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OREGON INVESTMENT COUNCIL
FEBRUARY 20, 2013
MEETING MINUTES

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

Staff Present: Darren Bond, Tony Breault, Karl Cheng, Garrett Cudahey, Jay Fewel, Sam Green, Andy Hayes, John Hershey, Julie Jackson, Martha Kellams, Perrin Lim, Ben Mahon, Mike Mueller, Tom Rinehart, James Sinks, John Skjervem, Michael Viteri

Consultants Present: David Fann and Kenn Lee (TorreyCove); John Meier and Deb Gallegos (SIS); Alan Emkin and John Linder (PCA)

Legal Counsel Present: Steven Marlowe, Oregon Department of Justice
Deena Bothello, Oregon Department of Justice
Jen Peet, Oregon Department of Justice

The February 20, 2013 OIC meeting was called to order at 9:00 am by Keith Larson, Chair.

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

MOTION: Mr. Demorest moved approval of the January 23, 2013 meeting minutes. Mr. Solomon seconded the motion. The minutes were approved by a vote of 5/0.

II. 9:02 a.m.: Market Update and Economic Outlook

Larry Fink, Chairman and CEO of Blackrock provided a global economic update, commented on both monetary and fiscal policy issues and expressed his views on prospective capital markets returns. He discussed the economic impact and outlook for different countries.

III. 10:00 a.m.: OPERF Private Equity Review and 2013 Plan

Jay Fewel, Senior Investment Officer and Sam Green, Investment Officer together with David Fann and Kenn Lee from TorreyCove presented the 2012 Private Equity Review and outlook for 2013. OPERF's private equity sub-sector exposures are generally within the targeted allocation ranges, with large corporate finance and venture capital slightly under-weighted, while fund-of-funds and international are slightly over-weighted on a remaining commitment basis.

In order to approach a long-term one percent target allocation, the annual pace of new commitments should be maintained at approximately \$2.0 billion for the foreseeable future. TorreyCove forecasts OPERF's total private equity exposure to fall below the 20 percent mark by late 2014. The projected rapid decline in private equity exposure is largely dependent on significant realizations from the 2005-2007 vintage year funds, which are frankly overdue and should occur in the near term.

ACTION: Mr. Larson would like to discuss Fisher Lynch co-investment fund with the PEC to look at options for resolution to this matter.

IV. 10:50 a.m.: Callan Micro Cap Value Fund-OPERF Public Equity

Staff recommended OIC approval for a \$100 million allocation to the Callan Micro Cap Value strategy for the OPERF portfolio and Amend OIC policy 04-05-01 accordingly. OIC Policy 04-05-01 addresses the strategic role of Public Equities within OPERF. One objective of OIC Policy 04-05-01 is to achieve a portfolio return of 75 basis points over the MSCI All Country World Investable Market Index (ACWI IMI). In an effort to meet this return objective, the OIC maintains a strategic overweight to U.S. Small Cap targeted at 100 percent relative to the Russell 3000 Index (with an upward range boundary of 140 percent). This overweight to U.S. Small Cap is supported by widely recognized academic studies which show that the smaller cap equities provide greater expected returns relative to larger cap equities.

The proposed strategy would be implemented with the Callan Micro Cap Value Equity Fund (the Fund). This Fund is a multi-sub advisor portfolio managed by the Callan Trust Advisory Group, a division of Callan Associates (Callan). Callan was founded in 1973, and is one of the largest independently owned investment consulting firms in the United States. The firm employs 60 dedicated research professionals, and has \$1.7 trillion in assets under advisement. The strategy is backed by Callan's Global Manager Research Group which monitors the Fund's underlying managers as well as evaluates the broader U.S. Small Cap and Micro Cap manager universe.

MOTION: Mr. Solomon moved approval of the staff recommendations. Ms. Durant seconded the motion. The motion passed by a vote of 5/0.

V. 11:15 a.m.: Proxy Voting Annual Review and Update

Bob McCormick, Chief Policy Officer with Glass Lewis summarized votes cast by Glass, Lewis and Co. on behalf of the OIC (as required by OIC Policy 4.05.06), and provided an update on the regulatory environment concerning proxy voting.

The year over year increase in proxy voting since 2006 is summarized below:

	2007	2008	2009	2010	2011	2012
Meetings	2,323	2,672	4,306	4,816	5,669	5,690
Resolutions	22,186	27,328	45,584	51,340	63,449	62,760

Mr. Demorest left the meeting at 11:35 am.

VI. 11:43 a.m.: Securities Lending Update

Johnson Shum and Steven Meier of State Street reviewed results for OPERF's 2012 securities lending program and provided an update on current securities lending market conditions. They also gave an update on cash management and securities lending markets, respectively, with a focus on the securities lending program's two main accounts managed by State Street on behalf of OPERF and other state agency funds, including the OSTF.

VII. 12:08 p.m.: OPERF 4th Quarter Performance Review

John Meier with SIS updated the Board on OPERF's 4th quarter, calendar 2012 and historical investment performance.

VIII. 12:10 p.m.: Asset Allocations and NAV Updates

Mr. Skjervem reviewed the Asset Allocations and NAV's for the period ending January 31, 2013.

IX. 12:13 p.m.: Calendar – Future Agenda Items

Mr. Skjervem highlighted future agenda topics.

X. 12:13 p.m.: Investment Beliefs Project Update

Allan Emkin, Pension Consulting Alliance gave an update on the Investment Beliefs Project.

XI. 12:15 p.m.: Other Business

No other business was discussed.

12:15 p.m.: Public Comments

There were no public comments.

The meeting adjourned at 12:18 pm.

Respectfully submitted,



Julie Jackson
Executive Support Specialist