1. Staff and Callan recommend funding Arrowstreet, Acadian, AQR and Los Angeles Capital Management with approximately \$750 mm - \$800 mm each to populate a dedicated Low Vol sleeve within the OPERF Public Equity portfolio.
2. Amend OIC policy INV 601 (Public Equity Investments: Strategic Role of Public Equity Securities within OPERF) accordingly.

MOTION: Mr. Russell moved approval of staff recommendations and Mr. Kim seconded the motion which then passed by a vote of 4/0.

VII. 12:17 pm International Risk Premia Strategy – OPERF Public Equity Portfolio

Mr. Viteri recommend funding a \$1.2 billion internally-managed World X-U.S. Risk Premia strategy within the OPERF Public Equity Portfolio and amend OIC policy VIN 603 (Internal Equity – Portfolio Objectives & Strategies) accordingly.

MOTION: Ms. Durant moved approval of the staff recommendation and Mr. Kim seconded the motion which then passed by a vote of 4/0.

VIII. 12:22 pm CEM Benchmarking Report – OPERF

Bruce Hopkins, Vice President at CEM Benchmarking, Inc. (CEM) presented his firm's analysis of OPERF investment returns and costs for both the calendar year and five-year period ended December 31, 2015.

IX. 12:38 pm Asset Allocation & NAV Updates

Mr. Skjervem reviewed asset allocations and NAVs across OST-managed accounts for the period ended September 30, 2016.

X. 12:38 pm Calendar – Future Agenda Items

A calendar listing of future OIC meetings and scheduled agenda topics was included in the Council's meeting material.

XI. 12:38 pm Other Items

None

12:40 pm Public Comments

Mr. Michael Pineschi, Researcher with UniteHere! and two homeowners, Ms. Sandra Cohen and Ms. Yvette Riviere from Baltimore, MD, provided public comment regarding Oaktree Capital Management and its residential mortgage investment activities.

Ms. Adams adjourned the meeting at 12:50 pm.

Respectfully submitted,

May Fanning

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Executive Support Specialist