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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 11, 2019

Meeting Minutes

Members Present: Rukaiyah Adams, John Russell, Tobias Read, Rex Kim, Patricia Moss (via phone) and Kevin Olineck

Staff Present: John Skjervem, David Randall, John Hershey, Perrin Lim, Deena Bothello, Karl Cheng, May Fanning, Debra Day, Steve Kruth, Jen Peet, Roy Jackson, Andy Coutu, Tyler Bernstein, Wil Hiles, Geoff Nolan, Jen Plett, Ben Mahon, Jo Recht, Faith Sedberry, Sam Spencer, Paul Koch, Kristi Jenkins, Michael Langdon, Ahman Dirks, Tom Lofton, Lisa Pettinati, Mark Selfridge, Austin Carmichael, Joe Hutchinson, Garrett Cudahey, Amanda Kingsbury, Michael Mueller, Aliese Jacobsen, Angela Schaffers, Ian Huculak, Dana Millican, Eric Messer, Kristel Flores, Michael Viteri, Mohammed Quraishi, Anna Totdahl, Jeremy Knowles, Will Hampson, Tiffany ZhuGe, Dmitri Palmateer, Amy Wojcicki, Rachel Wray, Meredith Coba, Ryan Auclair, Sommer May, Andrey Voloshinov, and Scott Robertson

Consultants Present: Tom Martin, David Fann and Kyson Hawkins (TorreyCove); Allan Emkin, Christie Fields, and David Glickman (Meketa Investment Group, Inc.); Janet Becker-Wold and Jim Callahan (Callan LLC)

Legal Counsel Present: Steven Marlowe, Department of Justice

The December 11th, 2019 OIC meeting was called to order at 8:59 am by Rukaiyah Adams, OIC Chair.

I. 8:59 am Review and Approval of Minutes

MOTION: Chair Adams asked for approval of the October 30, 2019 OIC regular meeting minutes. Mr. Russell moved approval at 9:00 am, and Mr. Kim seconded the motion which then passed by a 5/0 vote.

II. 9:00 am Committee Reports and CIO Remarks

Committee Reports: John Skjervem, Chief Investment Officer, gave an update on the following committee actions taken since the October 30th, 2019 OIC meeting:

Private Equity Committee

October 31, 2019

Odyssey Investment Partners VI, L.P.

\$150M



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Real Estate Committee

October 30, 2019	Harrison Street Co-Investment Sidecar to the Harrison Street Core Property Fund, L.P.	\$150M
December 9, 2019	DivcoWest Fund VI	\$200M

Alternatives Portfolio Committee

None

Opportunity Portfolio Committee

None

Mr. Skjervem then provided opening remarks which included context for the Private Equity Monitoring and Liquidity Solutions proposal, staff's Risk Parity Manager Recommendations, and the Annual Fixed Income Review. Mr. Skjervem then introduced new OST staff member, Will Hampson, Investment Officer, Fixed Income.

III. 9:05 am Private Equity Monitoring & Liquidity Solutions – OPERF Private Equity Portfolio

Michael Langdon, Senior Investment Officer, Private Equity, and Tom Martin, Managing Director, TorreyCove Capital Partners recommended, subject to the satisfactory negotiation of all terms and conditions, establishing a new monitoring and liquidity management program with Pathway Capital Management for the OPERF private equity portfolio. The Program will consist of an initial portfolio of existing OPERF private equity investments with a value of up to \$2 billion selected by Staff in close collaboration with Pathway and TorreyCove. Staff further recommended approval to recycle half of any accelerated liquidity proceeds generated by the Program for an initial period of five years and up to a maximum of \$1 billion into new commitments to OPERF's co-investment program (Pathway Private Equity Fund C-III, L.P., the "Co-Invest Vehicle"). Approval of this proposal would represent the continuation and extension of the OIC's existing relationship with Pathway dating back to 2001 and spanning \$1.15 billion of total commitments across two investment mandates.

Mr. Langdon introduced Ms. Karen J. Jakobi, Senior Managing Director & CIO, Pathway Capital Management, Mr. Derrek I. Ransford, Managing Director, Pathway Capital Management, and Mr. Pete Veravanich, Managing Director, Pathway Capital Management who provided a presentation that included an overview of Pathway in general and a description of the Customized Monitoring and Liquidity Solutions proposal in particular.

MOTION: Mr. Russell moved approval at 10:05 am to establish both the Program and recycle half of any accelerated liquidity proceeds generated by it for an initial five-year period and up to a \$1 billion new Co-Invest Vehicle commitment maximum. Mr. Kim seconded the motion which then passed by a 5/0 vote.

IV. 10:05 am Private Equity Consulting Contract Extension – OPERF Private Equity Portfolio

Michael Langdon reviewed the extensive due diligence process undertaken by staff in connection with the 2016 Private Equity consultant search which resulted in a renewed engagement with TorreyCove Capital Partners. The contract supporting that engagement included two, 2-year extension periods, the first of which becomes effective January 1, 2020. Mr. Langdon then asked the Council for approval to activate the first extension period in the OIC's current TorreyCove contract.

MOTION: Mr. Russell moved approval at 10:08 am. Ms. Adams seconded the motion which then passed by a 5/0 vote.



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V. 10:20 am Risk Parity Manager Recommendations – OPERF Risk Parity Portfolio

Karl Cheng, Senior Investment Officer, Portfolio Risk & Research, along with staff and consultants Callan LLC recommended approval of an up to \$900 million investment commitment to both the PanAgora Risk Parity Multi Asset and AHL Multi-Asset TargetRisk strategies. Approval of these recommended investments would initiate the formation of the OPERF Risk Parity Portfolio, a new strategic asset allocation approved by the Council at its April 24, 2019 meeting.

Mr. Cheng introduced Dr. Eric Sorensen, President & CEO, PanAgora Asset Management, Inc. (a last-minute addition not listed in the agenda), Dr. Edward Qian, CIO & Head of Research, Multi Asset, PanAgora Asset Management, Inc., and Mr. Bryan Belton, Director, Multi Asset, PanAgora Asset Management, Inc. who provided the Council with a brief overview of their firm and its risk parity strategy. Mr. Cheng then introduced Mr. Russell Korgaonkar, Director of Investment Strategies for AHL Partners LLP, who provided the Council with a similar overview and description of AHL and its Multi-Asset TargetRisk strategy, respectively.

MOTION: Mr. Kim moved approval at 11:20 am for a \$650 million allocation to both the PanAgora Risk Parity Multi Asset and AHL Multi-Asset TargetRisk strategies. Treasurer Read seconded the motion which then passed by a 5/0 vote.

11:21 am Fixed Income Review – OPERF and other OST-managed funds

Geoff Nolan, Senior Investment Officer, Fixed Income, Tom Lofton, Investment Officer, Fixed Income, Garrett Cudahey, Investment Officer, Fixed Income and Janet Becker-Wold, Senior Vice President, Callan LLC, presented the Fixed Income Strategic Review and 2020 Plan.

MOTION 1: Treasurer Read moved approval at 12:05 pm of staff's recommendation to make the following changes to OIC Policy INV 401:

- Lower the OPERF fixed income portfolio's expected return target from 25 to 15 basis points;
- Stipulate the Bloomberg Barclays U.S. Aggregate Bond Index as the portfolio's new fixed income policy benchmark; and
- Revise the policy description of the portfolio's annualized tracking error target from "0.5 to 1.0 percent" to "up to 1.0 percent".

Mr. Kim seconded the motion which then passed by a 5/0 vote.

MOTION 2: At 12:15 pm, Mr. Russell moved approval of staff's recommendation for a minor set of clarifying revisions to policies INV 404: Intermediate Term Pool Investments and INV 407: Public Universities Common Policy. Treasurer Read seconded the motion which then passed by a 5/0 vote.

VI. 12:15 pm Q3 2019 Performance & Risk Report – OPERF

Karl Cheng and Janet Becker-Wold presented the quarterly OPERF investment performance and risk report for the calendar quarter and cumulative period ended September 30, 2019.

VII. 12:33 pm Asset Allocation & NAV Updates

Mr. Skjervem reviewed asset allocations and NAVs across OST-managed accounts for periods ended October 31, 2019.



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VIII. 12:33 pm Calendar – Future Agenda Items

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

IX. 12:34 pm Open Discussion

Member Olineck shared updates pertaining to the Individual Account Program's Retirement Allocation Fund. Specifically, Mr. Olineck reported that at the end of 2019, the Retirement Allocation Fund (RAF) within the Individual Account Program (IAP) will be split between accumulation phase beneficiaries who will remain invested in the RAF and drawdown/disbursement phase beneficiaries whose balances will be transferred into the new Retirement Income Fund. Mr. Olineck also announced that PERS will be collapsing the IAP's 2020 Fund into the RAF while simultaneously introducing a 2065 Fund.

Mr. Olineck also described the passage of Senate Bill 1049 and its significant impacts on PERS including the \$100 million Employer Incentive Fund which provides a 25% match for every \$1 deposited to an employer's new side account. Mr. Olineck then reported that new side account subscriptions were so brisk that the Employer Incentive Fund's entire \$100 million had already been allocated.

Ms. Adams then acknowledged and thanked her Council peers for the important progress made during today's meeting. She stated that despite an unusually large and complex volume of supporting materials, the Council's votes reflected high confidence and trust in staff's expertise and represented another significant milestone in the Council's continued commitment to investment and fiduciary excellence.

12:37 pm Public Comments

None

Ms. Adams adjourned the meeting at 12:37 pm.

Respectfully submitted,

May Fanning

May Fanning
Executive Support Specialist