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OREGON INVESTMENT COUNCIL
SEPTEMBER 14, 2016
MEETING SUMMARY

Members Present:	Rukaiyah Adams, Katy Durant, Rex Kim, Steve Rodeman, John Russell, Ted Wheeler
Staff Present:	John Skjervem, Deena Bothello, Karl Cheng, May Fanning, Karl Hausafus, Michael Langdon, Perrin Lim, Paola Nealon, Jen Plett, Jen Peet, David Randall, Priyanka Shukla, James Sinks, Michael Viteri, Lisa Massena, Garrett Cudahey, Andy Hayes, Tony Breault, Amanda Kingsbury, Kristin Johnson, Tom Lofton, Sam Green, Austin Carmichael, Dana Millican, Byron Williams, Kim Olson, Ricardo Lopez, William Hiles, Andrew Coutu, Connie Lelack, Tom Rinehart
Consultants Present:	Tom Martin (TorreyCove); Christy Fields, John Linder and David Glickman (PCA); Janet Becker-Wold and James Callahan (Callan)
Legal Counsel Present:	Dee Carlson, Oregon Department of Justice
PERS Board Members:	Lawrence Furnstahl, Krystal Gema, John Thomas, Pat West, Rhoni Wiswall

The September 14th, 2016 OIC meeting was called to order at 9:01 am by Katy Durant, Chair.

I. 9:01 am Review and Approval of Minutes

MOTION: Treasurer Wheeler moved approval of the August 10, 2016 meeting minutes, which then passed by a 5/0 vote.

Committee Reports

John Skjervem, OST Chief Investment Officer gave an update on the following committee actions taken since the August 10, 2016 OIC meeting:

Private Equity Committee:
None

Alternatives Committee:

August 17, 2016	EMR Capital Resources Fund II, L.P.	$125 million
August 17, 2016	Northern Shipping Fund III, L.P.	$100 million to $125 million

Opportunity Portfolio Committee:
None

Real Estate Committee:
None

II. 9:02 am Consultant Recommendation – *OST Private Equity Program*

Michael Langdon, Senior Investment Officer, Private Equity and Andy Hayes, Investment Officer, Private Equity addressed the Council's existing contract for Private Equity consultant services ending December 31, 2016. Subject to satisfactory negotiation of all terms and conditions with Staff working in concert with legal counsel, the private equity consultant search committee recommended that the OIC pursue a non-discretionary private equity consulting contract with TorreyCove Capital Partners, LLC beginning January 1, 2017.

The Committee further recommended pursuing a three-year initial contract term with two, pre-negotiated 24-month extensions available at the Council's discretion.

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

III. 9:06 am Fund Restructuring and Policy Update - *Public University Fund*

Tom Lofton, Investment Officer, Fixed Income spoke about Public University Fund ("PUF" or the "Fund") participants' desire to revise the Fund's investment guidelines consistent with the following, proposed changes:

Current Structure

Strategy	Allocation	Constraint
Liquidity	Oregon Short Term Fund	Not less than approximately six (6) months of average monthly operating expenses
Core	Oregon Intermediate Term Fund Benchmark: Barclays U.S. Aggregate 3-5 Year	Should not exceed $300 million
	PUF Long-Term Fund Benchmark: Barclays U.S. Aggregate 5-7 Year	Should not exceed $120

Revised Structure

Strategy	Allocation	Constraint
Liquidity	Oregon Short Term Fund	Not less than approximately six (6) months of average monthly operating expenses
Core	Benchmark: 75% Barclays U.S. Aggregate 3-5 Year 25% Barclays U.S. Aggregate 5-7 Year	

After discussion with PUF participants' designated representative and consultant, OST investment staff also proposed updating Fund investment guidelines to reflect OST's improved risk management capabilities and to allow for more efficient investment management relative to the Core portfolio's custom benchmark.

Staff recommended OIC approve revisions to PUF's Investment Policy as submitted.

MOTION: Mr. Kim moved approval of the staff recommendation. Mr. Russell seconded the motion which then passed by a vote of 5/0.

IV. 9:10 am Policy Updates – *OPERF and other OST-managed Accounts*

Mr. Skjervem and Kim Olson, OST Policy Analyst, led a discussion in connection with several OIC Policies submitted for Council consideration and approval. Continuing work that was first introduced at the September 2015 OIC meeting, primary objectives of these proposed revisions include a systematic segregation of policy and procedure as well as conforming Council policies with Treasury's new PolicyStat application.

MOTION: Mr. Russell moved approval of all staff recommendations except for Policies 204 and 205 which were referred back to staff for further revision. Treasurer Wheeler seconded the motion which then passed by a vote of 5/0.

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V. **9:31 am NCREIF-ODCE Primer** - *OST Real Estate Program*

Tony Breault, Senior Investment Officer, Real Estate introduced NCREIF founder Blake Eagle who gave a presentation about the National Council of Real Estate Investment Fiduciaries (NCREIF) and the Open-End Diversified Core Equity (ODCE) Index.

VI. **10:12 am Operational Review –** *OPERF*

Byron Williams, OST Chief Audit Executive, presented a summary of the operational review which is a statutory requirement of the OIC and is conducted at least every four years. The operational review Mr. Williams reported on covered the period from July 2012 to June 2016, and contained two primary points of emphasis: first, how is the Council doing as a whole in meeting its fiduciary responsibilities; and second, how does the OST Alternatives investment program compare relative to industry best practices and other relevant benchmarks? Finally, Mr. Williams shared with the Council an update on progress made against findings from the previous operational review presented to the OIC in January 2013.

VII. **10:42 am PERS Presentation and Joint Board Discussion –** *OPERF/Individual Account Program*

Steve Rodeman, PERS Director presented summary valuation results for the Tier 1/Tier 2 and OPSRP retirement programs as well as the Retiree Health Insurance Account (RHIA) and Retiree Health Insurance Premium Account (RHIPA) programs. He indicated these results help determine the 2017-2019 employer contribution rates scheduled for discussion and subsequent adoption at the September 30, 2016 PERS board meeting. Karl Cheng, Investment Officer, Portfolio Risk & Research and David Randall, Director of Investment Operations then provided an overview of the Individual Account Program (IAP), challenges associated with its current structure and possible IAP solutions under evaluation by both OST and PERS staff.

VIII. **12:07 pm OPERF Performance & Risk Update –** *Q2 2016 Report*

Mr. Cheng presented and discussed an updated view of the OPERF risk dashboard, while Janet Becker-Wold from Callan Associates provided a corresponding update on OPERF performance for the period ended June 30, 2016.

IX. **12:31 pm Asset Allocation & NAV Updates**

Mr. Skjervem reviewed asset allocations and NAVs across OST-managed accounts for the period ended July 31, 2016.

X. **12:31 pm Calendar – Future Agenda Items**

Mr. Skjervem presented and briefly discussed the OIC's forward meeting calendar and scheduled agenda topics.

XI. **12:31 pm Other Items**

None

12:31 pm Public Comments

None

Ms. Durant adjourned the meeting at 12:32 pm.

Respectfully submitted,

May Fanning

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Executive Support Specialist