



**OREGON
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State of Oregon

Office of the State Treasurer

16290 SW Upper Boones Ferry Road
Tigard, Oregon 97224

OREGON INVESTMENT COUNCIL

DECEMBER 12, 2018

Meeting Minutes

Members Present: Rukaiyah Adams, John Russell, Tobias Read, Rex Kim and Kevin Olineck

Staff Present: John Skjervem, Darren Bond, Perrin Lim, David Randall, John Hershey, Deena Bothello, Karl Cheng, Anna Totdahl, Roy Jackson, Austin Carmichael, Paul Koch, David Elott, May Fanning, Jen Plett, Debra Day, Kelly Cook, Dana Millican, Ben Mahon, Paul Koch, Jo Recht, Tom Lofton, Lisa Pettinati, Geoff Nolan, Garrett Cudahey, Angela Schaffers, Aliese Jacobsen, Eric Messer, Amanda Kingsbury, Mark Selfridge, Jackie Steffens, Michael Langdon, Joe Hutchinson, Michael Viteri, Jennifer Peet, Kim Olson, William Hiles, Michael Mueller, Kristel Flores, Tiffany ZhuGe, Andy Coutu, James Sinks, Jenny Dalto, Dmitri Palmateer, Amy Wojcicki, Michael Kaplan, Robin Kaukonen, Chris Ebersole and Faith Sedberry

Consultants Present: Tom Martin and David Fann (TorreyCove); Allan Emkin, Christy Fields and Brandon Ross (PCA); Janet Becker-Wold and Jim Callahan (Callan)

Legal Counsel Present: Steven Marlowe, Department of Justice

The December 12th, 2018 OIC meeting was called to order at 8:59 am by Rukaiyah Adams, OIC Chair.

I. 9:00 am Review and Approval of Minutes

MOTION: Chair Adams asked for approval of the October 31st, 2018 OIC regular meeting minutes. Member Russell moved the motion, and Treasurer Read seconded the motion which then passed by a 4/0 vote.

II. 9:04 am Committee Reports and CIO Update

Committee Reports: Mr. Skjervem gave an update on the following committee actions taken since the October 31st, 2018 OIC meeting:

Private Equity Committee

December 7, 2018	ClearVue Partners III	\$200M
	USV 2019 & USV Opportunity 2019	\$50M



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V. 10:56 am Capital Markets Policy Updates – OPERF

Jennifer Peet, Corporate Governance Director, and Michael Viteri recommended the following: 1) updates to two policies governing the OPERF Fixed Income Portfolio; and 2) benchmark changes for two mandates within the OPERF Public Equity Portfolio.

- 1. Fixed Income:** Staff recommended revisions to certain fixed income policies consistent with similar revisions proposed and approved at the October 31 OIC meeting. Specifically, staff recommended reducing the number of policies in the OPERF Fixed Income Portfolio from three to two, as follows:
 - a. INV 401: Strategic role of Fixed Income for OPERF;
 - b. INV 402: Internal Fixed Income Portfolio Investments; and
 - c. INV 403: Fixed Income Investments: Investment Manager Selection, Monitoring, and Termination (RETIRE and fold relevant portions into INV 401).
- 2. Public Equity:** Due to FTSE Russell decommissioning certain benchmarks, staff recommended making benchmark changes for the following two externally-managed mandates:
 - a. DFA Global ex-U.S. Micro Cap Value – from the Russell Global ex-U.S. Microcap Index to the FTSE Global ex-U.S. Micro Cap Index; and
 - b. EAM International Micro Cap – from the Russell Global ex-U.S. Microcap Index to the FTSE Global ex-U.S. Micro Cap Index.

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

VI. 11:26 am Q3 2018 Performance & Risk Report – OPERF

Karl Cheng, Senior Investment Officer, Portfolio Risk & Research and Janet Becker-Wold, Senior Vice President, Callan LLC, presented the quarterly OPERF investment performance and risk report for the calendar year and cumulative period ended September 30, 2018.

VII. 12:12 pm Fixed Income Review – OPERF and other OST-managed funds

Geoff Nolan, Senior Investment Officer, Fixed Income, Tom Lofton, Investment Officer, Fixed Income, and Garrett Cudahey, Investment Officer, Fixed Income, delivered the annual Fixed Income Portfolio Review and shared with the Council their plans for the Portfolio in 2019.

VIII. 12:13 pm Asset Allocation & NAV Updates

Mr. Skjervem reviewed asset allocations and NAVs across OST-managed accounts for the period ended October 31, 2018.

IX. 12:13 pm Calendar – Future Agenda Items

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

X. 12:14 pm Open Discussion

Treasurer Read shared some thoughts about the Council's investment beliefs and suggested that more explicit language related to diversity and inclusion should, in his opinion, be included in the belief statements. He noted the Investment Division's good progress in this area, and said he would like to make advancing diversity and inclusion an enduring theme of Treasury. Treasurer Read then made an open request of staff and Allan Emkin, Managing Director, Pension Consulting Alliance (PCA), to provide the



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Council with a proposed belief statement amendment that would project a more explicit and forceful position in support of diversity and inclusion.

Chair Adams then told the audience that each Council member would be putting in extra work across multiple Council objectives in the coming months. Specifically, she mentioned that she and Mr. Skjervem will be working together on governance issues, while Mr. Skjervem, Vice Chair Russell and Member Olinek would work together to foster open interaction in preparation for both the Council's annual Strategic Asset Allocation presentation in April and the PERS Board's biennial rate crediting process in July. Finally, she mentioned that Member Kim is working with Mr. Skjervem and other investment staff on the Strategic Asset Allocation presentation, and encouraged the audience to contact individual OIC members with any questions.

12:18 pm Public Comments

Jim Baker, from the Private Equity Stakeholder Project, updated the Council with his concerns related to Endeavour Capital, with which Oregon has previously invested. Mr. Baker indicated that Endeavour Capital would soon seek additional capital from the Council, and argued that based upon the firm's recent investment track record, a new capital commitment from Oregon could not be justified. Mr. Baker then discussed the firm's investments in bail bonds and for-profit colleges, both of which he described as unsuccessful and inconsistent the Council's fiduciary duty.

Chris Groener, Lead Representative for United Food and Commercial Workers Union Local 555, then addressed the Council. Mr. Groener said his union represents over 25,000 workers in retail grocery, food processing and healthcare throughout Oregon, and that other union representatives had shared similar concerns about Endeavour Capital during the public comment period of the Council's September meeting.

Mr. Groener then read aloud a letter written by Oregon State Rep. Rob Nosse in which Rep. Nosse also expressed concerns about Endeavour Capital and the Council's previous investments therewith.

Ms. Adams adjourned the meeting at 12:30 pm.

Respectfully submitted,

A handwritten signature in cursive script that reads "May Fanning".

May Fanning
Executive Support Specialist