



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

OREGON INVESTMENT COUNCIL
JANUARY 27, 2010
MEETING MINUTES

Members Present: Paul Cleary, Harry Demorest, Katy Durant, Keith Larson, Dick Solomon

Member on Phone: Ben Westlund

Staff Present: Josh Balloch, Andrea Belz, Darren Bond, Tony Breault, Brad Child, Garrett Cudahey, Jay Fewel, Andy Hayes, John Hershey, Julie Jackson, Robert Johnson, Perrin Lim, Tom Lofton, Ben Mahon, Mike Mueller, Kevin Nordhill, Jo Recht, Ron Schmitz, James Sinks, Michael Viteri

Consultants Present: Allan Emkin, John Linder and Mike Moy (PCA), Mike Beasley and John Meier (SIS), David Fann and Sundeep Rana (PCG)

Legal Counsel Present: Keith Kutler, 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 December 2, 2009 OIC minutes to the table. Mr. Solomon moved to approve the minutes (as amended to note that there was to be follow-up by PCA regarding the Fortress fees). The motion was seconded by Mr. Demorest and passed by a vote of 5/0.

II. 9:02 a.m.: OPERF Customized Secondary Program-Private Equity

Mr. Solomon read the following statement into the record:

After consulting with Dee Carlson, Senior Special Attorney General, and Deborah Tuss of the Oregon Government Ethics Commission, I do not believe I have a statutory actual or potential conflict of interest in this matter. Nevertheless, in the interest of transparency, I make the following disclosure:

Gerard K. Drummond, the chairman of the board of PCG Asset Management, LLC, is a client of my public accounting practice. PCG Asset Management, LLC is not a

client. The fact that Mr. Drummond is associated with PCG Asset Management, LLC has no impact on either the fees I invoice him for professional services or my vote on this matter.

Jay Fewel, Senior Investment Officer introduced David Fann and Sundeep Rana from Pacific Corporate Group. Staff recommended 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 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.

Ms. Durant wanted to note for the record that if an opportunity comes along from another Limited Partner that PCG represents, that the opportunity will be not be pursued.

MOTION: Mr. Demorest moved to approve the staff recommendation that the OIC authorize a \$100 million commitment to the Customized Secondary Program, an opportunistic, semi-discretionary investment program targeting attractively priced secondary LP interests in private equity funds, as managed by PCG Asset Management, LLC, 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. Mr. Larson seconded the motion. The motion was passed by a vote of 4/0 with Mr. Solomon abstaining from the vote (see statement above).

III. 9:10 a.m.: Sanders Capital, LLC-OPERF Opportunity Portfolio

John Hershey, Alternatives Investment Officer gave a brief summary of the Sanders Capital All Asset Value Fund and then introduced Lew Sanders, CEO, and Frank Speno, Director of Marketing and Client Services with Sanders Capital. The Sanders Capital All Asset Value strategy is a relatively unconstrained, absolute return oriented value strategy utilizing a broad opportunity set of equities, fixed income, commodities and currencies. The strategy seeks to provide a distinctive return/risk tradeoff through a combination of fundamental research that spans asset classes and quantitative valuation and risk management tools.

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

At the Board's request, SIS is to provide a historical track record of investments made by Mr. Sanders.

MOTION: Mr. Solomon moved to approve the staff recommendation that the OIC authorize a \$200 million commitment to the Sanders Capital All Asset Value Fund, 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. Mr. Demorest seconded the motion. The motion was passed by a vote of 5/0.

IV. 9:54 a.m.: State Accident Insurance Fund (SAIF) Policy Revisions

The OIC accepted several revisions to the SAIF investment policies to conform with asset allocation changes approved at the December meeting.

MOTION: Mr. Demorest moved to approve the proposed policy revisions. Mr. Solomon seconded the motion. The motion was passed by a vote of 5/0.

V. 9:55 a.m.: Oregon Intermediate Term Pool

Perrin Lim, Senior Investment Officer and Darren Bond, Deputy State Treasurer made a presentation 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 was informational only.

VI. 10:20 a.m.: Election of OIC Officers

MOTION: Mr. Solomon moved to elect Harry Demorest as the OIC Chair and Keith Larson Vice-chair. Treasurer Westlund seconded the motion. The motion passed by a vote of 5/0. Keith Larson was appointed as the OIC representative on the Private Equity Committee, following the February 4th meeting, and Katy Durant was appointed as the OIC representative on the Real Estate Committee.

VII. 10:25 a.m.: Asset Allocation and NAV Updates

Mr. Schmitz reviewed the Asset Allocations and NAV's for the period ended December 31, 2009. All asset classes are within their allocation ranges.

VIII. 10:26 a.m.: Calendar – Future Agenda Items

Mr. Schmitz highlighted future agenda topics.

IX. 10:32 a.m.: Other Business

There was a brief discussion about PERS funding.

10:54 a.m.: Public Comments

There were no public comments.

The meeting adjourned at 10:54 a.m.

Respectfully submitted,



Julie Jackson
Executive Support Specialist