The October 31st, 2018 OIC meeting was called to order at 9:00 am by Rukaiyah Adams, OIC Chair.

I. 9:01 am Review and Approval of Minutes

MOTION: After soliciting edits, Chair Adams asked for a motion to approve the September 19th, 2018 OIC regular meeting minutes. Member Russell moved the motion which received a second from Treasurer Read and then passed by a 4/0 vote.

II. 9:05 am Committee Reports and CIO Update

Committee Reports: Mr. Skjervem gave an update on the following committee actions taken since the September 19th, 2018 OIC meeting:

Private Equity Committee

Vista Capital Partners Fund VII
Pursuant to policy INV 905, a $15 million commitment to Vista Equity Partners Fund VII was approved by
the Chief Investment Officer for inclusion in the Common School Fund private equity portfolio.

**Alternatives Portfolio Committee**

October 22, 2018

Westbourne Infrastructure Debt
Separately Managed Account $230M

**Opportunity Portfolio Committee**

None

**Real Estate Committee**

None

Mr. Skjervem then provided opening remarks during which he highlighted the two consultant recommendations (general and portfolio-specific), proposed updates to and the overall rationalization of public equity policies, and an initial review of the OPERF Currency Overlay Program. He also mentioned the annual review for the OPERF public equity portfolio and two important recommendations associated therewith, and introduced newly-hired OST employee, Faith Sedberry, Alternatives Investment Officer.

**III. 9:08 am  General Consultant Recommendation – OPERF**

Karl Cheng, Senior Investment Officer, Portfolio Risk & Research presented the Council with a recommendation to extend for another two years the OIC’s general consulting contracts with Callan LLC (Callan) and Pension Consulting Alliance LLC (PCA), both of which are currently set to expire on December 31, 2018.

In recognition of the positive contributions made by Callan and PCA, respectively, Staff proposed that the OIC extend its current contracts with both firms, subject to existing terms and conditions, for a final two-year period beginning January 1, 2019 and ending December 31, 2020.

**MOTION:** Treasurer Read moved approval, and Mr. Kim seconded the motion which then passed by a 4/0 vote.

**IV. 9:14 am  Portfolio Consultant Recommendation – OPERF Alternatives & Opportunity Portfolios**

Ben Mahon, Senior Investment Officer, Alternatives, recommended that the Council approve a non-discretionary, full retainer consulting contract with TorreyCove Capital Partners, LLC (“TorreyCove”) beginning January 1, 2019 for the OPERF Alternatives Portfolio. Mr. Mahon also recommended that an existing agreement with TorreyCove providing similar consulting services in support of the OPERF Opportunity Portfolio be renewed.

**MOTION:** Treasurer Read moved approval, and Mr. Kim seconded the motion which then passed by a 4/0 vote.

**V. 9:17 am  Public Equity Policy Updates – OPERF and other OST-managed Funds**

Jen Peet, Corporate Governance Director, recommended approval of three public equity policy modifications:
1. Synchronize the expected return of the U.S. Risk Premia and International Risk Premia strategies relative to their cap-weighted benchmarks (specifically, 150 bps excess return annualized over a market cycle);

2. Clarify the return and tracking error objectives for these same two strategies (specifically, 10 bps excess return with tracking error of 50 bps or less relative to the risk premia benchmark); and

3. Establish a deadline of 6 months for liquidating securities from all internally-managed equity portfolios, when those securities are no longer included in the portfolios’ corresponding benchmark.

Second, Ms. Peet reported that staff recommended reducing the number of public equity policies from seven to three, so that the surviving policies comprised one covering externally-managed mandates, one covering internally-managed mandates, and one covering proxy voting (the OIC reviewed and approved the proxy voting policy at the March 2018 meeting). Specifically, she said staff recommended the following:

<table>
<thead>
<tr>
<th>INV 601</th>
<th>Public Equity Investments - Strategic Role of Public Equity Securities within OPERF</th>
<th>Retain</th>
</tr>
</thead>
<tbody>
<tr>
<td>INV 602</td>
<td>Equity Investments - Selecting and Terminating Investment Management Firms</td>
<td>Retire and fold into INV 601</td>
</tr>
<tr>
<td>INV 603</td>
<td>Internal Equity Portfolio Objectives and Strategies</td>
<td>Retain</td>
</tr>
<tr>
<td>INV 604</td>
<td>Internal Equity Approved Broker List</td>
<td>Retire and fold into INV 603</td>
</tr>
<tr>
<td>INV 605</td>
<td>Proxy voting</td>
<td>Retain (approved in March of 2018)</td>
</tr>
<tr>
<td>INV 606</td>
<td>Equity Investments - Commission Recapture</td>
<td>Retire and fold into INV 601</td>
</tr>
<tr>
<td>INV 607</td>
<td>Equity Investments - Manager Monitoring</td>
<td>Retire and fold into INV 601</td>
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**MOTION:** Treasurer Read moved approval of the staff recommendation, and Mr. Russell seconded the motion which then passed by a 4/0 vote.

**VI. 9:53 am OSTF Portfolio Rules Recommendation – Oregon Short Term Fund**

Garrett Cudahey, Investment Officer, Fixed Income, recommended a revision to the Oregon Short Term Fund policy to increase the maximum allowable percentage of fund assets invested in asset-backed securities (ABS) from 15% to 25% for the following reasons:

- **Alignment with Policy Objectives** – Highly-rated ABS securities have a strong history of providing principal protection. ABS securities are also highly-liquid with deep new issuance and secondary trading markets;

- **Attractive Relative Yields in Collateralized Form** – ABS securities offer attractive relative yields when compared to other asset classes in the U.S. short-duration fixed income markets; and

- **Improved Diversification** – ABS securities offer diversification from corporate credit exposures, thus allowing staff to build a more resilient portfolio.

**MOTION:** Treasurer Read moved approval, and Mr. Russell seconded the motion which then passed by a 4/0 vote.

**VII. 10:13 am Currency Overlay Program – OPERF**

Jen Plett, Senior Investment Analyst and Karl Cheng presented a review of the OPERF Currency Overlay Program, which was approved by the Council on August 9, 2017 and implemented by staff on January 2, 2018.
VIII.  **11:29 am  Public Equity Review – OPERF**

Michael Viteri, Senior Investment Officer, Public Equity, Robin Kaukonen, Investment Officer, Public Equity, Tim Baumert, Investment Officer, Public Equity, and Janet Becker-Wold, Senior Vice President, Callan LLC delivered an annual review of the OPERF public equity portfolio. Their presentation included the following recommendations:

1. Insourcing management of the OPERF private equity stock distribution portfolio; and

**MOTION:** Treasurer Read moved approval of insourcing the management of the OPERF private equity stock distribution portfolio. Mr. Russell seconded the motion which then passed by a 4/0 vote.

**MOTION:** Treasurer Read moved approval of staff’s recommendation to change the internally-managed small cap portfolio benchmark from the Russell 2000 index to the S&P SmallCap 600 index. Mr. Kim seconded the motion which then passed by a 4/0 vote.

IX.  **11:31 am  Asset Allocation & NAV Updates**

Mr. Skjervem reviewed asset allocations and NAVs across OST-managed accounts for the period ended September 30, 2018.

X.  **11:31 am  Calendar – Future Agenda Items**

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

XI.  **11:32 am  Open Discussion**

Member Russell said he is looking forward to having a fifth member join the Council. Treasurer Read said his understanding was that the Governor’s office intended to put forward a nominee for Senate consideration after the election and prior to the December legislative session.

**11:33 am  Public Comments**

Ms. Elizabeth Merin, Toys “R” Us, and Mr. Jim Baker, Private Equity Stakeholder Project addressed the Council concerning Oaktree Capital. Mr. Baker gave an update related to Toys “R” Us, and reported that since that company was shut down earlier this year, 33,000 employees have lost their jobs and were never paid $75 million in promised severance. According to Mr. Baker, KKR and Bain Capital agreed to contribute $20 million to a hardship fund for Toys “R” Us employees. Ms. Merin and Mr. Baker then urged the Council to ask that Oaktree Capital 1) join KKR and Bain Capital by making a contribution to the hardship fund and 2) ensure that employees who built the Toys “R” Us brand have a role in any efforts to revive that brand.

Ms. Adams adjourned the meeting at 11:45 am.

Respectfully submitted,

May Fanning
Executive Support Specialist