
Oregon Investment Council

**May 28, 2014
9:00 AM**

**PERS Headquarters
11410 S.W. 68th Parkway
Tigard, OR 97223**



Dick Solomon
Chair

John Skjervem
Chief Investment Officer

Ted Wheeler
State Treasurer

OREGON INVESTMENT COUNCIL

2014 Schedule

Meetings Begin at 9:00 am

PERS Headquarters Building
11410 S.W. 68th Parkway
Tigard, OR 97223

Wednesday, January 29, 2014

Wednesday, March 5, 2014

Wednesday, April 30, 2014

Wednesday, May 28, 2014

Wednesday, July 30, 2014

Wednesday, September 24, 2014

Wednesday, November 5, 2014

Wednesday, December 3, 2014



OREGON INVESTMENT COUNCIL

Agenda

May 28, 2014
9:00 AM

PERS Headquarters
11410 S.W. 68th Parkway
Tigard, OR 97223

<u>Time</u>	<u>A. Action Items</u>	<u>Presenter</u>	<u>Tab</u>
9:00-9:05	1. Review & Approval of Minutes April 30, 2014 Regular Meeting Amended March 5, 2014 Meeting Minutes Committee Reports	Dick Solomon <i>OIC Chair</i> John Skjervem <i>Chief Investment Officer</i>	1
9:05-9:50	2. Och-Ziff Real Estate Fund III, LP <i>OPERF Real Estate</i>	Tony Breault <i>Senior Investment Officer</i> Steve Orbuch <i>Founder & President, OZRE</i> Christy Fields <i>Pension Consulting Alliance</i> Dillon Lorda <i>Pension Consulting Alliance</i>	2
	<u>B. Information Items</u>		
9:50-10:00	3. Oregon Intermediate Term Pool (OITP) <i>Annual Update</i>	Tom Lofton <i>Investment Officer</i>	3
10:00-10:15	----- BREAK -----		
10:15-10:30	4. OPERF First Quarter Performance Review	Jim Callahan <i>Callan Associates, Inc.</i>	4

10:30-10:40	5. Asset Allocations & NAV Updates	John Skjervem	5
	a. Oregon Public Employees Retirement Fund		
	b. SAIF Corporation		
	c. Common School Fund		
	d. HiEd Pooled Endowment Fund		
	6. Calendar — Future Agenda Items		6
	7. Other Items	Council Staff Consultants	
	<u>C. Public Comment Invited</u>		
	15 Minutes		

TAB 1 – REVIEW & APPROVAL OF MINUTES

April 30, 2014 Regular Meeting

Amended March 5, 2014 Regular Meeting

OST Committee Reports – Verbal

JOHN D. SKJERVEM
CHIEF INVESTMENT OFFICER
INVESTMENT DIVISION



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OREGON INVESTMENT COUNCIL
APRIL 30, 2014
MEETING MINUTES

Members Present: Rukaiyah Adams, Paul Cleary, Katy Durant, Keith Larson, Dick Solomon, Ted Wheeler

Staff Present: Tony Breault, Karl Cheng, Garrett Cudahey, Sam Green, Andy Hayes, Scott Harra, John Hershey, Julie Jackson, Perrin Lim, Tom Lofton, Ben Mahon, Mike Mueller, Paola Nealon, James Sinks, John Skjervem, Michael Viteri, Byron Williams

Consultants Present: David Fann and Tom Martin (TorreyCove); Alan Emkin, Christy Fields and John Linder (PCA); Jim Callahan, Uvan Tseng and Janet Becker-Wold (Callan)

Legal Counsel Present: Dee Carlson, Jennifer Peet and Deena Bothello, Oregon Department of Justice

The April 30, 2014 OIC meeting was called to order at 9:00 am by Dick Solomon, Chair.

I. 9:00 am Review and Approval of Minutes

MOTION: Treasurer Wheeler moved approval of the March 5, 2014 meeting minutes. Mr. Larson seconded the motion, which then passed by a 5/0 vote.

COMMITTEE REPORTS

John Skjervem, CIO gave an update on committee actions taken since the March 5, 2014 OIC Meeting:

Private Equity Committee:

March 31, 2014	Vista Equity Partners V	\$200 Million
March 31, 2014	GGV Capital Fund V	up to \$60 Million
March 31, 2014	Littlejohn V	up to \$150 Million

Alternatives Portfolio Committee:

March 19, 2014	EnCap	\$50 Million
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Opportunity Portfolio Committee:

No action since March 5, 2014

Real Estate Committee:

March 31, 2014	LoneStar Fund IX	\$300 Million
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II. 9:01 am The Energy & Minerals Group Fund III, LP - OPERF Alternatives Portfolio

The Energy & Minerals Group (“EMG”) was established in 2006 by John Raymond and John Calvert to pursue a broad natural resources investment mandate. In aggregate and since the firm’s inception, EMG has managed over \$6.7 billion in natural resources investment commitments. This fund (Energy & Minerals Group Fund III, LP or the “Fund”) will be EMG’s third offering since 2006, and the firm is targeting a \$2.5 billion (with a \$4.0 billion cap) raise with a mid-teens net return expectation. In addition to a 2% GP commitment to the Fund, EMG management is expected to make sizeable co-invest commitments too.

EMG intends to invest Fund capital across the entire energy value chain as well as all facets of the minerals and metals industry. The firm will focus in North America and Australia and will typically target equity investments ranging between \$150 million to \$400 million. In order to generate what EMG believes are the most attractive risk-adjusted returns, the firm relies on capital allocation flexibility, utilizing an investment strategy with “three dimensional” diversification (i.e., geography, commodity and business function), which allows EMG to adapt to an ever-changing investment landscape. EMG will target portfolio companies with the following three key characteristics: 1) low cost sources of supply and/or production; 2) high quality products; and 3) strategic proximal locations. EMG pushes its portfolio companies to develop “franchise” businesses which are positioned to achieve meaningful growth during its ownership period.

The Alternatives Portfolio is targeting a 10-20% allocation (approximately \$650 million - \$1.3 billion at current OPERF NAV) to oil and gas investments and a 5-10% allocation (approximately \$325 million - \$650 million) to metals and mining investments. To date, OPERF has made \$275 million in aggregate commitments to these sectors, and EMG would represent a complementary strategy as Staff builds out OPERF’s natural resources allocation.

Staff and Torrey Cove recommended a \$200 million commitment to the Energy & Minerals Group Fund III, L.P., subject to satisfactory completion of all terms and conditions negotiations with Staff working in concert with Department of Justice personnel.

MOTION: Mr. Larson moved approval of a commitment of up to \$250 million. Ms. Durant seconded the motion, which passed by a vote of 4/1 (Treasurer Wheeler voted no).

III. 9:55 am Warburg Pincus Energy Fund - OPERF Private Equity

Warburg Pincus (“WP” or the “Firm”) was founded in 1966, and has grown to be one of the largest pure-play private equity firms in the world. Since inception, the Firm has grown to approximately 450 employees, including 170 investment professionals, 60 of which are at the Managing Director (partner) level, and with offices around the world. Warburg has historically focused on growth investments in five core sectors: energy; healthcare; technology, media and telecom; financial services; and consumer/industrial services. The Firm began targeting energy investments in 1987, and has since invested over \$9.0 billion in more than 50 energy investments. Warburg has 21 investment professionals, including six Managing Directors, dedicated to their energy strategy. This long tenure, extensive track record and large team rank WP among the leaders in energy-focused private equity investing.

Prior energy investments were made out of the Firm’s global, diversified private equity funds. WP believes the opportunities arising from the recent unconventional oil and gas plays far exceed the amount of capital it can earmark for energy investments from their current global fund. According, the Firm is raising this stand-alone energy fund to invest in future energy investments alongside its global fund, on a 50/50 pro rata basis. OPERF has committed to two previous Warburg Pincus global funds, with commitments of \$200 million to Fund IX in 2005 and \$400 million to Fund X in 2007.

Staff recommended that the OIC authorize a \$150 million commitment to Warburg Pincus Energy Group, L.P, on behalf of OPERF, subject to satisfactory completion of all terms and conditions negotiations with Staff working in concert with Department of Justice personnel.

MOTION: Mr. Larson moved approval of the staff recommendation. Mr. Solomon seconded the motion. Treasurer Wheeler, Ms. Adams and Ms. Durant voted no, and the motion did not pass.

IV. 11:14 am Securities Lending Update

Mike Mueller, Deputy CIO and State Street's Steve Meier, Matt Steinway and Johnson Shum gave an update on the OPERF securities lending program.

V. 11:32 am OPERF Policy Implementation Overlay Review

Mike Mueller, Deputy CIO and Greg Nordquist with Russell Investments gave an update on the policy implementation overlay.

VI. 11:52 am Calendar – Future Agenda Items

Mr. Skjervem presented a revised schedule of future OIC meetings and associated agenda topics.

VII. 11:52 am Other Business

Scott Harra, Chief Administrative Officer gave an update on Treasury's plans to improve the Investment Division's middle- and back-office functionality.

11:55 am Public Comments

None

Mr. Solomon adjourned the meeting at 11:55 am.

Respectfully submitted,



Julie Jackson
Executive Support Specialist



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

OREGON INVESTMENT COUNCIL
MARCH 5, 2014
MEETING MINUTES

Members Present: Rukaiyah Adams, Paul Cleary, Katy Durant, Keith Larson, Dick Solomon, Ted Wheeler

Staff Present: Anthony Breault, Austin Carmichael, Karl Cheng, Garrett Cudahey, Sam Green, Andy Hayes, John Hershey, Brooks Hogle, Perrin Lim, Tom Lofton, Ben Mahon, Mike Mueller, Tom Rinehart, Priyanka Shukla, James Sinks, John Skjervem, Michael Viteri, Michelle Winegar

Consultants Present: David Fann and Tom Martin (TorreyCove); Alan Emkin, David Glickman, John Linder and Mike Moy (PCA); Jim Callahan, Uvan Tseng

Legal Counsel Present: Deena Bothello, Dee Carlson and Jennifer Peet, Oregon Department of Justice

The March 5, 2014 OIC meeting was called to order at 9:01 am by Dick Solomon, Chair.

I. 9:01 am Review and Approval of Minutes

MOTION: Treasurer Wheeler moved approval of the January 29, 2014 meeting minutes. Ms. Durant seconded the motion, which then passed by a 5/0 vote.

9:02AM COMMITTEE REPORTS

John Skjervem, CIO gave an update on committee actions taken since the January 29, 2014 OIC Meeting:

Private Equity Committee

None

Alternatives Portfolio Committee – February 13, 2014:

The Forest Company Limited	\$100 Million
NGP Agribusiness Follow-On Fund LP	\$100 Million
Alterna Capital Assets Fund II, LP	\$100 Million

Opportunity Portfolio Committee

None

Real Estate Committee – February 25, 2014:

DivcoWest Fund IV REIT, L.P.	\$100 Million
Waterton Residential Fund XII, L.P.	\$100 Million
Talmage Total Return Partners, LLC	\$100 Million

II. 9:03am International Micro Cap Recommendation

Within the OPERF International Equity Portfolio, staff and Callan recommend hiring Dimensional Fund Advisors (DFA) and EAM Investors (EAM) for micro-cap value and micro-cap growth mandates, respectively.

International equity micro-cap represents a unique segment of public equity markets with characteristics such as lower market capitalization, reduced liquidity and higher volatility compared to large, mid and small cap stocks. Micro-cap exposures should realize differentiated performance and provide broader opportunities for portfolio diversification. Micro-cap securities also tend to be underfollowed and under-researched by institutional investors.

Staff believes the OPERF International Equity portfolio can capture excess returns, net of fees, through well-designed strategies focused on investments in international micro-cap stocks.

MOTION: Treasurer Wheeler moved approval of the staff recommendation. Ms. Durant seconded the motion, which passed by a vote of 5/0.

III. 10:03am OPERF Private Equity Review & 2014 Plan

Sam Green, David Fann and Tom Martin presented the OPERF Private Equity Review & 2014 Plan.

IV. 10:58am Proxy Voting Annual Review

Bob McCormick from Glass Lewis & Co. presented an annual review and update on proxy voting issues.

V. 11:24am OIC Policy Updates

Mike Mueller, Perrin Lim and John Hershey presented a review of and recommended updates to several specific OIC policies.

MOTION: Chair Richard Solomon moved approval of staff's policy update recommendations. Keith Larson seconded the motion, which passed by a vote of 5/0.

VI. 11:31am Information Items

PCA's Allan Emkin reviewed the OPERF 4th Quarter and calendar year 2013 performance report.

VII. 11:43am Asset Allocations & NAV Updates

John Skjervem reviewed asset allocations and NAVs across various OST-managed accounts including the Oregon Public Employees Retirement Fund, SAIF Corporation, Common School Fund and Higher Education Pooled Endowment Fund for the period ending December 31, 2013.

11:45 Calendar – Future Agenda Items

John Skjervem reviewed the forward calendar and currently planned OIC meeting agendas.

11:45 Other Items

None

11:45am Public Comment

Bill Parish, an independent Registered Investor Advisor, commented on the impact and influence of proxy firms particularly with respect to corporate mergers and acquisitions and the treatment of Net Operating Losses (NOLs).

Mr. Solomon adjourned the meeting at 11:48am.

Respectfully submitted,

Michelle Winegar
Executive Assistant

DRAFT

TAB 2 – OCH-ZIFF REAL ESTATE FUND III, LP

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Och-Ziff Real Estate Fund III, L.P.

Purpose

Staff and PCA recommend approval of a \$125 million commitment to Och-Ziff Real Estate Fund III, L.P. (the “Fund”) for the OPERF Real Estate Portfolio, subject to satisfactory completion of all legal negotiations with Staff working in concert with Department of Justice personnel.

Background

Led by Steve Orbuch, Och-Ziff Real Estate (“OZRE”) was established in 2003 as the integrated real estate advisory platform for Och-Ziff Capital Management Group (“Och-Ziff”), a publicly traded global institutional asset management firm founded in 1994 with over \$43 billion in assets under management. The Fund will be OZRE’s third such offering since 2003 having raised two opportunistic real estate funds (Funds I and II) which totaled over \$1.2 billion in commitments. OZRE is seeking a \$1.0 billion capital raise for the Fund, not to exceed \$1.5bln, and will target a portfolio-level pre-tax gross return of 20 to 25%. The Fund will be structured with moderate leverage and current cash flow is targeted to generate half of its gross returns. In addition, Och-Ziff and OZRE investments in the Fund will comprise at least 7.5% of the aggregate LP commitments, up to a \$75 million maximum.

Discussion/investment considerations

OZRE employs an opportunistic real estate strategy which may include individual real estate assets or loans, portfolio acquisitions and loan pools, operating companies, structured debt products and public securities. While the Fund will focus primarily on investments located in the United States, up to 20% may be invested internationally. OZRE will seek to diversify Fund investments across asset types, geography and transaction structures. As demonstrated in its two prior funds, OZRE has been successful tactically investing across both traditional and non-traditional real estate opportunities, based on prevailing market conditions, and building highly-diversified and non-correlated portfolios.

Attributes:

- *Experienced team and proprietary deal flow.* OZRE has successfully invested since 2003 and OZRE’s team members have extensive experience and expertise across a broad spectrum of real estate product types and operations. Specifically, Steve Orbuch, President and Founder of OZRE, has substantial real estate experience, having left Blackstone Real Estate Advisors as a Managing Director in order to form OZRE. Further, as an integrated affiliate within the much broader Och-Ziff platform, OZRE is able to source niche investment opportunities and leverage Och-Ziff’s global organizational network and product knowledge. As demonstrated in both predecessor funds, less than 10% of Fund I or II’s investments were sourced through broad auctions and were instead the result of proprietary relationships involving either Och-Ziff or OZRE.
- *Diversification with a situationally-opportunistic strategy.* OZRE has a demonstrated track record and history of investing across a wide range of opportunistic real estate strategies based upon current market conditions while actively seeking areas of pricing dislocation. This opportunistic and nimble approach to assessing the ever-changing capital markets has enabled OZRE to create highly diversified portfolios within their funds by (i) targeting niche asset strategies with little competition from other real estate opportunity funds, (ii) investing in real estate that often has different economic drivers from traditional real estate, (iii) investing along the debt/equity spectrum, and (iv) focusing on middle market opportunities which are a) typically less widely and competitively priced than larger transactions and b) allow OZRE to lower its portfolios’ concentration risks.

- *Strong track record.* As of December 31, 2013, Fund I is projected to achieve a 1.7x net multiple and 16.0% net IRR while Fund II, having invested or committed approximately \$612 million of its \$840 million in commitments across 41 investments, is currently projected to achieve a 1.7x net multiple and a 19.1% net IRR.
- *Strong alignment.* Employees of Och-Ziff and OZRE have been significant investors in both Funds I and II, representing approximately 14% and 23%, respectively, of those funds' invested capital. In Fund III, Och-Ziff partners and employees of Och-Ziff and OZRE will comprise at least 7.5% of the limited partner commitments, up to a maximum of \$75 million.

Concerns:

- *Real estate development.* The Fund may invest in undeveloped real property. These investments can be subject to certain development risks (e.g., entitlement, zoning, regulatory, etc.), and do not, at least initially, produce sufficient income to offset the costs associated with such risks. [Mitigant: OZRE has consistently built well-diversified Fund-level portfolios. Fund I had only 9% of its capital committed to land entitlements and Fund II has not made any such investments to date.]
- *Platform growth.* OZRE is seeking to raise \$1.0 billion in capital commitments for Fund III, not to exceed \$1.5bln, whereas Funds I and II commitments totaled \$408 million and \$840 million, respectively. Managing existing investments while simultaneously investing Fund III capital will require additional asset management resources. [Mitigant: Staff has confidence in OZRE's ability to scale its platform and personnel roster to adequately and successfully support this material AUM increase.]
- *Leverage and potential future interest rates increases.* Typical of opportunistic investments, the Fund is not restricted in its capacity to employ leverage at either the individual asset or portfolio level. Rapid changes in the markets could increase fund performance volatility as well as negatively impact floating rate loan marks, and make the timing of investment exits challenging if asset values are impaired. [Mitigant: OZRE has demonstrated a conservative leverage strategy over the past ten years, with 48% leverage in Fund I and 55% leverage in Fund II as of December 31, 2013. Further, a significant portion of the investments in both prior funds had strong cash-on-cash returns, which is anticipated for Fund III as well.]

Terms

The Fund's terms include a management fee on committed capital with a standard carry and preferred return. The Fund has a four-year investment period and an eight-year term (in each case measured from the final admission date) with two one-year extensions. All portfolio company fees are offset 100% against management fees. Finally, OZRE did not retain nor did OST staff have any contact with a placement agent in connection with OST's investment in the Fund.

Conclusion

The Real Estate Portfolio has a target allocation of 12.5% and, as of December 31, 2013, its NAV represented 11.2% of total OPERF assets. An investment in the Fund would be, in Staff's opinion, complementary to OPERF's existing opportunistic real estate holdings and would, with OZRE, initiate a partnership with a skilled operator and scalable platform with strong interest alignment and proven ability to tactically deploy capital over various stages of the real estate market cycle.

TAB 3 – OREGON INTERMEDIATE TERM POOL (OITP)

Oregon Investment Council
May 28, 2014

**Oregon Intermediate Term Pool
Annual Review**

Tom Lofton, CFA
Fixed Income Investment Officer

Purpose

- Provide an update on and annual review of the Oregon Intermediate Term Pool (OITP) portfolio.

Overview

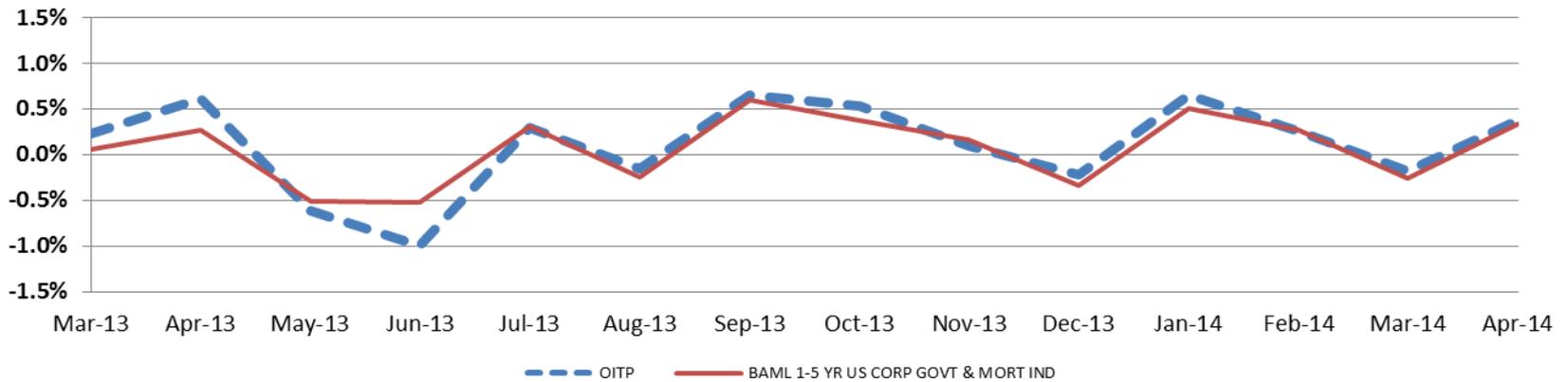
- Launched on June 30, 2010.
- Intended as an intermediate-term investment pool for qualified state agencies.
- Total return mandate with fluctuating NAV per share.
- Key investment guidelines:
 - Maximum investment tenor of 10 years;
 - Maximum modified duration of 3.0 years; and
 - Minimum investment grade rating on all investments.

Developments

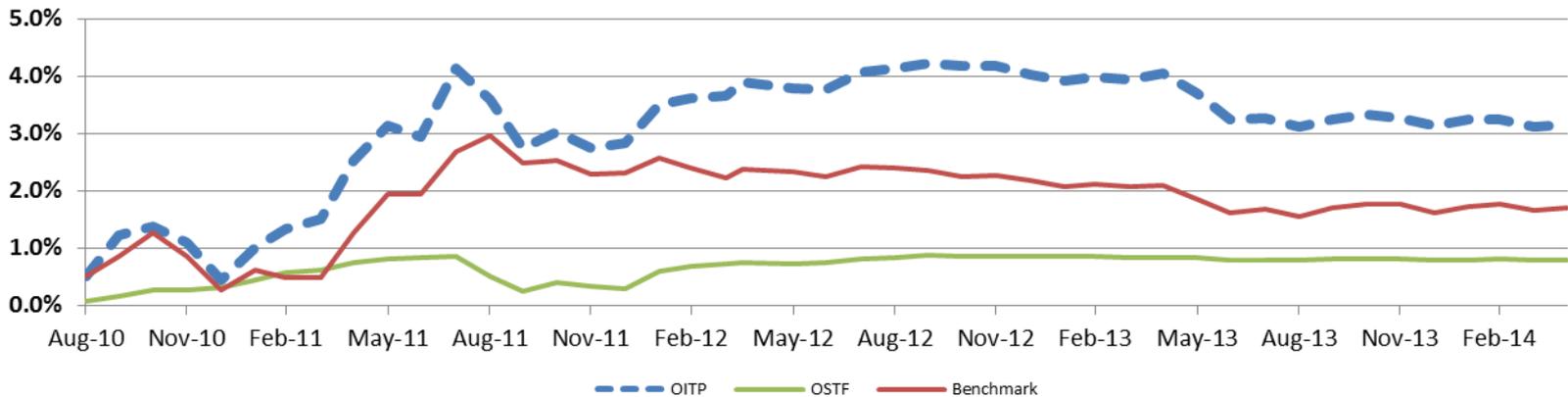
- Legislation (HB2140) passed and signed into law in 2013 allowing local governments investment access to OITP.
- OST is delaying entry by local governments pending funding for personnel and systems support.
- OUS System (largest OITP participant) has elected to manage funds outside of OST.

Performance

Monthly Returns Versus BM



Cumulative Return (Since OITP Inception)



Characteristics

	Month-End													
	<u>Mar-13</u>	<u>Apr-13</u>	<u>May-13</u>	<u>Jun-13</u>	<u>Jul-13</u>	<u>Aug-13</u>	<u>Sep-13</u>	<u>Oct-13</u>	<u>Nov-13</u>	<u>Dec-13</u>	<u>Jan-14</u>	<u>Feb-14</u>	<u>Mar-14</u>	<u>Apr-14</u>
Fixed %	80%	72%	78%	77%	69%	59%	58%	66%	59%	66%	56%	60%	64%	57%
Variable %	20%	28%	22%	23%	31%	41%	42%	34%	41%	34%	44%	40%	36%	43%
Duration (Yrs)	2.89	2.53	2.64	2.63	2.28	2.06	1.98	2.31	1.98	2.15	1.69	1.74	1.98	1.54
Yield	1.98%	1.88%	2.00%	1.99%	1.89%	1.90%	1.80%	1.99%	1.87%	2.00%	1.67%	1.72%	1.71%	1.45%
Credit Rating	A1/A+	A1/A+	A1/A	A1/A	A1/A+	A1/A+	A1/A+	A2/A	A1/A	A2/A	A1/A+	A1/A+	A1/A+	Aa3/A+
Corporate %	69%	65%	73%	73%	73%	66%	69%	75%	71%	72%	65%	68%	65%	57%
US Govt %	18%	16%	14%	15%	10%	11%	8%	9%	8%	10%	6%	6%	6%	3%
Municipal %	3%	2%	3%	3%	5%	4%	4%	4%	3%	3%	4%	4%	4%	5%
Non-US Sov. %	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	4%	2%	2%	0%
ABS%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%	1%	3%	4%
CMBS%	0%	0%	0%	0%	0%	0%	0%	1%	1%	1%	2%	2%	3%	6%
MBS%	0%	0%	0%	0%	0%	0%	0%	0%	0%	2%	2%	2%	3%	4%
M-Mkt/Cash%	8%	14%	8%	7%	11%	18%	18%	9%	14%	10%	16%	16%	14%	22%
NAV/Unit	\$1,100.36	\$1,107.12	\$1,100.35	\$1,089.45	\$1,092.54	\$1,090.93	\$1,097.97	\$1,103.90	\$1,105.01	\$1,102.57	\$1,109.78	\$1,112.68	\$1,110.73	\$1,114.84
Market Value (MM)	\$167.21	\$168.26	\$167.25	\$163.87	\$164.34	\$171.08	\$177.63	\$151.44	\$151.69	\$151.42	\$162.73	\$163.16	\$166.27	\$166.88

Current Snapshot (as of 5/19/14)

Sector	Market Value	Duration		Yield
	Percent	Years	Contribution	Percent
Money Market/Cash	20.8%	0.08	0.02	0.54%
US Government	3.0%	0.22	0.01	0.75%
Corporate	57.1%	1.92	1.10	1.88%
Municipal	4.9%	3.12	0.15	1.58%
Asset-Backed	4.9%	2.23	0.11	0.91%
Commercial Mortgage-Backed	6.0%	2.41	0.14	1.22%
Agency Mortgage-backed	3.4%	2.44	0.08	1.36%
Total	100.0%	1.61	1.61	1.44%
<i>Fixed Rate</i>	59.3%	2.64	1.56	
<i>Variable Rate (Includes Cash)</i>	40.7%	0.11	0.04	

Industry	Market Value	Duration		Yield
	Percent	Years	Contribution	Percent
Asset Backed Securities	4.90%	2.23	0.11	0.91%
Basic Materials	0.17%	2.57	0.00	2.10%
Cash	20.76%	0.08	0.02	0.54%
Communications	5.26%	1.05	0.06	1.50%
Consumer, Cyclical	3.33%	3.25	0.11	2.31%
Consumer, Non-cyclical	2.27%	2.00	0.05	1.81%
Energy	0.60%	2.86	0.02	1.66%
Financial	30.62%	1.35	0.41	1.83%
Government	3.01%	0.22	0.01	0.75%
Industrial	8.14%	3.05	0.25	2.00%
Mortgage Securities	9.36%	2.42	0.23	1.27%
Municipal	4.88%	3.12	0.15	1.58%
Technology	1.80%	2.76	0.05	0.92%
Utilities	4.89%	3.19	0.16	2.56%
Total	100.00%	1.61	1.61	1.44%

Rating	Market Value	Duration		Yield
	Percent	Years	Contribution	Percent
AAA	14.26%	2.35	0.34	1.14%
AA+	4.29%	1.19	0.05	1.17%
AA	21.50%	0.19	0.04	0.57%
AA-	5.34%	2.39	0.13	1.31%
A+	6.17%	2.31	0.14	1.38%
A	4.02%	0.70	0.03	1.10%
A-	10.42%	0.84	0.09	1.64%
BBB+	16.08%	1.41	0.23	1.80%
BBB	9.96%	3.03	0.30	2.45%
BBB-	7.97%	3.33	0.27	2.64%
Total	100.00%	1.61	1.61	1.44%

Top Exposures *	Market Value	S&P / Moody's
	Percent	Rating
WF-RBS Commercial Mortgage Tru	4.03%	NR/AAA
Ryder System Inc	3.45%	BBB/Baa1
United States of America	3.38%	AA+/AAA
BB&T Corp	3.03%	A-/A2
Federal Home Loan Banks	3.01%	AA+/AAA
Staples Inc	2.73%	BBB/Baa2
Fifth Third Bancorp	2.70%	A-/A3
Verizon Communications Inc	2.43%	BBB+/Baa1
Morgan Stanley	2.14%	A-/Baa2
TransAlta Corp	2.06%	BBB-/Baa3

* Excluding Cash

Recommendations

- None at this time. For information only.

TAB 4 – OPERF FIRST QUARTER PERFORMANCE REVIEW

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STATE STREET INVESTMENT ANALYTICS MARKET ENVIRONMENT • Q1 2014

Welcome to the latest issue of State Street Investment Analytics' **Market Environment**. The report is designed to summarize key market indicators for our institutional clients. The Environment section keeps you up to date on market changes. We hope you find the report useful and relevant in your investment decision making process.

General Comments

- Federal Reserve policy uncertainty and inclement weather in the U.S. led to a volatile first quarter in the S&P 500, but the index ended the period with a gain of 1.8%.
- In addition to policy uncertainty, geopolitical risk limited gains in equity markets as the MSCI EM Net Return Index fell 0.4% in the first quarter. However, geopolitical risk and global growth concerns also helped boost demand for U.S. Treasuries.
- Hope for quantitative easing by the European Central Bank has helped drive down peripheral European financing costs and improve equity sentiment. Europe ex-UK equities rose 3.5% on a net return basis.
- The People's Bank of China announced a wider daily currency trading band in March, which has allowed the renminbi to depreciate. The prospects for increased exports and the potential for reform efforts conducive to growth in India and Indonesia may have limited the decline in the MSCI EM Asia Net Return Index.
- The State Street Investor Confidence Index® (ICI) measures risk appetite by analyzing buying and selling patterns of institutional investors. With confidence rising among North American institutions, the Global ICI increased 24.4 points during the quarter to 120.2 in March, remaining well above the neutral level of 100.

State Street Investment Analytics (SSIA)

ENVIRONMENT



STATE STREET.

MARKET SUMMARY

Equity Markets

	<u>QTR</u>	<u>1 Year</u>	<u>3 Year</u>
S&P 500	1.8	21.9	14.7
Dow Jones Industrial Average	-0.2	15.7	13.0
NASDAQ	0.5	28.5	14.7
Russell 1000	2.0	22.4	14.7
Russell 2000	1.1	24.9	13.2
Russell 3000	2.0	22.6	14.6
MSCI EAFE (Net)	0.7	17.6	7.2
MSCI Emerging Markets (Net)	-0.4	-1.4	-2.9
MSCI All Country World ex US	0.5	12.3	4.1

Bond Markets

	<u>QTR</u>	<u>1 Year</u>	<u>3 Year</u>
Barclays Capital Aggregate	1.8	-0.1	3.7
Barclays Capital Gov/Credit	2.0	-0.3	4.2
Barclays Capital Universal	2.0	0.5	4.2
Barclays Capital Corp. High Yield	3.0	7.5	9.0
CG Non-US World Govt.	3.2	2.4	1.4

Non-Public Markets

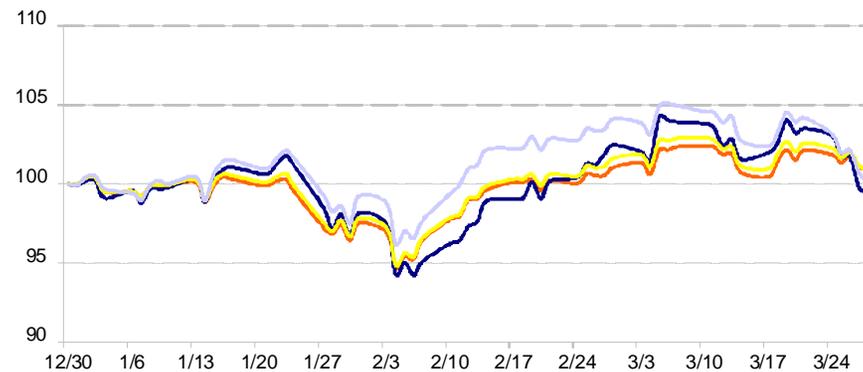
lagged quarterly

	<u>QTR</u>	<u>1 Year</u>	<u>3 Year</u>
NCREIF Property	2.5	11.0	11.9
State Street Private Equity Index	N/A	N/A	N/A

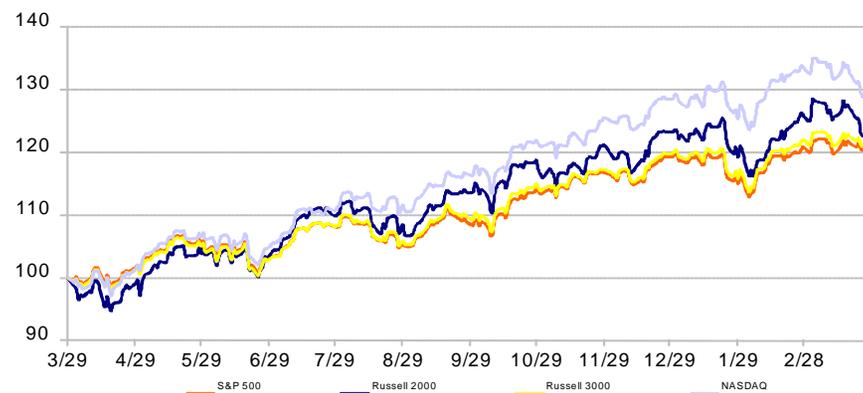
U.S. Equity Market

- U.S. equities, as measured by the S&P 500 total return index, rose 1.8% during the quarter as geopolitical risk offset improved fundamentals.
- Technology stock performance was subdued, with the NASDAQ returning 0.5% in Q1.
- Small caps, as measured by the Russell 2000 index, rose 1.1%.

Equity Index – Quarterly Growth Rate



Equity Index – 1-Year Growth Rate

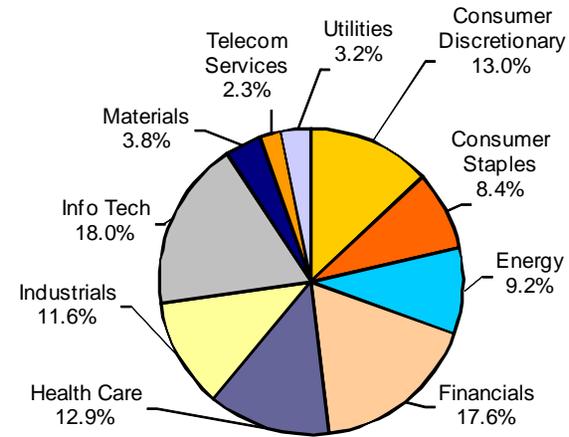


U.S. MARKETS

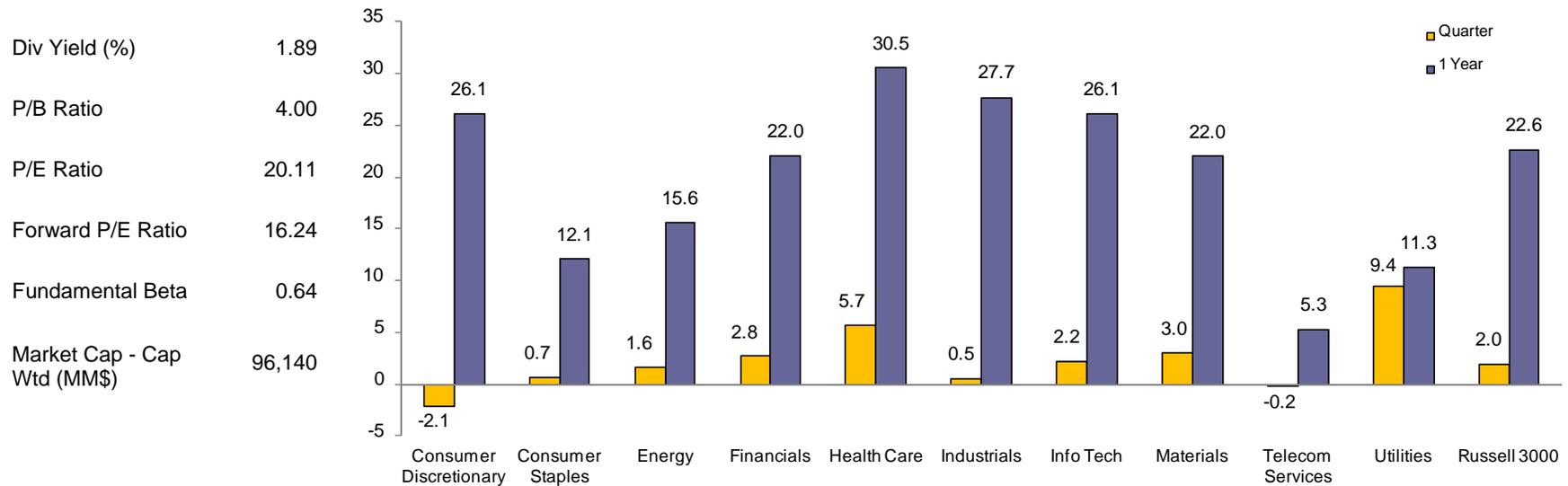
U.S. Equity – Russell 3000

- Geopolitical risk and valuation concerns led to the outperformance of defensive sectors; utilities rose 9.4% in the first quarter, while healthcare stocks rose 5.7%.
- Consumer discretionary stocks fell 2.1% during the quarter.
- Overall, the Russell 3000 index returned 2.0% during the first quarter; the yearly return was 22.6%.

Ending Sector Weights



Characteristics



Contribution to Return:

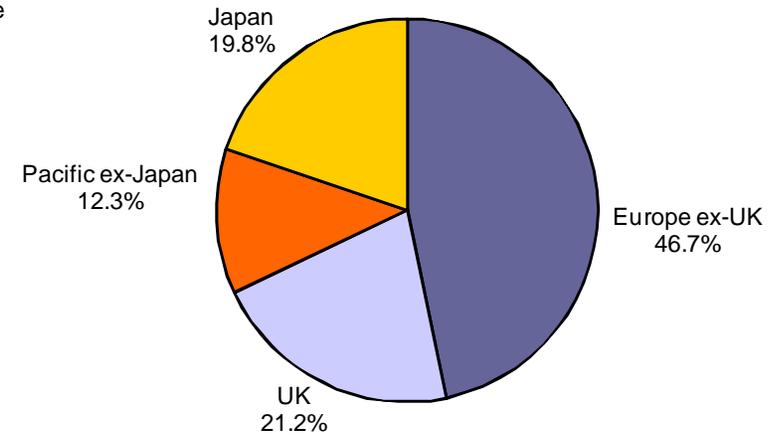
Qtr	-0.3	0.1	0.1	0.5	0.7	0.1	0.4	0.1	0.0	0.3	2.0
1 Year	3.3	1.1	1.5	3.8	3.7	3.1	4.5	0.9	0.1	0.4	22.6

NON-U.S. MARKETS

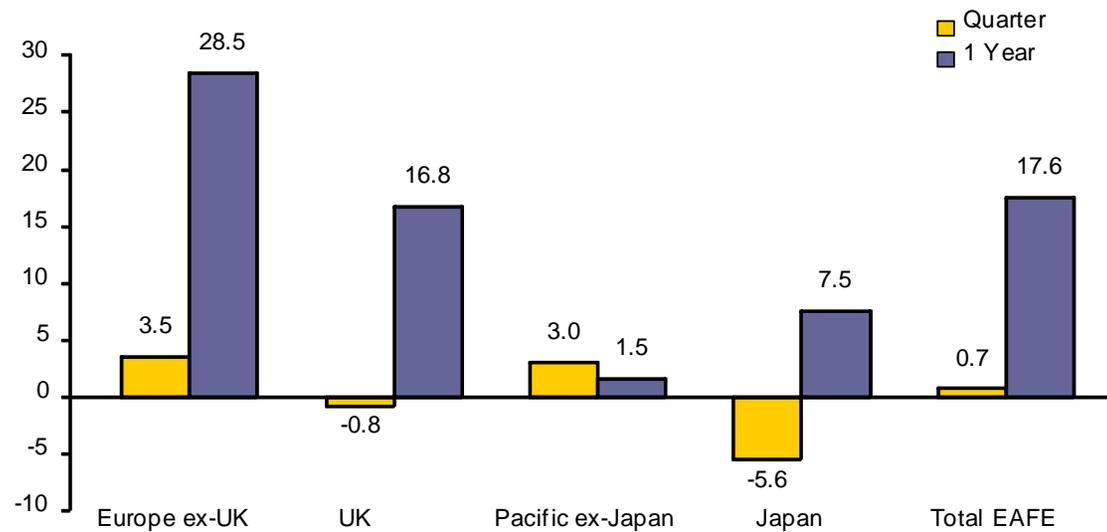
Developed Equity – MSCI EAFE (Net)

- The potential for quantitative easing from the European Central Bank and reforms by Italian Prime Minister Matteo Renzi helped boost Europe ex-UK in the first quarter, where equities rose 3.5%.
- Japanese equities fell 5.6% during the first quarter on concerns over the effects of the consumption tax and the efficacy of Abenomics. However, Pacific ex-Japan rose 3.0% in the first quarter on stronger regional growth prospects.
- Overall, the MSCI EAFE index rose 0.7% in the first quarter.

Ending Regional Weights



Regional Returns (%)



Contribution to Return:

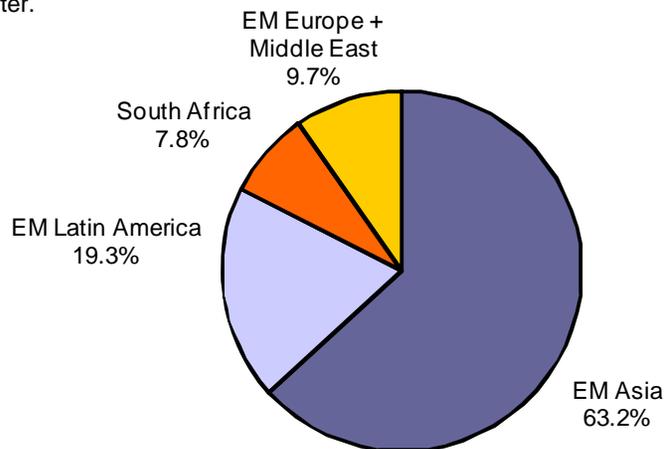
Qtr	1.6	-0.2	0.4	-1.1	0.7
1 Yr	13.3	3.6	0.2	1.5	17.6

NON-U.S. MARKETS

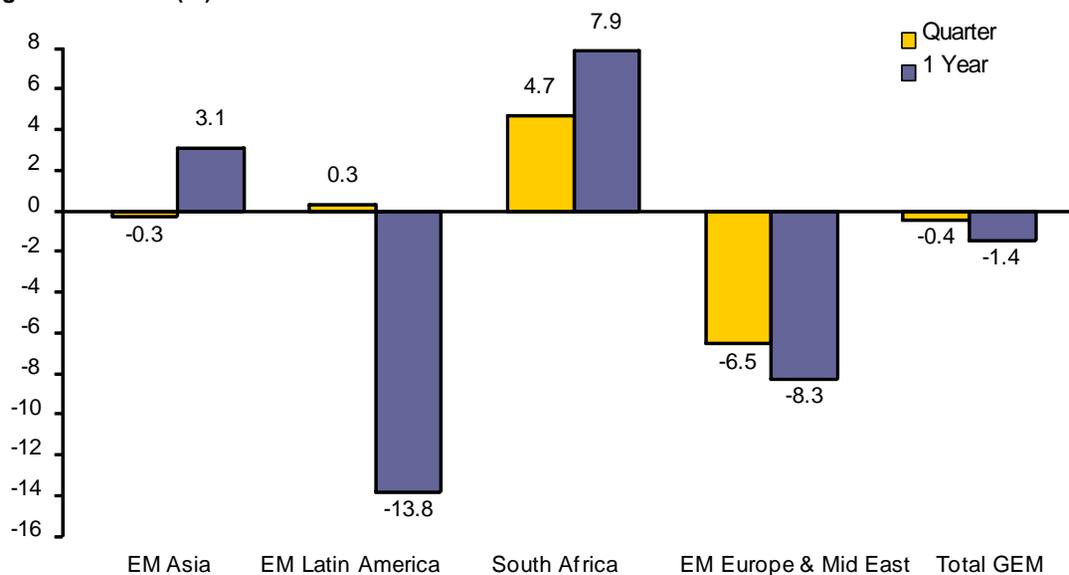
Emerging Markets Equity – MSCI EM (Net)

- Rising geopolitical tensions between Russia and Ukraine provided headwinds to emerging market equities. The EM Europe and the Mid East index was hit the hardest, falling 6.5% in the first quarter.
- Improved metal exports helped boost South African equities by 4.7% in the first quarter.
- Overall, the MSCI EM index fell 0.4% in the first quarter.

Ending Regional Weights



Regional Returns (%)



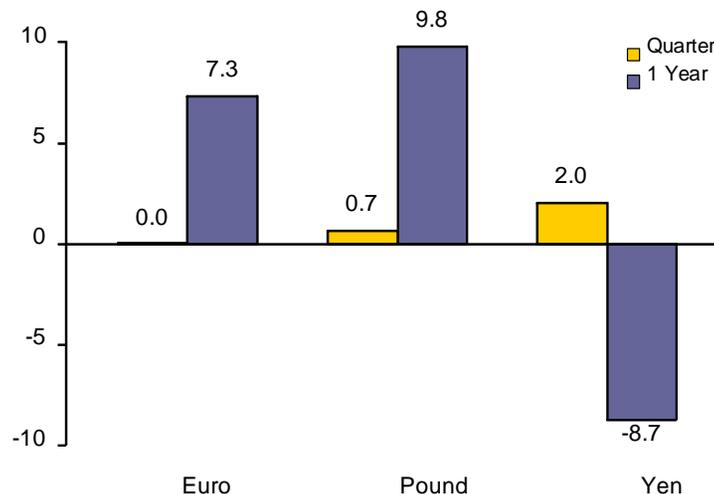
Contribution to Return:

Qtr	-0.2	0.1	0.4	-0.6	-0.4
1 Yr	1.9	-2.7	0.6	-0.8	-1.4

Currency Markets

- The euro was flat against the dollar in the first quarter.
- The U.S. dollar trade-weighted index, which measures the dollar's movement against a basket of currencies, fell 0.12% in the first quarter.
- The yen rose 2.0% in the first quarter as demand for safe-haven assets increased.

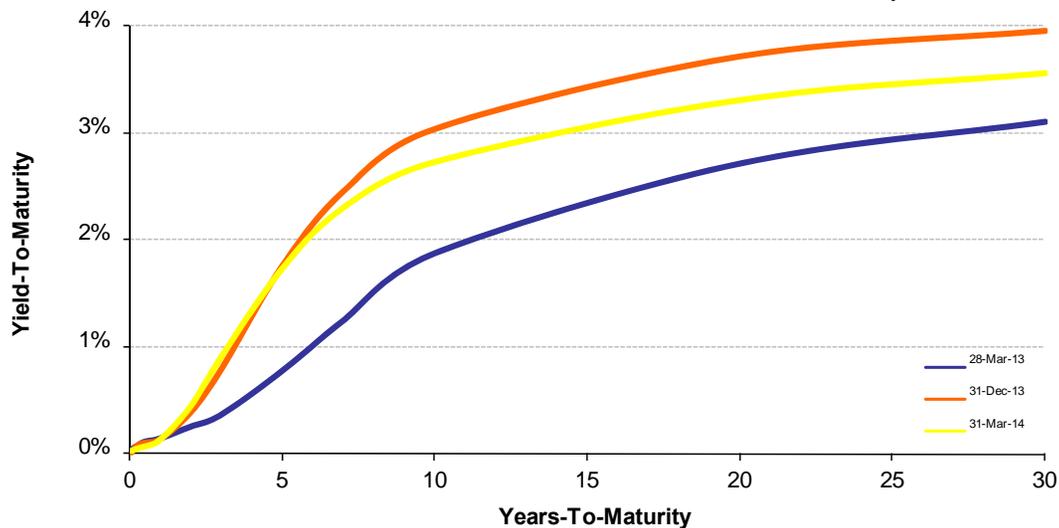
Currency Returns (%)



Yield Curve

- The long-end of the U.S. yield curve fell on a quarterly basis and Treasury bonds rallied after subdued economic data in the U.S and rising geopolitical tensions.
- Ten-year yields fell 31 basis points during the first quarter.

INTEREST RATE TERM STRUCTURE
Government Issues - 3 Months to 30 Years Maturity

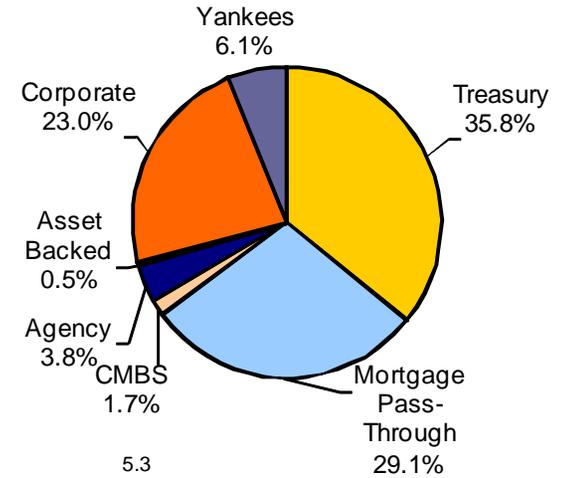


BOND MARKETS

U.S. Bond Market Returns – Barclays Capital Aggregate

- Geopolitical risk and global growth concerns helped boost demand for U.S. Treasuries, which rose by 1.3% in the first quarter.
- Lower-rated corporate bonds outperformed during the first quarter, with BAA rated securities returning 3.6%.

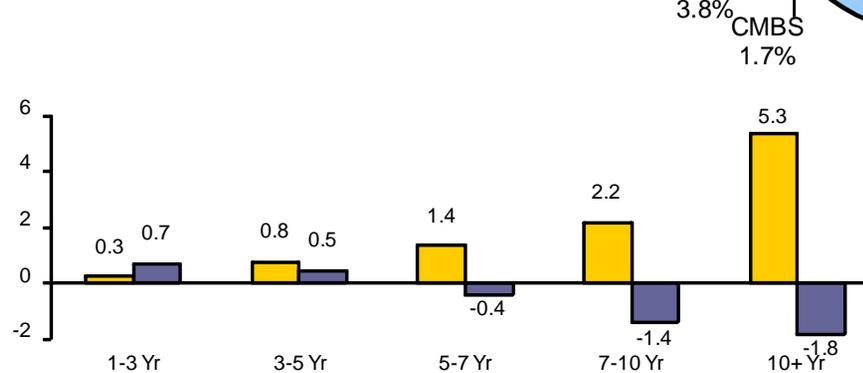
Sector Weights



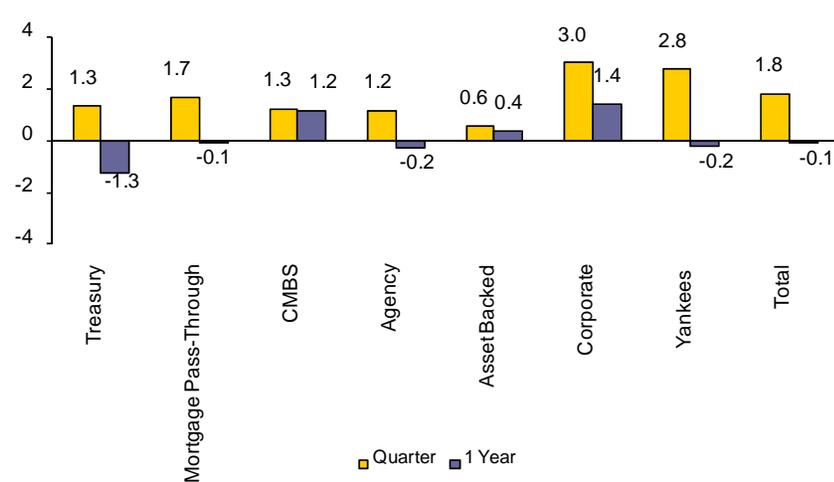
Quality Performance (%)



Duration Performance (%)



Sector Performance (%)

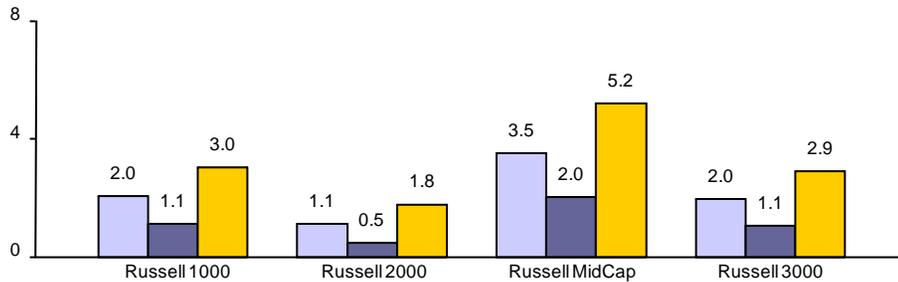


STYLE & CAPITALIZATION

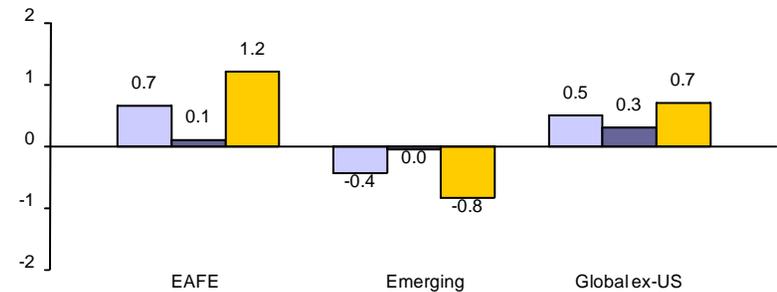
Style & Capitalization Returns

- On a global basis, equities in EAFE outperformed, rising 0.7% during the quarter. Emerging market equities were the relative underperformers in the first quarter as geopolitical risk and China credit concerns came to the fore of investors' minds.
- Mid cap equities and value outperformed in the U.S. The Russell Mid Cap index rose 3.5% in the first quarter.
- Overall, non-U.S. equities rose 0.5% in the first quarter.

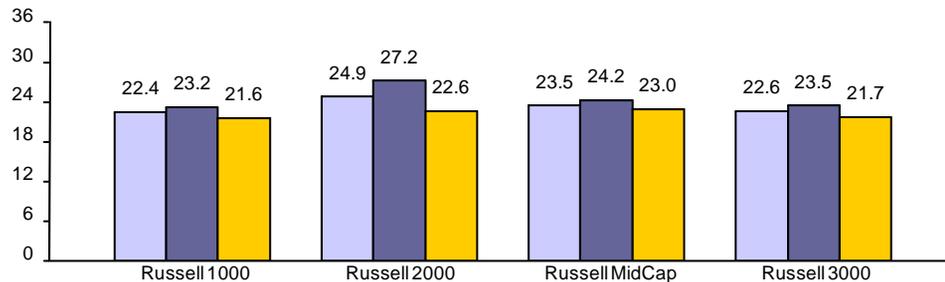
Russell US Style Returns (%) – Quarter



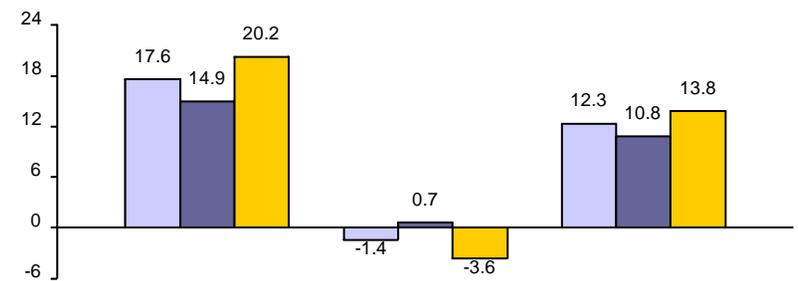
MSCI Non-US Style Returns (%) – Quarter



Russell US Style Returns (%) – 1 Year



MSCI Non-US Style Returns (%) – 1 Year



□ Neutral ■ Growth ■ Value

ENVIRONMENT

State Street Investment Analytics (SSIA)

MARKET ENVIRONMENT is published quarterly by:

State Street Corporation
State Street Investment Analytics
Institutional Investor Services
P.O. Box 5501
Boston, MA 02206-5501

www.statestreet.com/analytics

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OIC Regular Account Performance Report

Net of Fees

Periods Ending March 31, 2014

	3 Year %	5 Year %	7 Year %	10 Year %
Have Returns affected benefit security?				
1. Total Regular Account	9.87	15.49	5.42	7.92
2. Actuarial Discount Rate	8.00	8.00	8.00	8.00
3. Out/Under Performance (1 - 2)	1.87	7.49	(2.58)	(0.08)
Has plan been rewarded for capital market risk?				
4. Policy Return	10.25	14.56	5.90	7.70
5. Minimum Risk/High Cost Policy of 91-Day T-Bills	0.08	0.12	0.91	1.67
6. Impact of Asset Mix Policy (4 - 5)	10.17	14.45	4.99	6.03
Has plan been rewarded for active management risk?				
7. Net Active Management Effect (1 -4)	(0.38)	0.92	(0.49)	0.22

State of Oregon
Total Fund Summary
Quarter Ending March 31, 2014

Total Fund:

The Total Regular Account returned 2.84% in the first quarter of 2014, underperforming the OPERF Policy Benchmark by 50 bps. For the year ending March 31, the Regular Account gained 13.86%, trailing the benchmark by 150 bps. In comparison to the Wilshire TUCS peer group of all *Public Funds > \$1B* (page 15), the Plan placed in the 1st quartile for the quarter and 2nd quartile for year ending March 31, with an impressive 9th percentile ranking for the quarter and 31st percentile ranking for the year.

Total Plan Attribution Summary:

Total Plan Attribution for the first quarter of 2014 (page 16) shows the dominant drivers of relative quarterly outperformance as an overweight to Private Equity (35 bps) and selection decisions within the Real Estate portfolio (15 bps). Ultimately however, the Total Plan would underperform the Policy benchmark by 50 bps with the foremost detractor being Selection to Private Equity (-77 bps) as well as an overweight to Alternatives (-16 bps) and Short Term investments (-13 bps).

Asset Classes:

With a first quarter return of 1.46%, the Domestic Equity portfolio underperformed its benchmark, the Russell 3000 index, by 51 bps, resulting in a fourth quartile, 88th percentile ranking in the TUCS' *US Equity Pools, Public Funds greater than \$1B* universe. Performance for the year was markedly improved; domestic equity investments collectively outperformed their benchmark by 107 bps with a return of 23.68% and a 37th percentile peer group ranking.

The International Equity portfolio returned 0.91% in the first quarter of 2014, marginally outpacing its benchmark, the MSCI ACWI ex US IMI (net) Index, by 4 bps. This earned it a 30th percentile ranking in the TUCS' *International Equity Pools, Public Funds > \$1B* universe. For the year ending March 31, the portfolio gained 14.53%, considerably outperforming its benchmark by 173 bps and resulting in a 32nd percentile ranking within the TUCS universe.

Although the Fixed Income portfolio easily beat its benchmark by 51 bps in Q1 2014, a quarterly return of 1.67% was only enough to earn it an 83rd percentile ranking against its peer group, the TUCS' *US Fixed Income Pools, Public Funds > \$1B* universe. One year performance statistics were more positive; in addition to attaining a 1st quartile, 21st percentile universe ranking, the portfolio return of 1.92% was 100 bps higher than its respective benchmark.

Private Equity investments achieved an aggregate return of 7.11% in the first quarter of 2014. While overall portfolio performance was significantly lower than the benchmark (1 quarter lagged Russell 3000 Index plus 300 bps) return of 10.89%, it was substantial enough to land near the top of its peer universe (TUCS' *Total Private Equity Returns, Public Funds > \$1B universe*), placing in the 13th percentile. For the year ended March 31, the Private Equity portfolio returned 20.84%, trailing the benchmark by a whopping 1662 bps but earning a laudable 12th percentile peer group ranking.

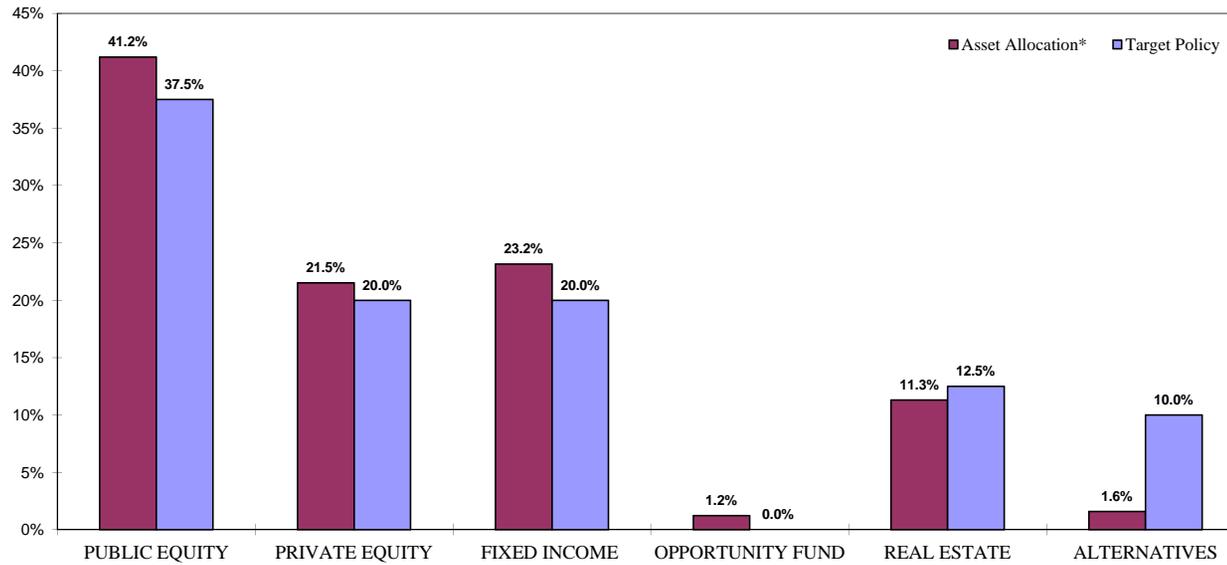
Turning to focus on the Real Estate portfolio, Real Estate investments returned 3.88% in the fourth quarter, resulting in a commendable 135 bps of surplus performance over the benchmark and a solid 31st percentile ranking among peers in the TUCS' *US Real Estate Investment Pools, Public Funds > \$1B* universe. For the trailing year, the portfolio returned 11.54%, surpassing its benchmark by 56 bps and placing in the middle of its peer group with a 50th percentile ranking.

*TUCS Universe: Public Funds \$1 Billion or Larger (rankings based on gross returns).

*Private Equity returns, other than year end, are reported Net of fees in the TUCS Universe.

State of Oregon
Total Regular Account Asset Allocation
As March 31, 2014

Asset Allocation (% Percent) vs. Target Policy



WEIGHTS				
	Asset Allocation*	Target Policy	Difference	Median (TUCS) Public Fund > \$1 B Universe
PUBLIC EQUITY	41.2%	37.5%	3.7%	56.2%
PRIVATE EQUITY	21.5%	20.0%	1.5%	10.1%
FIXED INCOME	23.2%	20.0%	3.2%	21.3%
OPPORTUNITY FUND	1.2%	0.0%	1.2%	N/A
REAL ESTATE	11.3%	12.5%	-1.2%	3.2%
ALTERNATIVES	1.6%	10.0%	-8.4%	N/A
CASH	0.0%	0.0%	0.0%	4.0%
TOTAL PLAN	100.0%	100.0%	0.0%	

*Asset class allocations reflect the impact of the overlay program.

State Of Oregon
Total Fund Return Table
Rates Of Return
Periods Ending March 31, 2014

	Market Value \$(M)	Current Quarter	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception to Date	Inception Date
FUNDS										
TOTAL REGULAR ACCOUNT	\$68,332,220	2.84	2.84	13.86	9.87	15.49	5.42	7.92	7.82	07/01/1997
<i>OPERF POLICY BENCHMARK</i>		3.34	3.34	15.36	10.25	14.56	5.90	7.70		
PUBLIC FUNDS > \$1 BILLION RANK*		9	9	31	13	19	31	6		
PUBLIC FUNDS > \$10 BILLION RANK*		10	10	20	14	10	27	1		
TOTAL DOMESTIC EQUITY	\$13,254,769	1.46	1.46	23.68	14.17	22.46	6.55	7.92	10.31	04/01/1971
<i>RUSSELL 3000</i>		1.97	1.97	22.61	14.61	21.93	6.60	7.86		
US EQUITY POOLS, PUBLIC FUNDS > \$1B RANK*		88	88	37	60	18	37	31		
TOTAL INTERNATIONAL EQUITY	\$13,829,083	0.91	0.91	14.53	6.20	17.30	3.32	8.54	11.05	04/01/1985
<i>OREGON MSCI ACWI EX US IMI NET</i>		0.87	0.87	12.80	4.32	16.16	2.16	7.59		
INT'L EQUITY POOLS, PUBLIC FUNDS > \$1B RANK*		30	30	32	35	15	12	1		
TOTAL GLOBAL EQUITY	\$941,409	3.22	3.22	28.05	8.59	17.84	1.46		1.62	03/01/2007
<i>OREGON MSCI ACWI VALUE NET INDEX</i>		1.75	1.75	17.06	8.13	17.23	3.19			
TOTAL FIXED INCOME	\$14,553,937	1.67	1.67	1.92	5.65	10.39	6.54	6.04	8.18	01/01/1988
<i>CUSTOM FIXED INCOME BENCHMARK¹</i>		1.16	1.16	0.92	4.85	5.90	5.36	4.92		
US FIXED INCOME POOLS, PUBLIC FUNDS > \$1B RANK*		83	83	21	25	20	12	12		
TOTAL REAL ESTATE ²	\$7,748,456	3.88	3.88	11.54	12.00	10.77	2.34	9.45	10.23	12/01/1996
<i>NCREIF PROPERTY ONE QTR LAG</i>		2.53	2.53	10.98	11.92	5.68	5.23	8.63		
US REAL ESTATE POOLS, PUBLIC FUNDS > \$1B RANK*		31	31	50	31	15	25	1		
TOTAL PRIVATE EQUITY ³	\$14,746,682	7.11	7.11	20.84	14.12	15.88	9.03	14.47	11.52	07/01/1997
<i>RUSSELL 3000 + 300 BPS QTR LAG</i>		10.89	10.89	37.46	19.69	22.33	10.29	11.70		
TOTAL PRIVATE EQUITY, PUBLIC FUNDS > \$1B RANK*		13	13	12	25	5	50	25		
TOTAL OPPORTUNITY PORTFOLIO	\$851,423	2.90	2.90	13.81	9.60	17.17	7.21		7.26	09/01/2006
<i>RUSSELL 3000</i>		1.97	1.97	22.61	14.61	21.93	6.60			
<i>CPI + 5%</i>		2.63	2.63	6.58	6.96	7.21	7.09			
ALTERNATIVES PORTFOLIO	\$1,089,413	-1.77	-1.77	1.62					1.77	07/01/2011
<i>CPI + 4%</i>		2.39	2.39	5.57						
OST SHORT TERM FUND - PERS	\$1,047,911	0.17	0.17	0.64	0.76	1.06	1.58	2.17	3.82	12/01/1989
<i>91 DAY T-BILL</i>		0.01	0.01	0.07	0.08	0.12	0.91	1.67		

¹Prior to 2/28/2011, Index is Oregon Custom FI 90/10 Benchmark (90% BC U.S. Universal/10% SSBI Non-US World Govt. Bond Hedged Index). From 3/1/2011 to current, Index is Oregon Custom FI Benchmark (60% BC US Universal Index, 20% S&P/LSTA Leveraged Loan Index, 10% JMP EMBI Global Index, and 10% BofA ML High Yield Master II Index).

²Publicly traded real estate securities are current quarter; all others are 1 quarter lagged

³Private Equity returns lagged one quarter

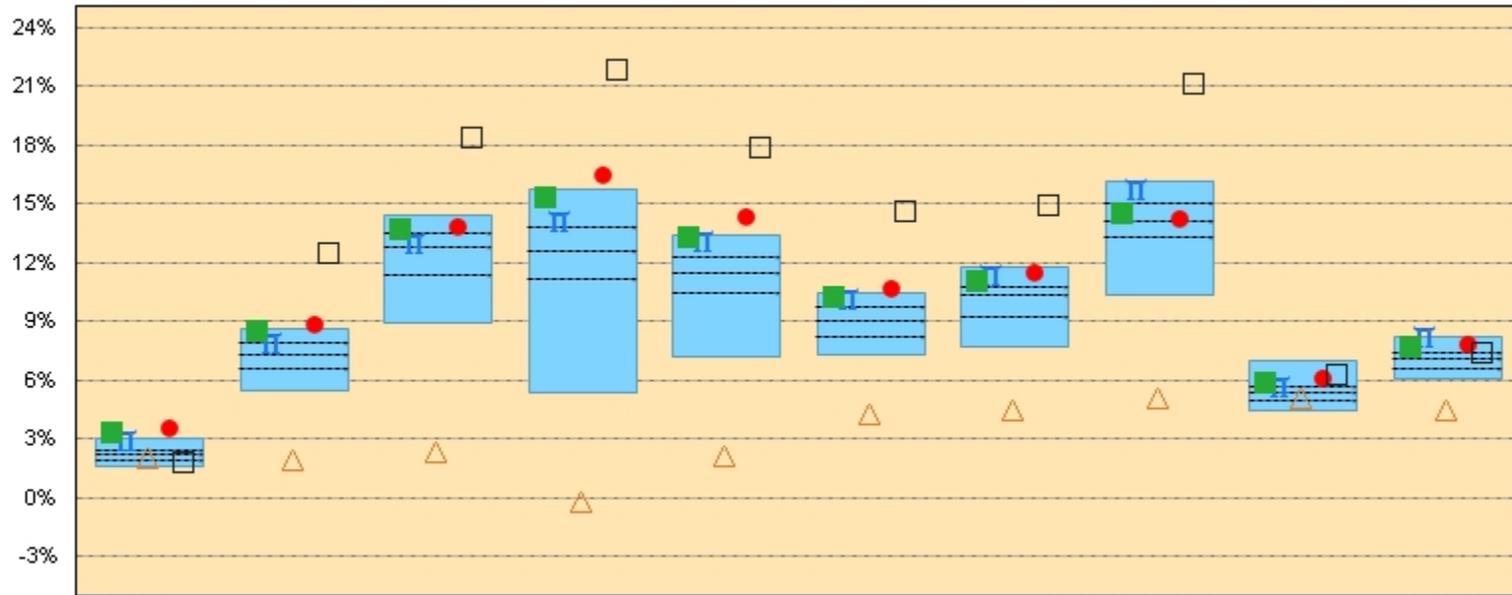
*Ranking source: TUCS Universe, based on gross returns

Private Equity returns, other than year end, are reported Net of fees in the TUCS Universe

Assets not listed above include a total of \$460,199 invested in the Overlay, Total Closed Global Equity, Transition Account, Transitional Managers, and Shott Capital.

State of Oregon Performance Comparison

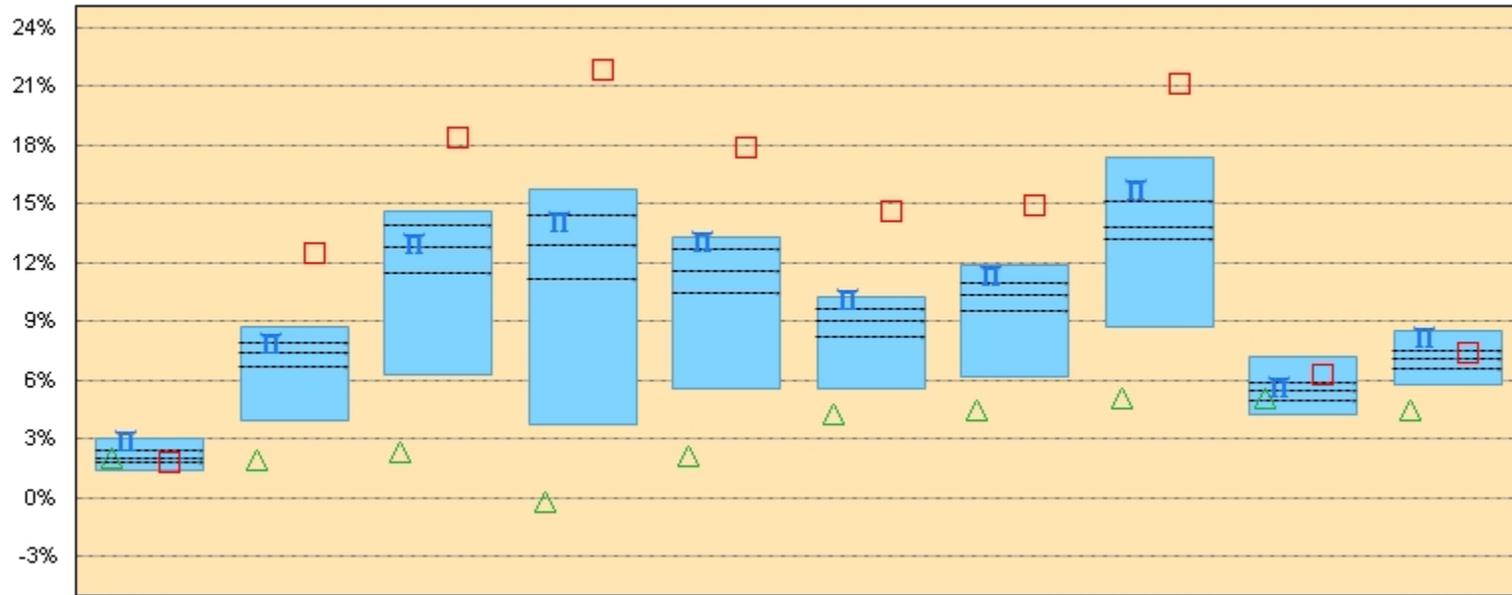
Total Returns of Master Trusts - Public : Plans > \$10 Billion
Cumulative Periods Ending : March 31, 2014



Percentile Rankings	1 Qtr	2 Qtrs	3 Qtrs	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
5th	3.07	8.63	14.41	15.71	13.42	10.41	11.83	16.18	6.97	8.17
25th	2.45	7.90	13.46	13.86	12.33	9.74	10.80	15.05	5.69	7.36
50th	2.20	7.35	12.75	12.57	11.49	9.02	10.37	14.09	5.37	7.08
75th	1.94	6.60	11.36	11.19	10.47	8.24	9.27	13.27	5.01	6.60
95th	1.66	5.43	8.89	5.33	7.17	7.29	7.70	10.33	4.45	6.12
No. Of Obs	44	43	43	43	43	43	41	40	40	38
II Total Regular Account	2.89 (10)	7.95 (20)	12.97 (43)	14.08 (20)	13.07 (16)	10.12 (14)	11.37 (10)	15.77 (10)	5.68 (27)	8.20 (1)
● Actual Allocation Retu	3.54 (1)	8.80 (1)	13.79 (20)	16.45 (1)	14.29 (1)	10.68 (1)	11.46 (5)	14.18 (47)	6.08 (13)	7.80 (8)
■ OPERF Policy Benchmark	3.34 (1)	8.53 (5)	13.71 (22)	15.36 (14)	13.28 (10)	10.25 (10)	11.02 (18)	14.56 (37)	5.90 (17)	7.70 (10)
□ S&P 500	1.80 (87)	12.51 (1)	18.41 (1)	21.86 (1)	17.84 (1)	14.65 (1)	14.90 (1)	21.15 (1)	6.31 (10)	7.42 (20)
△ Barclays Govt/Credit	1.98 (68)	1.94 (100)	2.31 (100)	-0.26 (100)	2.12 (100)	4.21 (100)	4.47 (100)	5.08 (100)	5.06 (67)	4.41 (100)

State of Oregon Performance Comparison

Total Returns of Master Trusts - Public : Plans > \$1 Billion
Cumulative Periods Ending : March 31, 2014



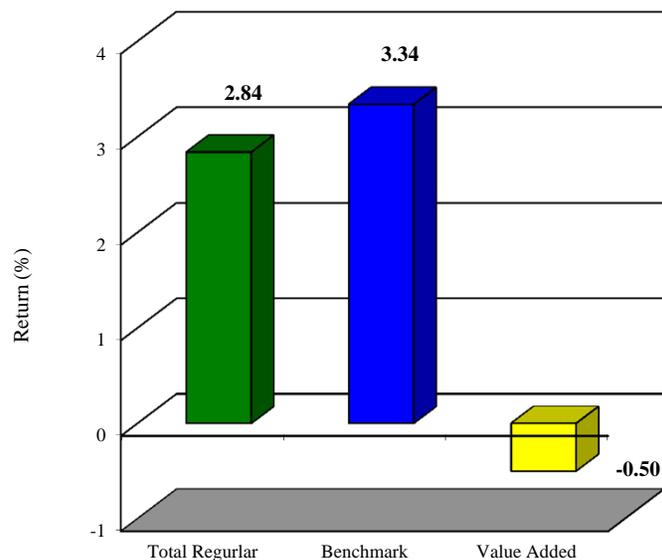
Percentile Rankings	1 Qtr	2 Qtrs	3 Qtrs	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
5th	3.07	8.70	14.60	15.71	13.29	10.28	11.89	17.41	7.18	8.51
25th	2.38	7.95	13.91	14.43	12.70	9.67	10.99	15.14	5.85	7.52
50th	2.05	7.38	12.84	12.85	11.60	9.07	10.37	13.82	5.43	7.08
75th	1.83	6.69	11.49	11.22	10.47	8.24	9.50	13.22	4.97	6.60
95th	1.41	3.97	6.26	3.72	5.62	5.57	6.23	8.74	4.28	5.79
No. Of Obs	63	63	63	63	63	62	60	60	59	55
■ Total Regular Account	2.89 (9)	7.95 (25)	12.97 (45)	14.08 (31)	13.07 (13)	10.12 (13)	11.37 (14)	15.77 (19)	5.68 (31)	8.20 (6)
■ S&P 500	1.80 (78)	12.51 (1)	18.41 (1)	21.86 (1)	17.84 (1)	14.65 (1)	14.90 (1)	21.15 (1)	6.31 (11)	7.42 (28)
▲ Barclays Govt/Credit	1.98 (56)	1.94 (97)	2.31 (97)	-0.26 (100)	2.12 (97)	4.21 (97)	4.47 (97)	5.08 (97)	5.06 (64)	4.41 (99)

Total Plan Attribution

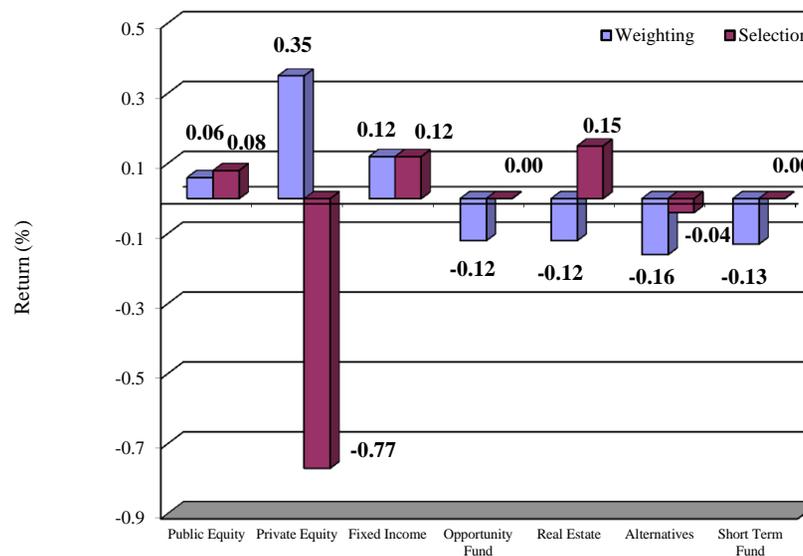
Regular Account

December 31, 2013 - March 31, 2014

Return vs. Benchmark



Value Added Attribution



	WEIGHTS			RETURNS			VALUE ADDED		
	Portfolio*	Benchmark**	Difference	Portfolio***	Benchmark	Difference	Weighting	Selection	Timing
Public Equity	41.77	46.00	-4.23	1.29	1.08	0.21	0.06	0.08	
Private Equity	21.33	16.00	5.33	7.11	10.89	-3.78	0.35	-0.77	
Fixed Income	21.56	27.00	-5.44	1.69	1.16	0.53	0.12	0.12	
Opportunity Fund	1.24	0.00	1.24	2.90	2.63	0.27	-0.12	0.00	
Real Estate	11.17	11.00	0.17	3.88	2.53	1.35	-0.12	0.15	
Alternatives	1.30	0.00	1.30	-1.77	2.39	-4.16	-0.16	-0.04	
Short Term Fund	1.63	0.00	1.63	0.20	0.01	0.19	-0.13	0.00	
Total Regular Account	100.00	100.00	0.00	2.84	3.34	-0.50	-0.01	-0.46	-0.02

* Weights of Portfolios based on beginning of period valuations.

** Weights of Benchmarks based on Average weights over entire period.

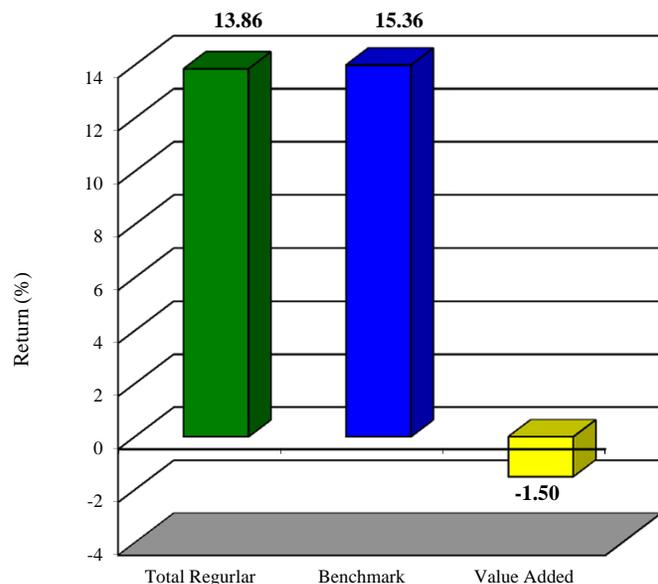
*** Asset Class Returns reflect the impact of the overlay program.

Total Plan Attribution

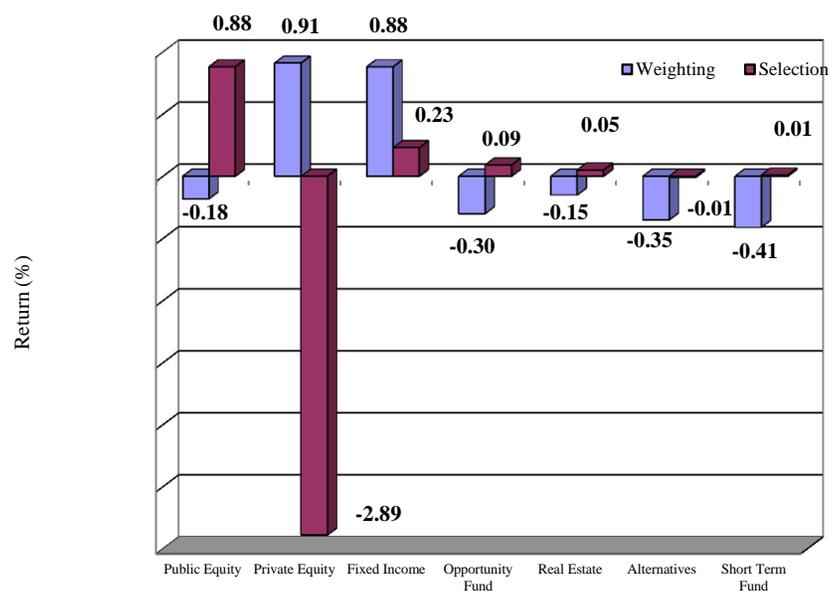
Regular Account

March 31, 2013 - March 31, 2014

Return vs. Benchmark



Value Added Attribution



	WEIGHTS			RETURNS			VALUE ADDED		
	Portfolio*	Benchmark**	Difference	Portfolio***	Benchmark	Difference	Weighting	Selection	Timing
Public Equity	37.88	46.00	-8.12	19.15	16.55	2.60	-0.18	0.88	
Private Equity	22.68	16.00	6.68	20.84	37.46	-16.62	0.91	-2.89	
Fixed Income	23.24	27.00	-3.76	1.99	0.92	1.07	0.88	0.23	
Opportunity Fund	1.44	0.00	1.44	13.81	6.58	7.23	-0.30	0.09	
Real Estate	11.92	11.00	0.92	11.54	10.98	0.56	-0.15	0.05	
Alternatives	0.95	0.00	0.95	1.62	5.57	-3.95	-0.35	-0.01	
Short Term Fund	1.89	0.00	1.89	0.73	0.07	0.66	-0.41	0.01	
Total Regular Account	100.00	100.00	0.00	13.86	15.36	-1.50	0.41	-1.67	-0.04

* Weights of Portfolios based on beginning of period valuations.

** Weights of Benchmarks based on Average weights over entire period.

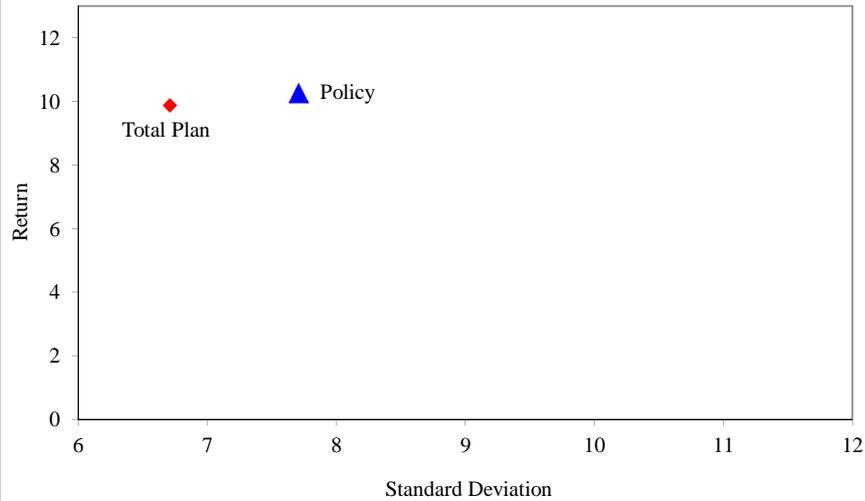
*** Asset Class Returns reflect the impact of the overlay program.

Total Regular Account

Total Risk vs. Return (OPERF Policy)

As March 31, 2014

3 Year Risk Analysis



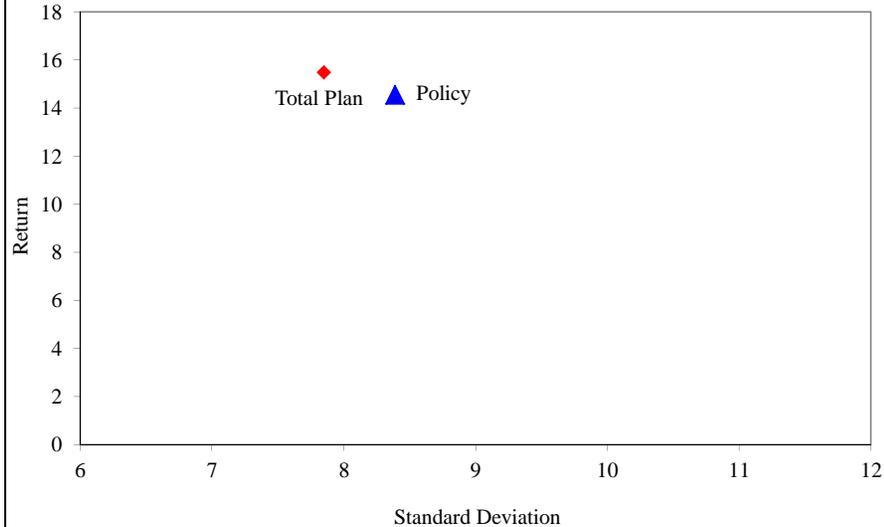
Risk Information

Portfolio Return	9.87
Benchmark Return	10.25
Return Difference	-0.38
Portfolio Standard Deviation	6.71
Benchmark Standard Deviation	7.71
Tracking Error	1.60

Risk Statistics

Historic Beta	0.86
R-Squared	0.97
Jensens Alpha	1.07
Sharpe Ratio	1.46
Treynor Ratio	11.41
Information Ratio	-0.24

5 Year Risk Analysis



Risk Information

Portfolio Return	15.49
Benchmark Return	14.56
Return Difference	0.92
Portfolio Standard Deviation	7.85
Benchmark Standard Deviation	8.39
Tracking Error	1.86

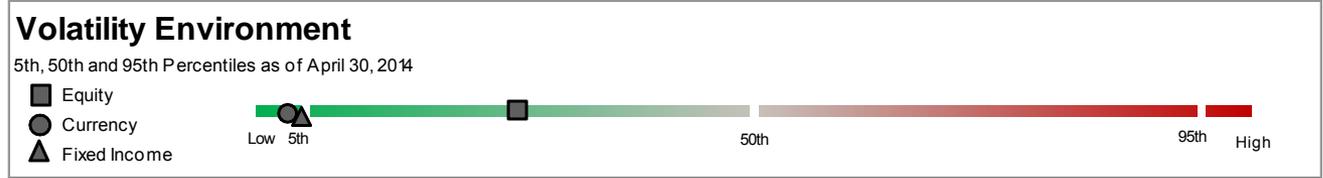
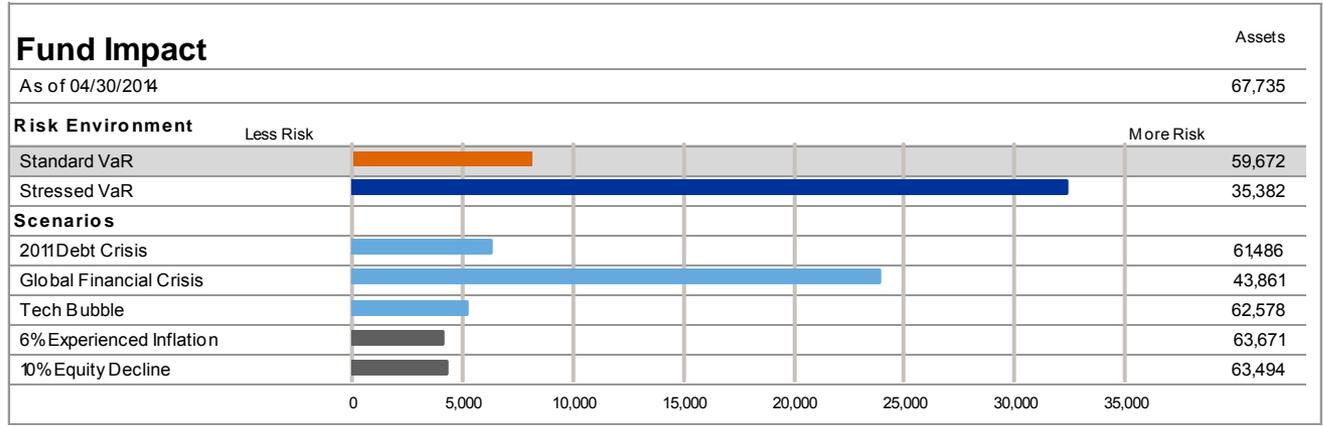
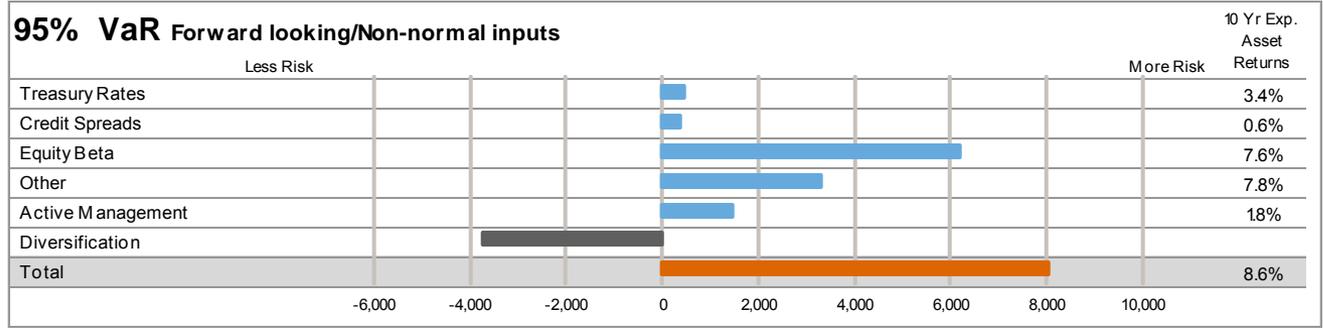
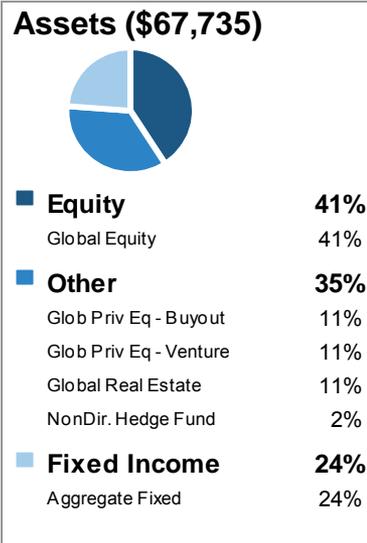
Risk Statistics

Historic Beta	0.91
R-Squared	0.95
Jensens Alpha	2.18
Sharpe Ratio	1.96
Treynor Ratio	16.83
Information Ratio	0.50

Asset Only Summary Risk Analysis

Oregon

As of April 30, 2014



Sources: The above analysis is based primarily on Russell's Capital Markets Forecasts and data from Bloomberg and FactSet. Please see Important Information at the end of this report for additional details on the analysis provided.

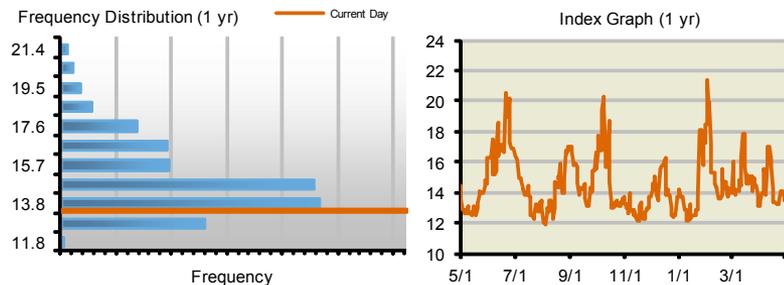
Current Risk Environment

as of 30-Apr-2014

Equity Volatility

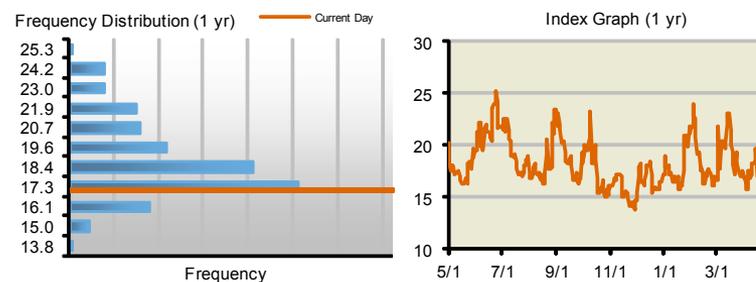
SPX Volatility

Current	1 Day	1 Week	1 Month	1 Year
13.41	-2.2%	1.1%	-6.9%	-7.6%



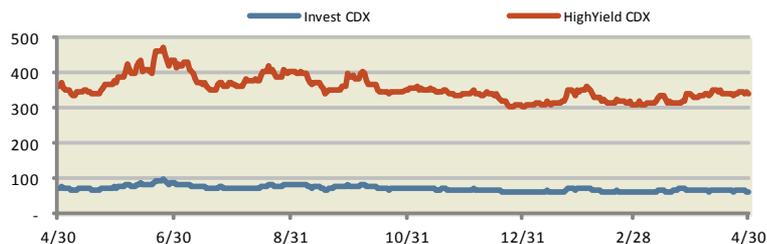
EuroStoxx Volatility

Current	1 Day	1 Week	1 Month	1 Year
17.07	-1.6%	-0.2%	0.2%	-6.6%

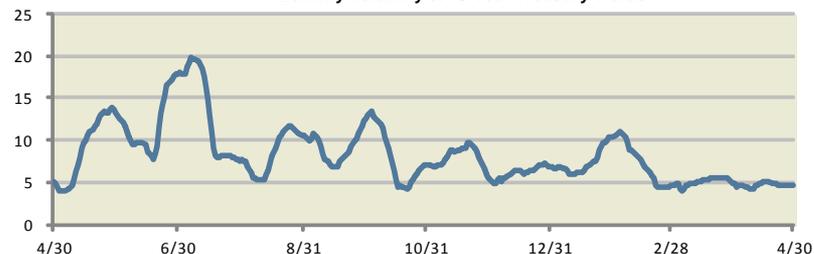


Fixed Income Spreads

Investment Grade and High Yield (spreads)

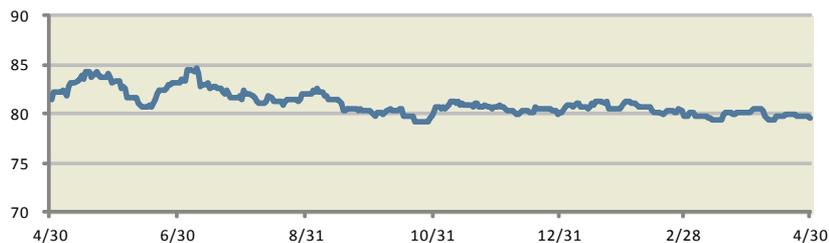


Monthly Volatility of 10-Year Treasury Yields

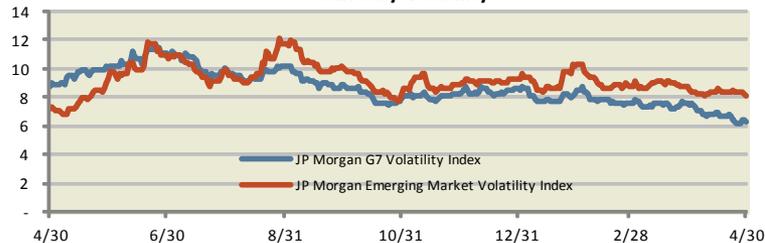


Currency Risk

Dollar Index



Currency Volatility



Sources: The above analysis is based on data provided by Russell and ²⁰Bloomberg.
Please see Important Information at the end of this report for additional details on the analysis provided.

Important Information

- All values are estimates and should not be relied upon for any regulatory or financial filing.
 - Asset values are based on actual market values where available, and are otherwise estimated.
 - The alpha and tracking error assumptions used in this analysis are based on published expectations for the Russell funds in the portfolio. For investments outside of Russell funds, estimates are based on the Russell alpha assumptions for the asset class/strategy or they have been provided by the client.
- Value at Risk (VaR) calculation and decomposition is calculated following industry standards.
 - 95% VaR represents the 1 in 20 downside Value at Risk on a forward-looking, one-year basis.
 - 95% VaR calculations are based on return, standard deviations, and correlations which are generated from a non-normal asset class return distributions with fat tails as represented by Russell's capital market forecasts.
 - VaR is calculated independently for individual components, with a diversification component balancing to total VaR.
 - Active management is defined as the difference between the actual allocation and policy weights, combined with alpha and tracking error expectations for active managers.
- 10-Year Expected Return is the expected return for each asset component (Russell's capital market forecasts).
- The Stressed VaR scenario ("2XVol/ $\rho=1.0$ ") assumes standard deviations are 2 times Russell's current forecast. Correlations between asset classes are assumed to be 1.0.
- Scenario calculations are based on actual events defined as follows: Tech Bubble (March 24, 2000 through April 4, 2001), Global Financial Crisis (June 8, 2008 through March 9, 2009), 2011 Debt Crisis (April 11, 2011 through October 3, 2011).
- The volatility environment is represented as follows:
 - Equities – The average value of the VIX index over the previous month plotted against its historical range (January 1990 to present).
 - Fixed Income – The standard deviation of the yield on the 10-yr US Treasury over the previous month plotted against its historic range (January 1990 to present).
 - Currency – The average standard deviation of the JP Morgan G7 Currency Volatility Index over the previous month plotted against its historic range (June 1992 to present).

V2.2.0030

Important Information

Nothing contained in this material is intended to constitute legal, tax, securities, or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. The general information contained in this publication should not be acted upon without obtaining specific legal, tax, and investment advice from a licensed professional.

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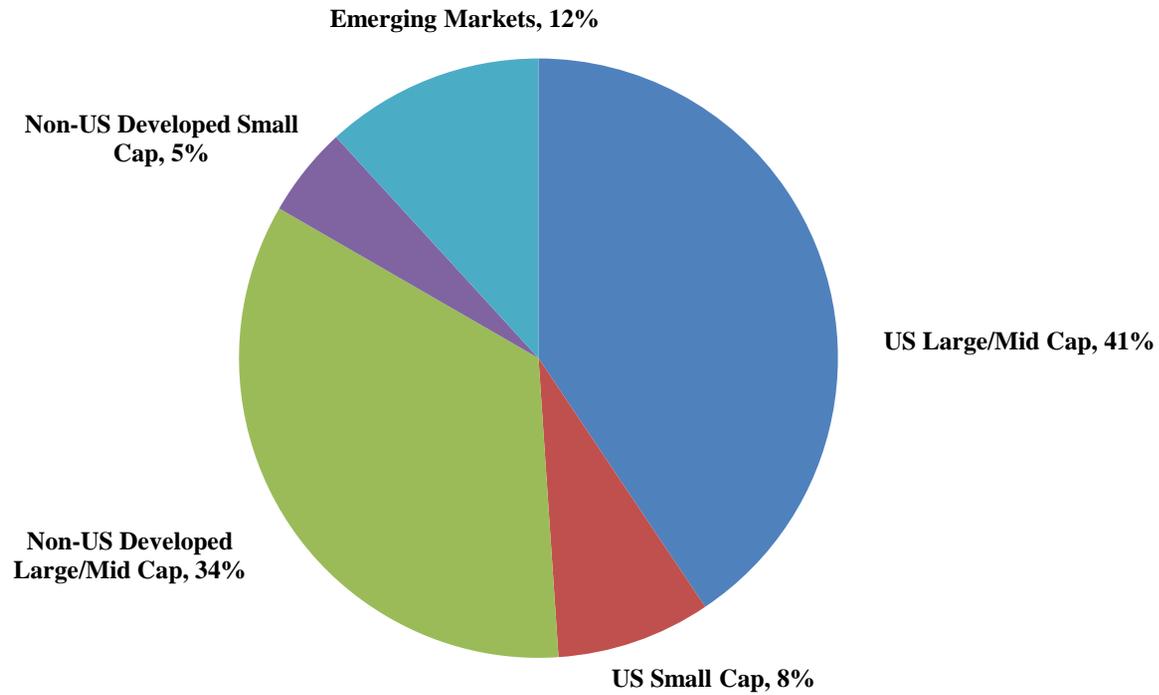
USI-19493-12-16



State of Oregon

Public Equity Regional Allocation

As March 31, 2014

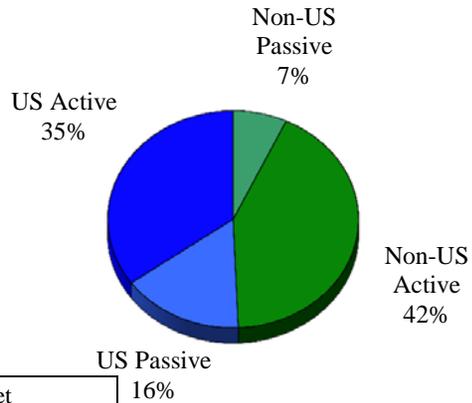


<u>Target</u>	
US Large/Mid:	42%
US Small:	7%
Non-US Developed Large/Mid:	35%
Non-US Developed Small:	5%
Emerging Markets:	10%

State of Oregon

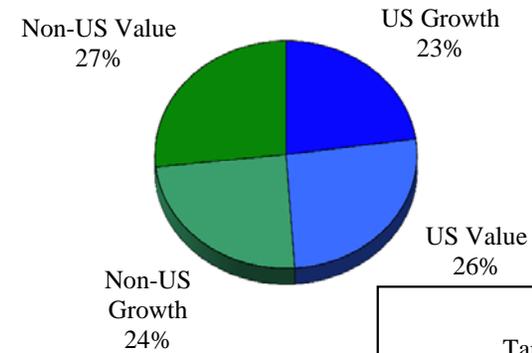
Public Sector Manager Allocation as of March 31, 2014

Active vs. Passive



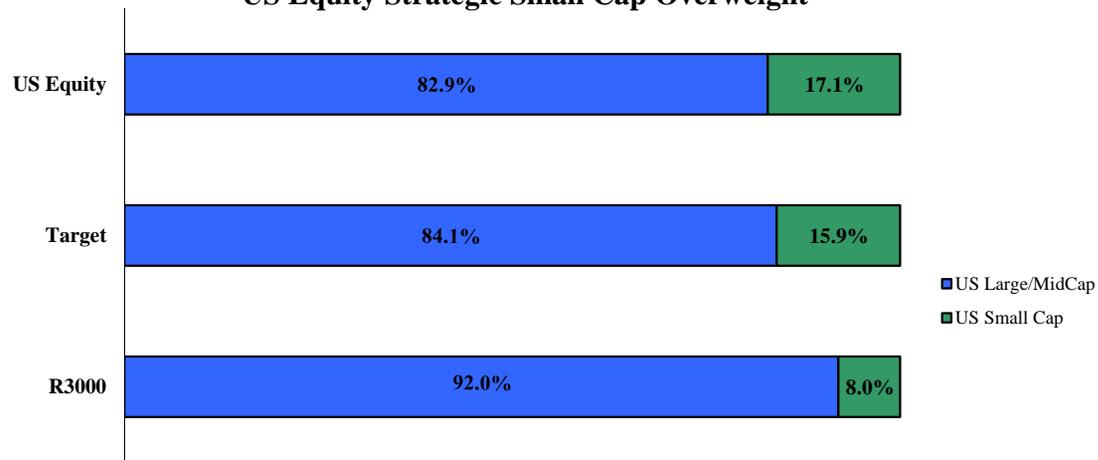
<u>Target</u>	
Active:	75%
Passive:	25%

Value vs. Growth



<u>Target</u>	
Growth:	50%
Value:	50%

US Equity Strategic Small Cap Overweight



Target: 100% Overweight of Russell 2000 as a Percent of Russell 3000

Figures May not sum to 100% due to rounding.

Total Public Equity
Individual Manager Allocations
As March 31, 2014

Manager	Market Value (\$M)	Current % of Equities
Total Domestic Equity		
U.S. Large Cap:	10,339,152	36.9%
Aronson+Johnson+Ortiz	1,100,905	3.9%
BGI Russell 1000 Growth	1,210,500	4.3%
BGI Russell 1000 Value	804,461	2.9%
Delaware	683,320	2.4%
MFS	1,075,433	3.8%
PIMCO	738,840	2.6%
OST Risk Premia	599,932	2.1%
Russell Fundamental	1,157,703	4.1%
S&P 400 Index	451,880	1.6%
S&P 500 Index	1,598,971	5.7%
Wells Capital Select	917,206	3.3%

U.S. Small and SMID Cap:	2,915,584	10.4%
AQR	253,509	0.9%
Boston Company	288,341	1.0%
Callan	122,259	0.4%
DFA microcap value	195,240	0.7%
Eudaimonia	164,083	0.6%
Next Century Micro	141,969	0.5%
Next Century Small	103,593	0.4%
R2000 Synthetic	334,122	1.2%
Wanger	863,072	3.1%
Wellington	449,397	1.6%

Passive	6,349,111	22.7%
Active	21,678,158	77.3%

Total Equities	28,027,268	100.0%
-----------------------	-------------------	---------------

Manager	Market Value (\$M)	Current % of Equities
Total Non-US Equity		
Non-U.S. Large Cap:	10,729,109	38.3%
Acadian	938,361	3.3%
AQR (Non-US LC)	1,083,486	3.9%
Arrowstreet	1,387,688	5.0%
Brandes	895,718	3.2%
Lazard	960,364	3.4%
Lazard CEF	321,969	1.1%
Northern Trust (Non-US)	295,099	1.1%
Pyramis Select	1,176,815	4.2%
SSgA	1,949,177	7.0%
TT International	676,620	2.4%
Walter Scott	719,214	2.6%
Wells Cap Int'l CEF	324,599	1.2%

Non-U.S. Small Cap:	1,182,335	4.2%
DFA	299,591	1.1%
Harris	288,553	1.0%
Pyramis Select (Non-US Smcap)	363,515	1.3%
Victory	230,676	0.8%

Emerging Markets:	1,919,680	6.8%
Arrowstreet (EM)	440,880	1.6%
Blackrock TEMs	226,330	0.8%
DFA SC	123,773	0.4%
Genesis	650,841	2.3%
Westwood	166,598	0.6%
William Blair	203,905	0.7%
William Blair- SC	107,354	0.4%

Global:	941,409	3.4%
AllianceBernstein GSV	941,409	3.4%

State of Oregon

Total Active Domestic Equity Characteristics Summary

First Quarter 2014

Top 10 Holdings

	Mkt. Value (\$M)	% of Portfolio
EXXON MOBIL CORP	117,020	1.4
GOOGLE INC CL A	78,400	0.9
VISA INC CLASS A SHARES	70,950	0.9
JPMORGAN CHASE + CO	68,050	0.8
CHEVRON CORP	62,930	0.8
CELGENE CORP	56,840	0.7
JOHNSON + JOHNSON	52,730	0.6
WELLS FARGO + CO	51,470	0.6
ADOBE SYSTEMS INC	48,110	0.6
PRICELINE GROUP INC/THE	48,090	0.6

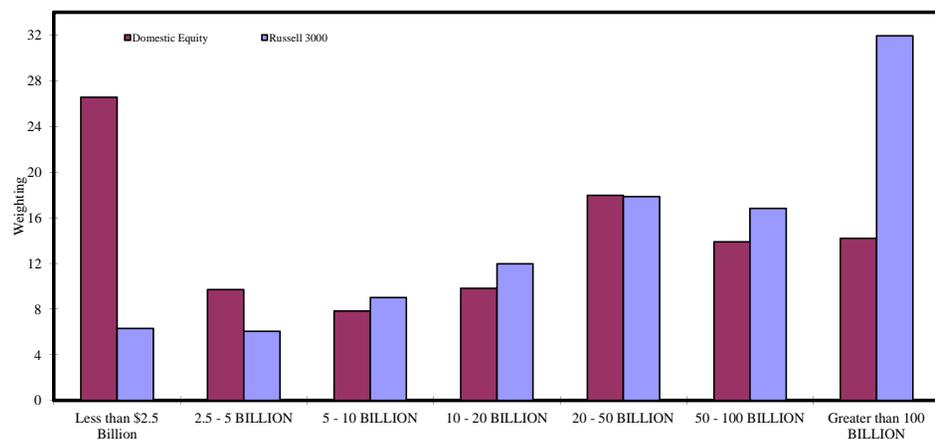
Characteristics

	Domestic Equity	Russell 3000
P/E Ratio	22.4	20.1
P/B Ratio	4.2	4.0
5 Year EPS Growth (%)	16.1	15.4
Market Cap - cap wtd (\$MM)	60.5	96.1
Dividend Yield (%)	1.4	1.9

Risk Statistics

	3 Year	5 Year
Portfolio Return	13.70	22.44
Benchmark Return	14.61	21.93
Portfolio Standard Deviation	14.25	15.53
Benchmark Standard Deviation	13.04	14.58
Tracking Error	1.96	1.97
Historic Beta	1.09	1.06
R-Squared	0.99	0.99
Jensen's Alpha	-2.15	-0.75
Sharpe Ratio	0.96	1.44
Information Ratio	-0.47	0.26

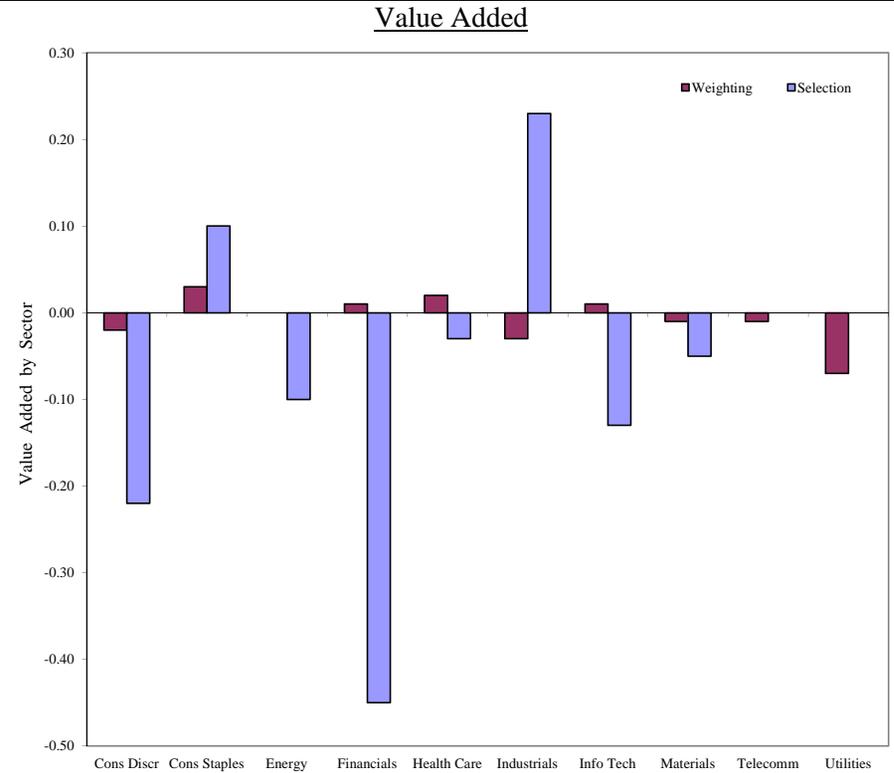
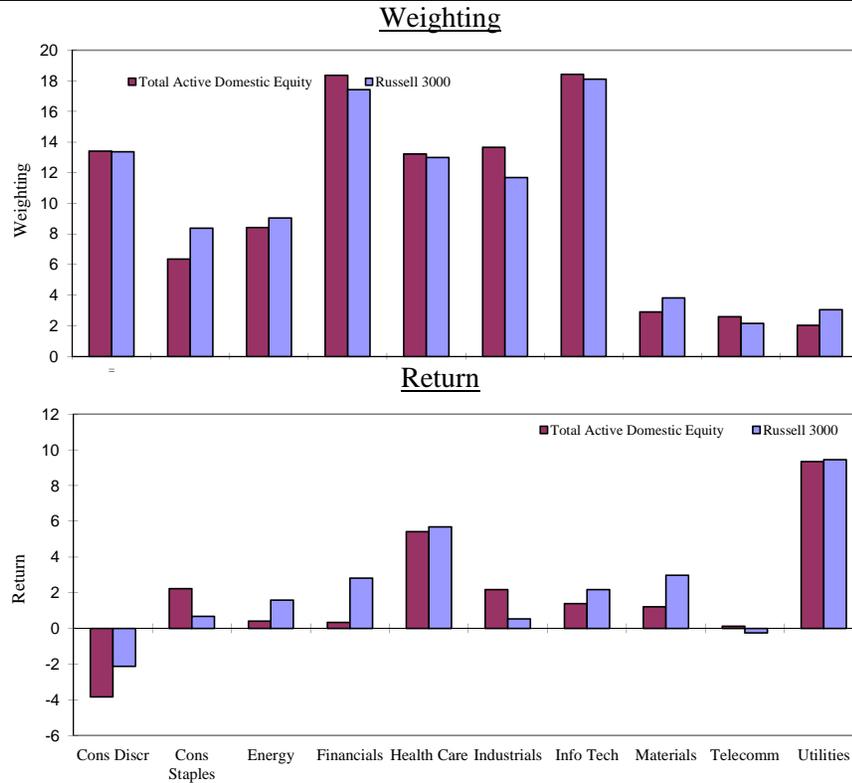
Market Capitalization



Market Capitalization

	Domestic Equity	Russell 3000
Less than \$2.5 Billion	26.6	6.3
2.5 - 5 BILLION	9.7	6.0
5 - 10 BILLION	7.9	9.0
10 - 20 BILLION	9.8	12.0
20 - 50 BILLION	18.0	17.9
50 - 100 BILLION	13.9	16.8
Greater than 100 BILLION	14.2	32.0

State of Oregon
Total Active Domestic Equity Sector Attribution
First Quarter 2014



	BEGINNING WEIGHTS			RETURNS			VALUE ADDED		
	Total Active Dom Equity*	Russell 3000	Difference	Total Active Dom Equity	Russell 3000	Difference	Allocation	Selection	Timing
Consumer Discretionary	13.4	13.4	0.0	-3.8	-2.1	-1.7	0.0	-0.2	
Consumer Staples	6.4	8.4	-2.0	2.2	0.7	1.6	0.0	0.1	
Energy	8.4	9.0	-0.6	0.4	1.6	-1.2	0.0	-0.1	
Financials	18.4	17.4	0.9	0.3	2.8	-2.4	0.0	-0.5	
Health Care	13.2	13.0	0.2	5.4	5.7	-0.3	0.0	0.0	
Industrials	13.7	11.7	2.0	2.2	0.5	1.7	0.0	0.2	
Info Technology	18.4	18.1	0.3	1.4	2.2	-0.8	0.0	-0.1	
Materials	2.9	3.8	-0.9	1.2	3.0	-1.7	0.0	-0.1	
Telecommunication	2.6	2.2	0.4	0.1	-0.3	0.4	0.0	0.0	
Utilities	2.0	3.1	-1.0	9.3	9.5	-0.1	-0.1	0.0	
Total Fund	100.0	100.0	0.0	1.2	2.0	-0.7	-0.1	-0.7	0.0

Note: Attribution is based on the invested portfolio's gross performance returns at the security level. Weighting is based on beginning of period holdings.

*Excludes 1.3% in Cash Equivalent, Commingled Funds, Private Placement, Real Estate, & Rights/Warrants investments.

State of Oregon

International Equity Attribution Summary

First Quarter 2014

Top Ten Holdings

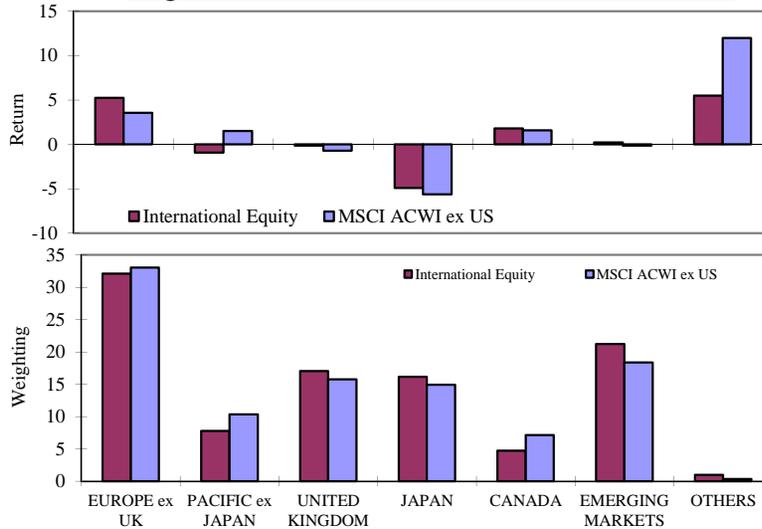
	Mkt. Value (\$M)	% of Portfolio
ROCHE HOLDING AG GENUSSCHEIN	120,500	0.9
SAMSUNG ELECTRONICS CO LTD	108,230	0.8
BAYER AG REG	91,400	0.7
SANOFI	80,310	0.6
NOVARTIS AG REG	71,550	0.5
NESTLE SA REG	65,370	0.5
TOYOTA MOTOR CORP	62,060	0.5
TOTAL SA	56,640	0.4
HSBC HOLDINGS PLC	54,350	0.4
ASTRAZENECA PLC	54,050	0.4

*Excludes holdings of funds or ETF's

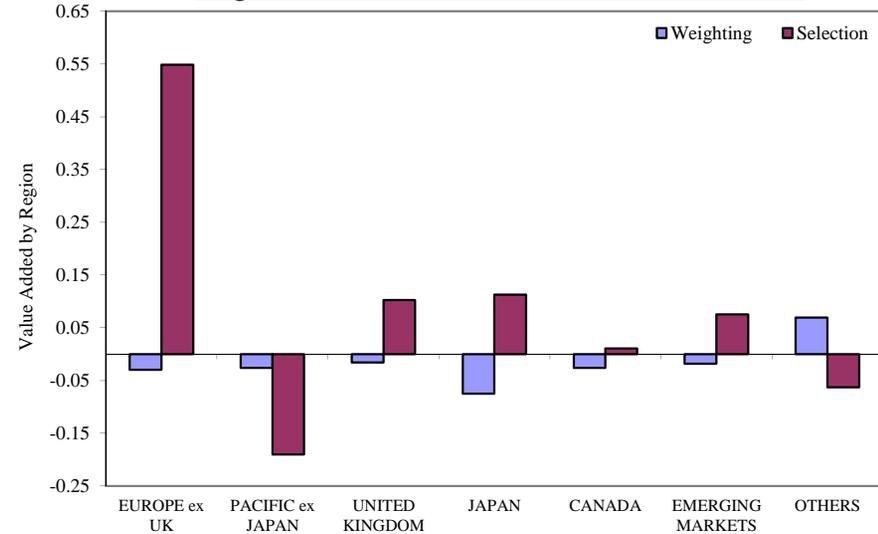
Market Capitalization

	International Equity	MSCI AC WORLD ex US
Less than 2.5 BILLION	16.6	1.7
2.5 - 5 BILLION	11.0	5.8
5 - 10 BILLION	13.0	13.1
10 - 20 BILLION	13.4	15.9
20 - 50 BILLION	20.6	26.5
50 - 100 BILLION	13.5	20.3
Greater than 100 BILLION	11.9	16.8

Regional Attribution vs. MSCI ACWI ex US



Regional Attribution vs. MSCI ACWI ex US



Note: Attribution is based on the invested portfolio's gross performance returns at the security level. Weighting is based on beginning of period holdings.

State of Oregon

International Equity Attribution Summary

First Quarter 2014

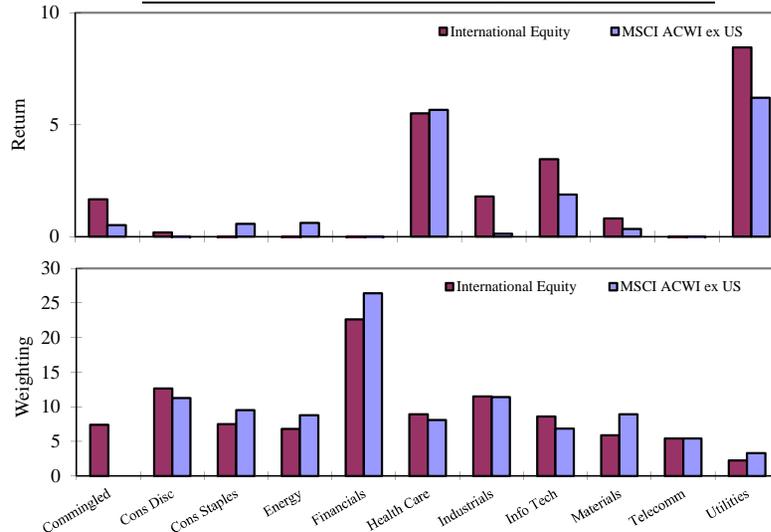
Risk Statistics

	3 Year	5 Year
Portfolio Return	6.20	17.30
Benchmark Return	4.32	16.16
Portfolio Standard Deviation	16.71	18.39
Benchmark Standard Deviation	16.87	18.77
Tracking Error	1.02	1.25
Historic Beta	0.99	0.98
R-Squared	1.00	1.00
Jensen's Alpha	1.93	1.50
Sharpe Ratio	0.37	0.93
Information Ratio	1.84	0.91

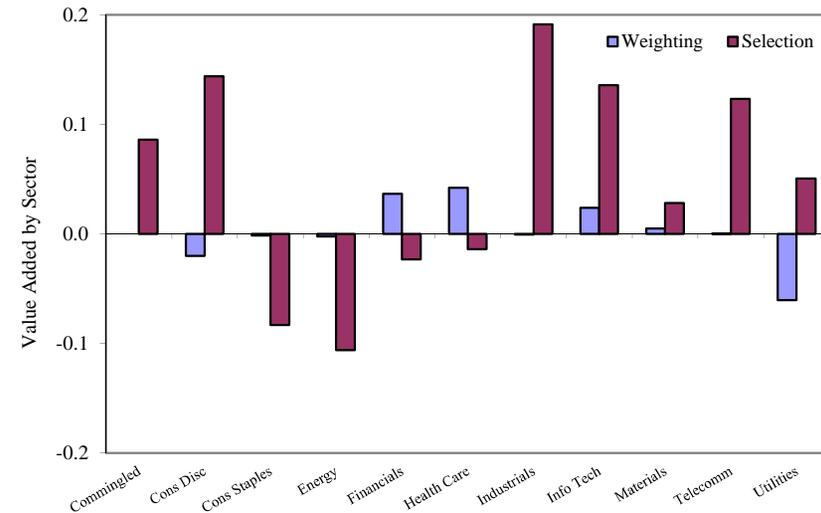
Characteristics

	International Equity	MSCI AC WORLD ex US
P/E Ratio	15.4	16.1
P/B Ratio	2.9	2.9
5 Year EPS Growth (%)	11.5	10.1
Market Cap - cap weighted (\$B)	38.9	53.8
Dividend Yield (%)	2.6	3.0

Sector Attribution vs. MSCI ACWI ex US



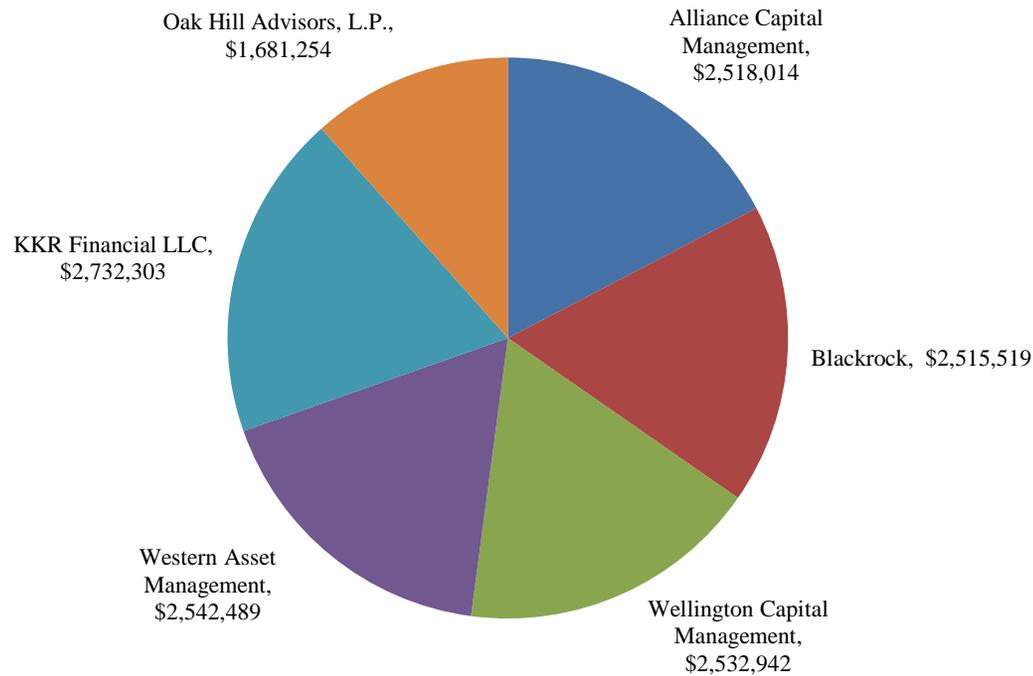
Sector Attribution vs. MSCI ACWI ex US



Note: All risk statistics are based on net performance returns and attribution is based on gross performance returns at the security level. Weighting is based on beginning of period holdings.

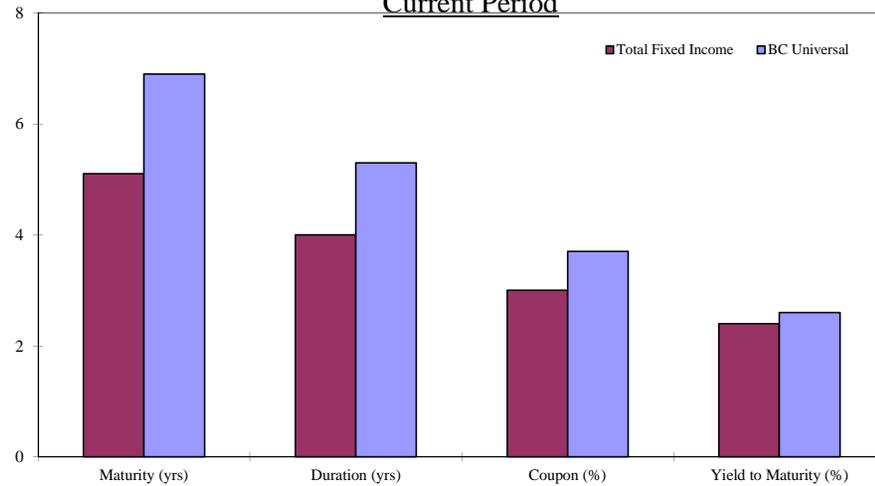
Total Fixed Income
Individual Manager Allocation
As March 31, 2014

<u>Portfolio</u>	<u>\$M</u>	<u>% Allocation</u>
External Fixed Income		
Alliance Capital Management	\$ 2,518,014	17.3%
Blackrock	\$ 2,515,519	17.3%
Wellington Capital Management	\$ 2,532,942	17.4%
Western Asset Management	\$ 2,542,489	17.5%
KKR Financial LLC	\$ 2,732,303	18.8%
Oak Hill Advisors, L.P.	\$ 1,681,254	11.6%
Total Fixed Income	\$ 14,522,521	



State of Oregon
Fixed Income Characteristics Summary
First Quarter 2014

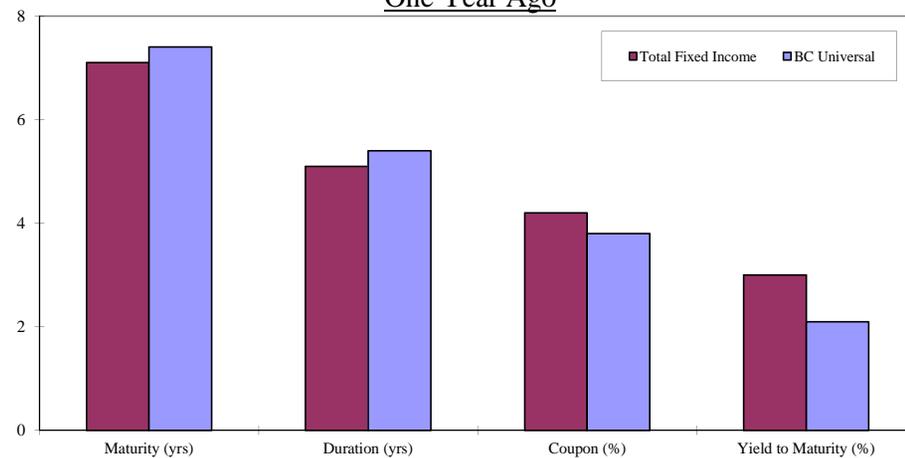
Current Period



Characteristics

Characteristics	3/31/14		3/31/13	
	Portfolio	BC Universal	Portfolio	BC Universal
Maturity (yrs)	5.1	6.9	7.1	7.4
Duration (yrs)	4.0	5.3	5.1	5.4
Coupon (%)	3.0	3.7	4.2	3.8
Yield to Maturity (%)	2.4	2.6	3.0	2.1
Moody's Quality Rating	A-2	AA-3	A-3	A-1
S&P Quality Rating	A+	A+	A-	A+

One Year Ago

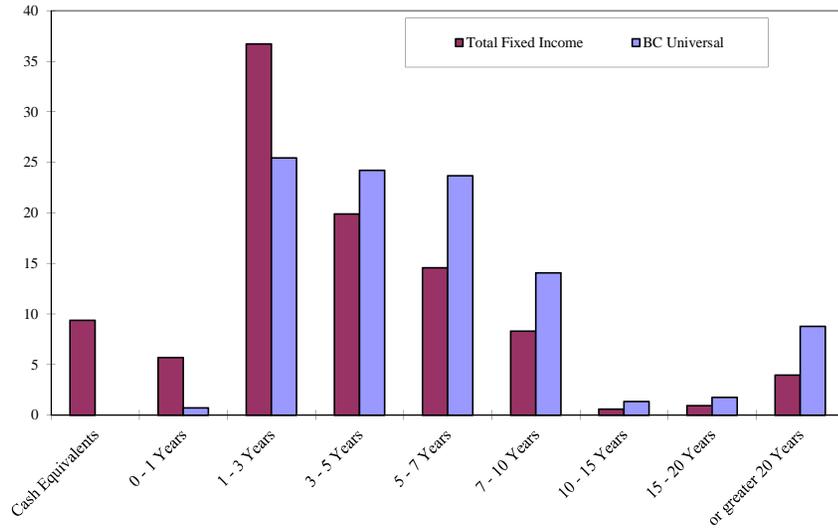


Risk Statistics

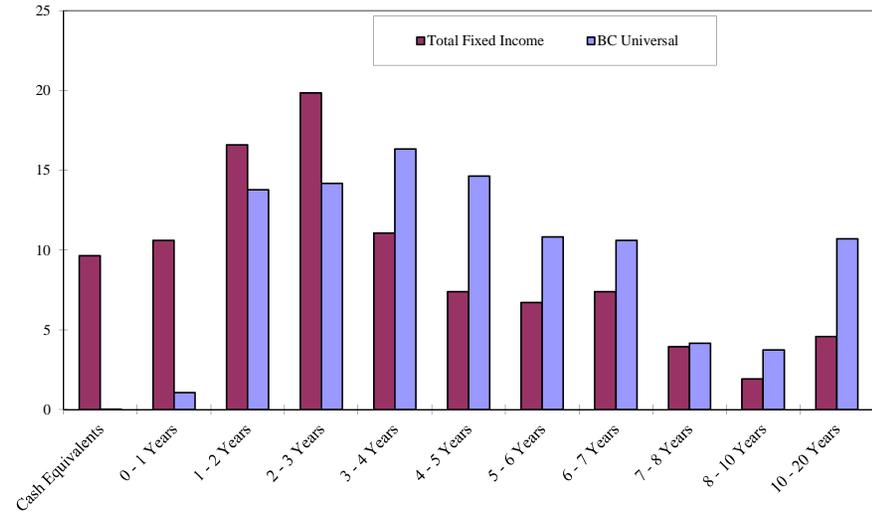
	3 Year	5 Year
Portfolio Return	5.65	10.39
Benchmark Return	4.85	5.90
Portfolio Standard Deviation	3.00	3.92
Benchmark Standard Deviation	2.97	2.83
Tracking Error	0.45	2.53
Historic Beta	1.00	1.06
R-Squared	0.98	0.59
Jensen's Alpha	0.80	4.14
Sharpe Ratio	1.86	2.62
Information Ratio	1.76	1.78

State of Oregon
 Fixed Income Characteristics Detail
 First Quarter 2014

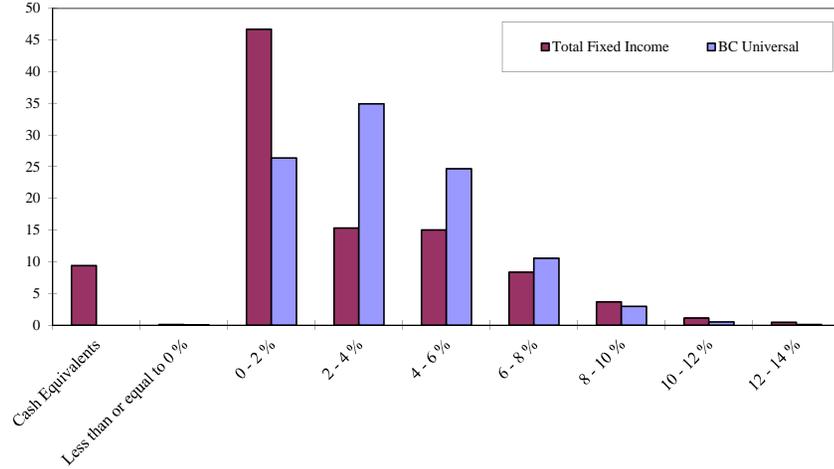
Maturity Range Weights



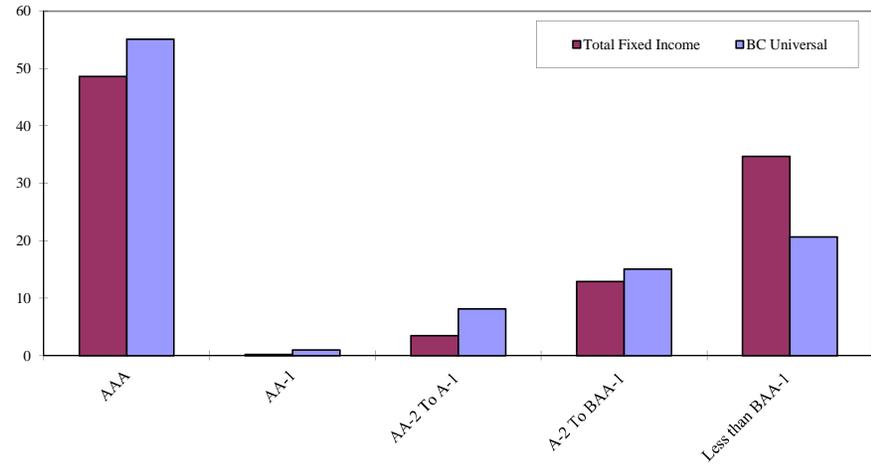
Duration Range Weights



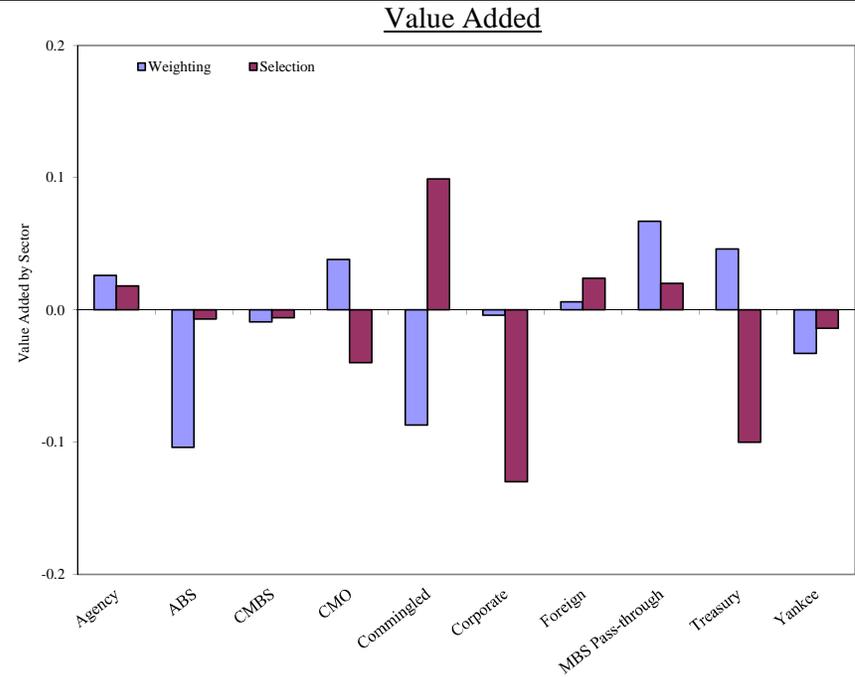
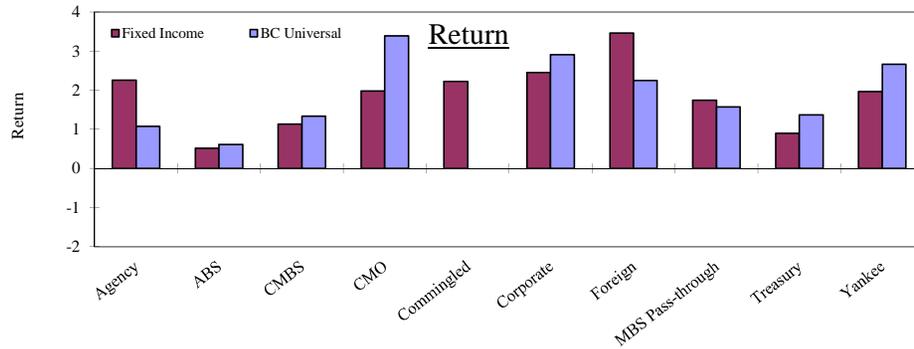
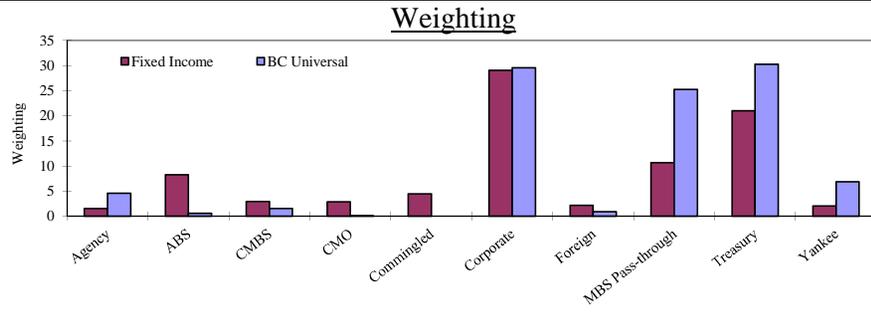
Coupon Range Weights



Moody's Rating Weights



State of Oregon
Fixed Income Sector Attribution
First Quarter 2014



	BEGINNING WEIGHTS			RETURNS			VALUE ADDED		
	Total Fixed Income*	BC Universal	Difference	Total Fixed Income*	BC Universal	Difference	Weighting	Selection	Timing
AGENCY	1.5	4.5	-3.0	2.3	1.1	1.2	0.0	0.0	-
ASSET BACKED	8.3	0.6	7.7	0.5	0.6	-0.1	-0.1	0.0	-
CMBS	2.9	1.5	1.4	1.1	1.3	-0.2	0.0	0.0	-
CMO	2.8	0.1	2.8	2.0	3.4	-1.4	0.0	0.0	-
COMMINGLED FUND	4.4	0.0	4.4	2.2	-	-	-0.1	0.1	-
CORPORATE	29.0	29.6	-0.5	2.5	2.9	-0.4	0.0	-0.1	-
FOREIGN	2.1	0.9	1.2	3.5	2.3	1.2	0.0	0.0	-
MORTGAGE PASS-THROUGH	10.7	25.3	-14.6	1.7	1.6	0.2	0.1	0.0	-
US TREASURY	21.0	30.3	-9.3	0.9	1.4	-0.5	0.0	-0.1	-
YANKEE	2.1	6.9	-4.8	2.0	2.7	-0.7	0.0	0.0	-
TOTAL	100.0	100.0	0.0	1.6	2.0	-0.4	-0.3	-0.2	0.1

Note: Attribution is based on the invested portfolio's gross performance returns at the security level. Weighting is based on beginning of period holdings.

*Excludes 0.2% in Euros, Convertibles, Preferred Stock, Miscellaneous and Swap-related investments.

EXECUTIVE SUMMARY

OPERF

Oregon Public Employees Retirement Fund
Fourth Quarter 2013

REAL ESTATE PORTFOLIO SUMMARY

Real Estate Portfolio and Investment-level data are provided below for period ended December 31, 2013. Portfolio refers to all real estate Investments held by OPERF, which is referred to herein as the Fund.

OPERF REAL ESTATE PORTFOLIO SUMMARY	
December 31, 2013	
Current Portfolio Net Asset Value	\$7.696 billion 11.26% of Total Fund (\$68.4)
Current Unfunded Investment Commitments	\$2.386 billion
Total Portfolio NAV plus Unfunded Commitments	\$10.082 billion 14.75% of Total Fund
Target Allocation to Real Estate	\$8.546 billion 12.50% of Total Fund
Total Number of Investments	83

SUMMARY OF PORTFOLIO INVESTMENT NET RETURNS				
Investment	Qtr	1-Yr.	3-Yr.	5-Yr.
Private Real Estate				
Direct Core	2.77%	8.65%	12.57%	5.59%
Opportunistic	4.12%	18.81%	12.30%	10.47%
Value Added	3.72%	11.83%	14.11%	2.71%
Total Private Real Estate	3.56%	13.65%	12.56%	7.30%
Public Real Estate				
Domestic REIT Portfolio	0.76%	0.21%	11.09%	18.99%
Global REIT Portfolio	-0.42%	6.13%	6.99%	14.61%
Total Portfolio Return	2.91%	11.21%	11.96%	9.64%
NCREIF Index	2.53%	10.98%	11.92%	5.69%
NAREIT Index	-0.17%	2.86%	10.06%	16.90%
EPRA/NAREIT Global (ex-US) Index	-0.32%	6.14%	6.14%	7.58%

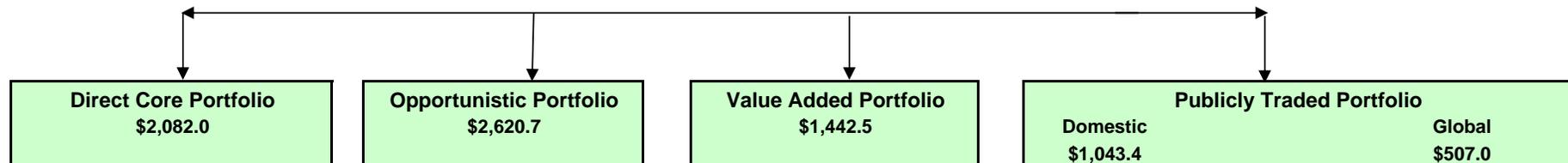
Note: Time weighted returns by category and for the portfolio include all historical investments converted by the Private Edge Group (i.e. exited investments and managers).

EXECUTIVE SUMMARY

PORTFOLIO NET RETURNS BY COMPONENT
Portfolio Net Asset Value (\$M)

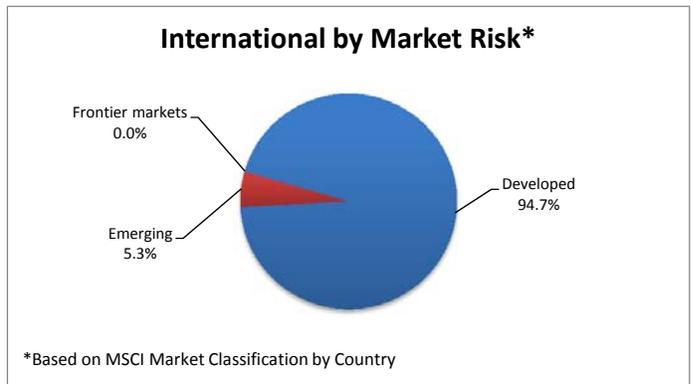
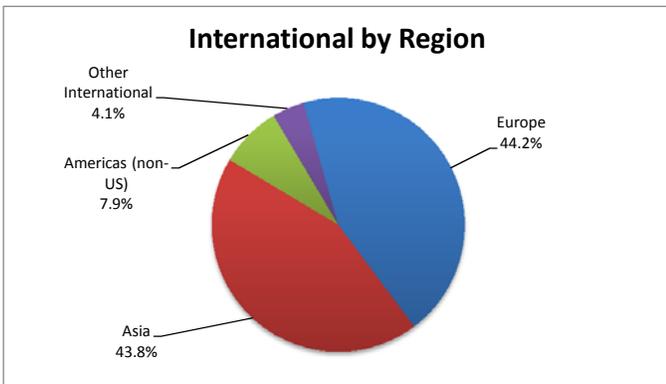
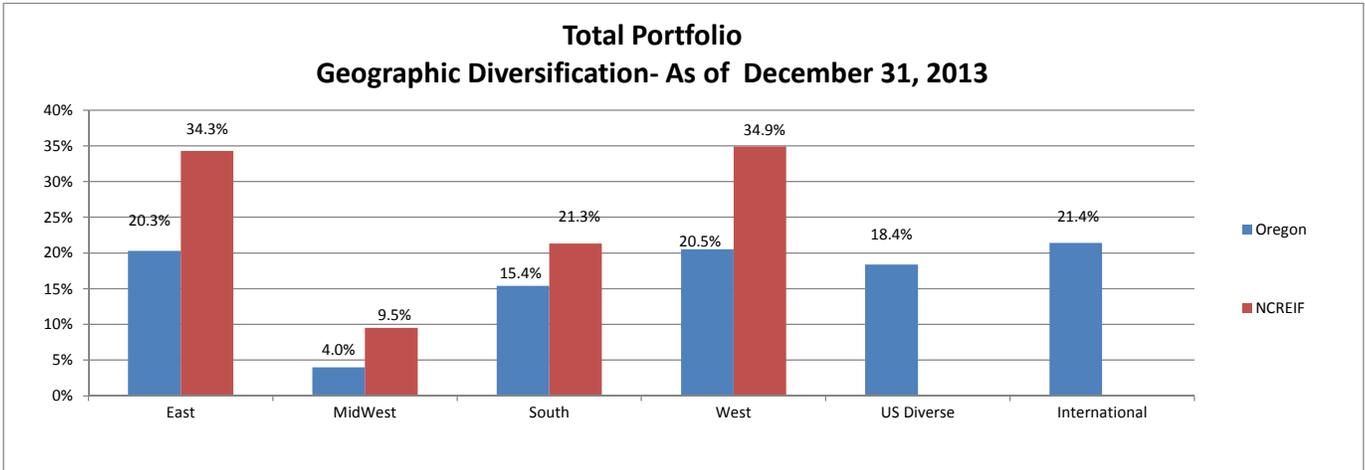
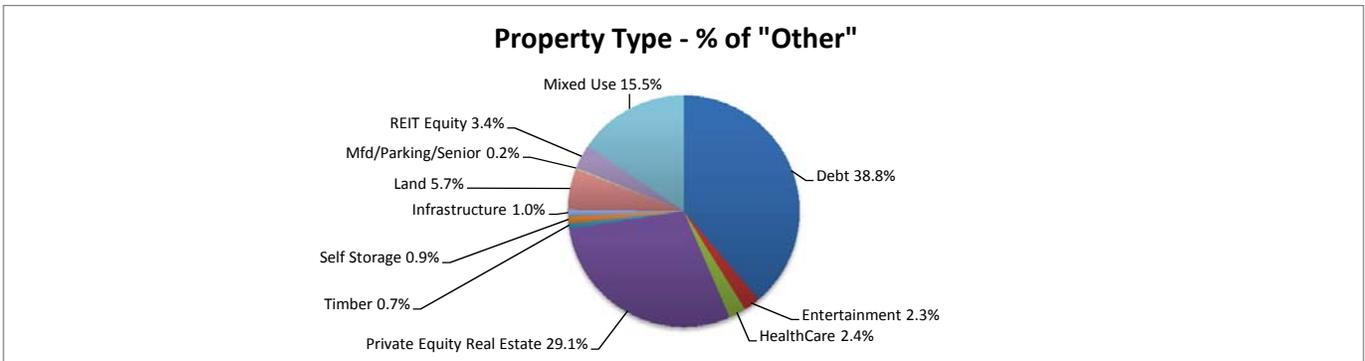
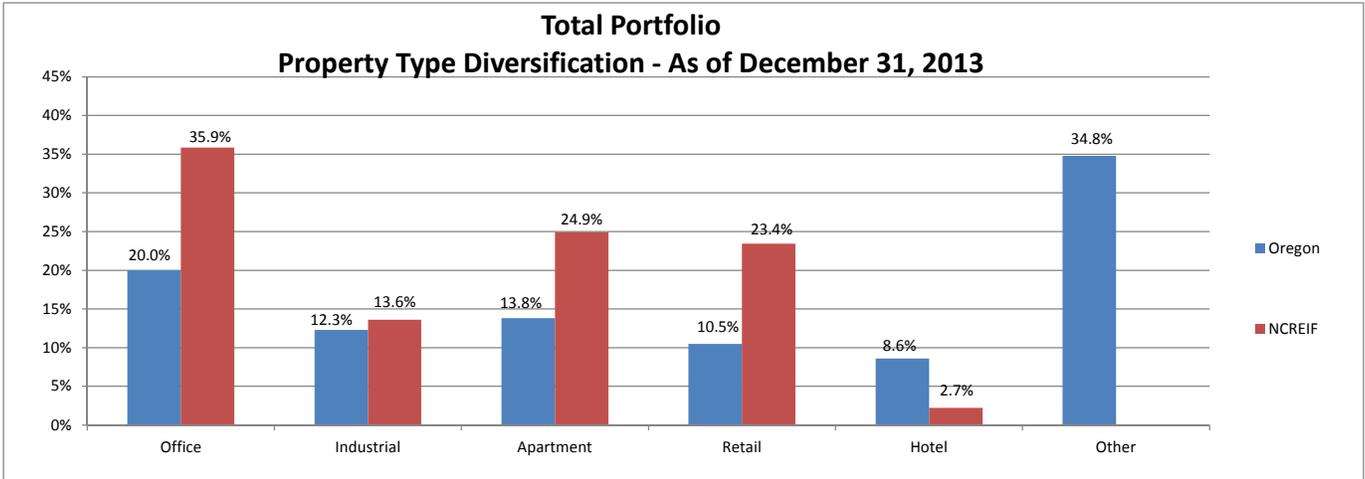
Total Real Estate
\$7,695.6

One year return 11.21%
NCREIF Index 10.98%

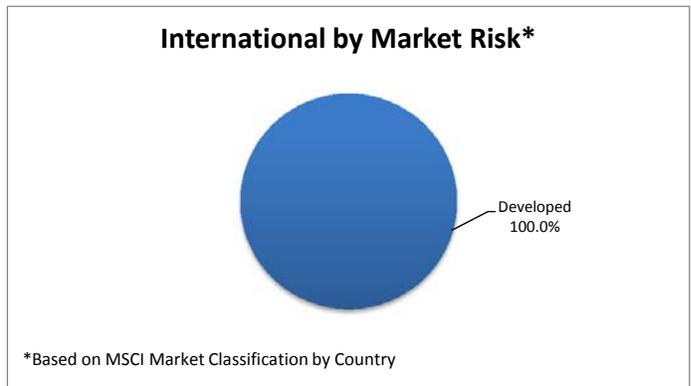
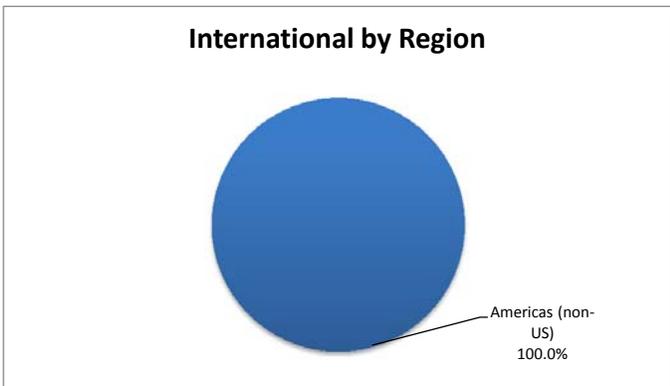
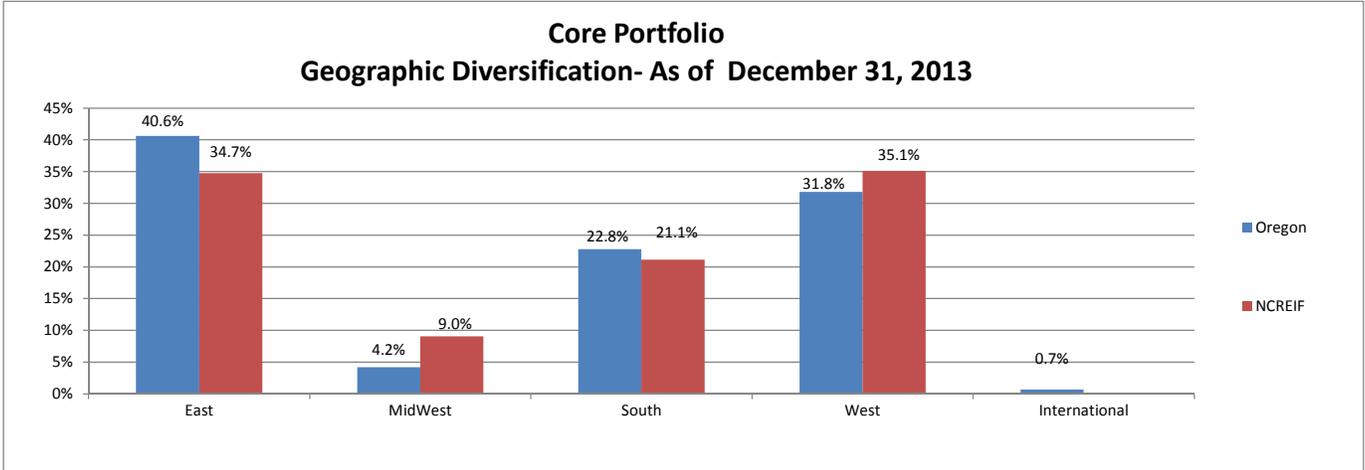
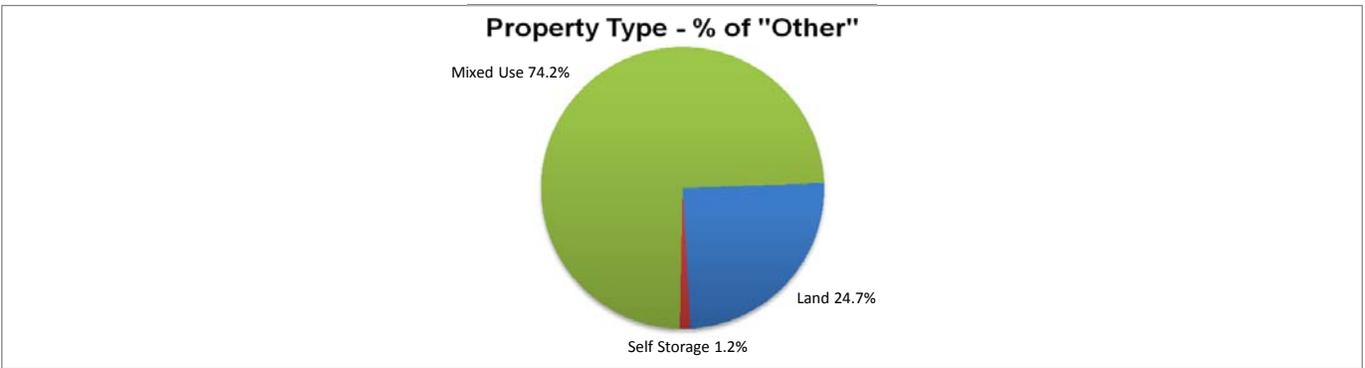
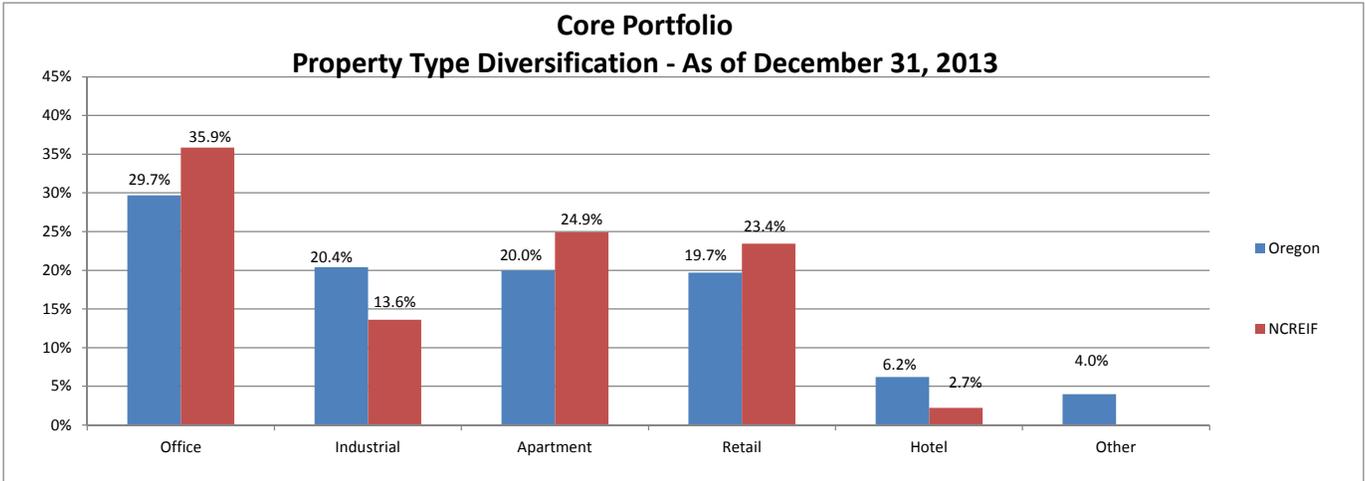


Direct Core Portfolio \$2,082.0		Opportunistic Portfolio \$2,620.7		Value Added Portfolio \$1,442.5		Publicly Traded Portfolio	
						Domestic \$1,043.4	Global \$507.0
% of total portfolio	27.05%	% of total portfolio	34.06%	% of total portfolio	18.74%	13.56%	% of total portfolio 6.58%
One year return	8.65%	One year return	18.81%	One year return	11.83%	0.21%	One year return 6.13%
NCREIF Index	10.98%	NCREIF Index	10.98%	NCREIF Index	10.98%	NAREIT 2.86%	Index EPRA/NAREIT Global (ex US) 6.14%
Clarion (Office)		Aetos Capital Asia II & III - B		Alpha Asia Macro Trends I & II		Domestic REITS	Global REITS
Clarion Office Properties		AG Asia Realty Fund II, L.P.		Amstar-OR Partners LLC		Cohen & Steers	European Investors
Talmage Separate Account		Canyon Johnson Urban Fund III		Beacon Capital Strategic Partners VI, LP		Columbia Woodbourne	Morgan Stanley
Lincoln (Industrial)		Blackstone Partners VI, VII		Buchanan Fund V		LaSalle REIT	
Regency Retail Partners I (Retail)		Brazil Real Estate Opportunities II		CBRE US Value Fund 5 & 6			
Regency Retail Partners II (Retail)		Europe Fund III		Guggenheim III			
RREEF America II		Fortress Fund II - V		Hines U.S. Office Value Added II			
Windsor Columbia Realty Fund		Fortress Residential Inv. Deutschland		Keystone Industrial Fund I			
Regency Cameron (Non Mandate)		GI Partners Fund II & III		KTR Industrial Fund II, III			
Lincoln (Non Mandate)		GSR3LP		Lionstone CFO One			
		Hampstead Fund I - III		Lionstone CFO One (Non Mandate)			
		Heritage Fields Capital		Pac Trust			
		IL & FS India Realty Fund I & II		Prologis Global Investment Ventures			
		Lion Mexico Fund		Rockpoint Finance Fund			
		Lone Star Opportunity Fund III - VIII		Rockwood Real Estate VII & VIII			
		Lone Star Real Estate Fund I-III		Vornado Capital Partners L.P.			
		OCM RE Oppo Fund A, LP		Waterton Residential Property Venture XI			
		Rockpoint Real Estate Fund I - IV		Western National Realty II & Co-Invest II			
		Starwood Cap Hospitality Fund II Global		Windsor Realty VII			
		Starwood Hospitality Fund					
		SH Group I, LP					
		Starwood Hospitality Fund Co-Inv.					
		Westbrook Real Estate Fund I,III,IV					

PORTFOLIO COMPOSITION REVIEW (% of Total Portfolio FMV)



PORTFOLIO COMPOSITION REVIEW (% of Core Portfolio FMV)



Executive Summary

OPERF Private Equity Investment Program (“the Program”)

PRIVATE EQUITY POLICY

The program was formally started in 1981. The target private equity allocation is 20.0% of total pension assets with a range of + / - 400 basis points. As of December 31, 2013, private equity represented 22.1% of total pension assets, a 22 basis points decrease from the prior quarter.

PERFORMANCE OBJECTIVE

The Program’s objective is to create significant long-term net returns to OPERF. As of December 31, 2013, the Program has achieved a total return of 15.9% since inception. The Program has outperformed the Thomson Reuters benchmark over longer periods of time. The performance of the Program relative to Russell 3000 Index also shows outperformance over longer periods of time, while short-term volatility is caused by extreme economic swings. In 2013, the U.S. stock market experienced a strong momentum with returns near all-time highs, and Russell 3000 Index posted an impressive return of 10.1% for the fourth quarter and 33.6% for the year. However, the Program does not have oversized exposure to the public sector, which explains its underperformance in 2013 relative to Russell 3000 Index.

AS OF 31 DEC 2013	3 YEAR	7 YEAR	10 YEAR	20 YEAR	SINCE INCEPTION
Program IRR	13.4%	9.1%	14.0%	13.0%	15.9%
Russell 3000 (+ 300 bps) **	19.1%	11.2%	11.9%	13.5%	15.6%
<i>Value Added</i>	-5.7%	-2.2%	2.1%	-0.5%	0.3%

** Data is a dollar-weighted Long-Nickels calculation of quarterly changes in the Russell 3000 index plus 300 basis points.

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Figures may not foot due to rounding.

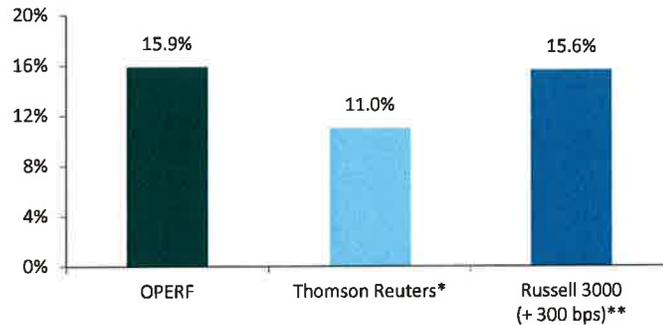
PEER BENCHMARK

Prior quarter is presented based on quarter lag of benchmark data.

AS OF 30 SEP 2013	3 YEAR	10 YEAR	20 YEAR	SINCE INCEPTION
Program IRR	13.7%	14.4%	13.7%	15.8%
Thomson Reuters *	10.2%	9.6%	11.2%	11.0%
<i>Value Added</i>	3.5%	4.8%	2.5%	4.8%

* Thomson Reuters Pooled IRR: All Private Equity Funds as of September 30, 2013.

PROGRAM IRR vs. SELECTED BENCHMARKS
Net Returns since Inception



*See prior page for footnote
 **See prior page for footnote

INVESTMENT PACING

The annual level of commitments is reviewed regularly with Staff and the Oregon Investment Council (“OIC”). Based on the desire to continue to build a well-diversified portfolio and support OPERF’s core relationships, as well as to maintain a 20% target allocation (+/- 4%), TorreyCove’s annual pacing analysis, completed in December 2013, recommended that the annual pace of new OPERF commitments should be gradually accelerated to at least \$2.6 billion in the foreseeable future, pending the completion of due diligence, OIC approval, and successful legal negotiations.

PORTFOLIO EXPOSURE

Exposure % by Investment Type & Geography

Figures may not foot due to rounding

INVESTMENT TYPE	TARGET ALLOCATION	FMV	UNFUNDED	TOTAL EXPOSURE
Corporate Finance	65%-85%	69%	68%	68%
Growth	5%-10%	1%	3%	1%
Venture Capital	0%-5%	7%	3%	6%
Special Situations	5%-15%	11%	13%	12%
Fund-of-Funds	0%-5%	8%	8%	8%
Co-Investments	0%-7.5%	5%	5%	5%
Total:		100%	100%	100%
<i>North America</i>	<i>70%-100%</i>	<i>70%</i>	<i>65%</i>	<i>69%</i>
<i>Global</i>	<i>10%-20%</i>	<i>13%</i>	<i>13%</i>	<i>13%</i>
<i>International</i>	<i>5%-15%</i>	<i>16%</i>	<i>22%</i>	<i>18%</i>

RECENT PROGRAM DEVELOPMENTS

- During the quarter, the OIC authorized \$368.8 million of new commitments for the Program to seven private equity funds.
- During the quarter, the Program was net cash-flow positive by \$636.7 million. Compared to the fourth quarter of 2012, contributions increased 0.2% and distributions decreased 12.1%.

MARKET COMMENTARY

During the fourth quarter, U.S. economic data continued to reflect modest growth, though at a decelerated pace compared with the previous quarter and year. Real GDP was reported as 2.6% annualized for the fourth quarter, a decrease from 4.1% in the third quarter, and real GDP for 2013 increased 1.9%, compared with 2.8% in the prior year.¹ In addition, the labor market showed signs of improvement as the unemployment rate declined to 6.7% in December, albeit primarily driven by increases in part-time employment as well as a falling labor force participation rate, which has reached a 35 year low.² Yet, despite this environment, equity markets posted returns broadly near all-time highs. The S&P 500 surged 10.5% during the fourth quarter, reaching an all-time nominal high of \$1,848.0 at year-end and posting a 32.4% return for 2013—its best annual return since 1997.³ In a similar vein, the Russell 2000 Index posted an impressive return of 8.7% for the quarter and 38.8% for the year.³ Earnings growth continued to be less of a driver of this striking performance as multiple expansion remained a salient feature. The apparent strengthening of the economy and unprecedentedly accommodative central bank policies have likewise sowed the seeds for the frothy, record setting credit markets, particularly non-investment grade, over the past year. CLO issuance soared to \$81.8 billion in 2013, the third highest annual level on record, led by 2006 at \$93 billion and 2007 at \$89 billion.⁴ With these robust markets, near quarter-end, the Federal Reserve announced its long awaited decision to curtail monetary expansion and has since pared its asset purchase program by \$20 billion to an aggregate \$65 billion per month as of January, with additional measured reductions expected over the year.⁵ Accordingly, interest rates rose sharply from their lows, with the 10-year Treasury reaching a high for the year of just over 3.0% in December, and the Barclays U.S. Aggregate Bond Index recording its first down year since 1999 and finishing the quarter and the year at -0.1% and -2.0%, respectively.³

Europe emerged from a mild recession in 2013 to post marginal growth during the second half of the year, though many of the deep-rooted issues afflicting the economies within the region remained, particularly for the troubled southern European nations. Compared with earlier in the year, sentiment in the last quarter of 2013 was more favorable. The region appeared to have finally unshackled itself from a prolonged double-dip recession, though these encouraging conditions largely reflected policy decisions to retain stimulus measures. GDP for the EU, alongside an increasingly strong recovery in the UK, expanded 0.3% from the previous quarter and 0.1% from the prior year period.⁶ Among the largest economies, Germany, France, Italy, and Spain, posted muted but positive growth of 0.4%, 0.3%, 0.1%, and 0.2%, respectively, compared with the prior quarter. However, high unemployment figures for the region remained a major concern, reaching a record level for the Eurozone of 12.2% in September, with Greece and Spain leading at 27.8% and 26.3%, respectively, as of October.⁷ Moreover, the solvency and liquidity concerns for the banks in the region have thus far been abated by the ECB, though, with the

¹ U.S. Commerce Department, Bureau of Economic Analysis, "Gross Domestic Product: Fourth Quarter and Annual 2013 (Third Estimate)." March 27, 2014.

² Federal Reserve of St. Louis, Civilian Unemployment Rate.

³ Bloomberg.

⁴ Forbes, "2013 CLO Issuance Hits \$81.9B' Most Since 2007." January 2, 2014.

⁵ U.S. Board of Governors of the Federal Reserve System, "Minutes of the Federal Open Market Committee." February 19, 2014.

⁶ European Commission: Eurostat, Real GDP Growth Rate – Volume. January 4, 2014.

⁷ European Commission: Eurostat, "Euro area unemployment rate at 12.0%." January 31, 2014.

implementation of Basel III regulations, the banking system desperately needs to recapitalize more aggressively.⁸ Financial institutions have remained focused on shedding distressed assets and increasing capitalization, though there remains a large capital shortfall that has yet to be addressed.⁹ Despite these headwinds, European equity markets delivered very strong returns. The MSCI Europe Index posted a significant gain of 7.9% and 25.2% for the quarter and the year, respectively, and the Euro Stoxx 50 rose a strong 7.5% over the fourth quarter.³

China reported quarterly real GDP growth of 7.7% annualized, a slight decrease from 7.8% in the third quarter, but doubts of its sustainability are widespread given an increasingly untenable credit binge in recent years.⁹ The country's consumer inflation rate reached 2.5% for 2013,¹¹ and coupled with concerns of an overheated real estate market as well as the rapid growth of poor quality debt generated by the shadow banking system, authorities have led efforts to tighten the interbank lending market. Japan's economy expanded at an inflation-adjusted growth rate of 0.7% annualized, or 0.2% compared with the previous quarter, marking four consecutive quarters of growth driven mainly by the aggressive fiscal and monetary stimulus stemming from "Abenomics."¹⁰ The Nikkei 225 posted a return of 12.8% for the quarter and 56.7% for the year.⁸ Further, monetary and fiscal stimulus is anticipated to continue to support higher asset prices and stronger consumer demand; however, underlying debt problems and the ballooning budget deficit present a challenging situation and a sustained economic upturn beyond the year is still tentative.

In emerging economies, concerns of diminishing growth were widespread due to enduring internal and external headwinds, including waning capital availability and fading demand from the developed world. Considerable investment outflows, induced by the shift in the monetary policies of the U.S., have exposed cyclical weakness in a number of countries and these economies have been confronted with challenging macroeconomic conditions, particularly for those more sensitive to fluctuations in external financing, such as Brazil and India. Consequently, equities in emerging markets have been tumultuous and have sharply underperformed their broader market peers, with the MSCI EM Index returning 1.8% and -2.6% for the quarter and the year, respectively.¹¹ Currency markets also experienced heightened volatility and moved against many emerging economies. In response, central banks have tightened liquidity and raised interest rates to counter weakening currencies and growing inflation in an environment characterized by sluggish growth. Yet this may lead to a hard landing for countries strapped with sizeable deficits and deteriorating budgets. Many economists forecast muted growth over the foreseeable future.

On a global level, macroeconomic performance is improving, but unevenly and unsteadily. Uncertainty is a major theme across markets, as many questions surrounding the ability of authorities to manage economies and stimulate growth persist. However, in a trend similar to the pre-crisis years, stock markets are rising at seemingly inexorable rates and risk aversion seems to be subsiding, as investors move out on the risk curve and seek riskier assets due to yield compression in investments considered safer and less cyclical. Overall, despite widespread fragility, equities have trended upward to near or above all-time highs and the credit markets are similarly robust. The MSCI World Index posted a gain of 8.0% and 26.7% for the quarter and the year, respectively, while the MSCI EAFE Index trailed with a still impressive return of 5.7% for the fourth quarter and 22.8% for 2013. In contrast, the return for the Barclays Global Aggregate Bond Index was -0.4% over the fourth quarter. With the Fed poised to continue gradually curtailing the highly accommodative policies that characterized the post-crisis years, fundamentals will rightfully garner greater precedence. Moreover, the pace and timing of tightening by central banks across the globe will be a key determinant of performance by markets worldwide. Higher volatility is anticipated over the near and medium term, demonstrated by the retrenchment of the S&P 500 in January by 3.6% and the VIX reaching its highest level since December 2012. With various macroeconomic uncertainties across the globe, elevated valuations, a rising interest rate environment, and slowing earnings growth, it seems downside risks exceed upside potential and justify cautious optimism.

⁸ TorreyCove, "2014 Private Equity Market Outlook." March 7, 2014.

⁹ National Bureau of Statistics of China

¹⁰ The Japan Times, "Fourth-quarter GDP cut to 0.7%." March 10, 2014.

¹¹ Bloomberg.

Portfolio Summary

Portfolio Review

NEW FUND COMMITMENTS

During the quarter, OPERF closed on \$390 million in commitments to five new funds, as well as on \$200 million in additional commitments to five existing funds. Please see Activity Detail (page 7) for more details and for other recent commitment activity.

CONTRIBUTIONS INCREASED

Contributions increased by 21.5% from the prior quarter's \$518 million. Contributions were 8.8% of unfunded commitments at the beginning of the quarter and 32.4% higher than the most recent four-quarter average of \$475 million.

DISTRIBUTIONS INCREASED

Distributions increased 41.0% from the prior quarter's \$898 million. Quarterly distributions were 8.5% of the quarter's opening balance and were 25.2% higher than the most recent four-quarter average, which now stands at \$1,011 million.

PORTFOLIO GAINS

The Portfolio appreciated by \$1,079 million, net of cash flows, during the quarter, representing a 7.0% appreciation from the prior quarter. The quarterly appreciation caused the Program's long-term historical IRR since inception to increase by 10.9 basis points.

WEIGHTED AVERAGE AGE FLAT

Based on the remaining value of all underlying funds, the weighted average age of the Portfolio was 6.4 years as of December 31, 2013, or flat from the prior quarter. The relatively mature age of the Program is expected to result in a gradual increase of positive net cash flows in the coming years.

Portfolio Activity

\$ Million | Figures may not foot due to rounding

	2012	2013			
	Q4	Q1	Q2	Q3	Q4
Starting Valuation	\$14,892	\$14,630	\$14,793	\$14,416	\$14,808
Contributions	\$628	\$311	\$443	\$518	\$629
Distributions	(\$1,440)	(\$745)	(\$1,137)	(\$898)	(\$1,266)
Appreciation/(Depreciation)	\$551	\$597	\$317	\$772	\$1,079
Ending Valuation	\$14,630	\$14,793	\$14,416	\$14,808	\$15,251
Unfunded Commitments	\$7,037	\$6,889	\$7,077	\$7,157	\$7,244
IRR Since Inception	15.8%	15.8%	15.7%	15.8%	15.9%
Weighted Avg. Age of Portfolio (yrs)	6.0	6.2	6.3	6.4	6.4

Program Summary

Active, Exited and Overall Program Performance

\$ Million | Figures may not foot due to rounding

	September 30, 2013	December 31, 2013
Total Pension Assets *	\$66,014	\$68,877
Allocation to Private Equity: (Target 20.0% +/- 4.0%)	22.4%	22.1%
ACTIVE		
# of Partnerships	206	206
Capital Committed	\$27,254	\$27,577
Cash Contributed	\$23,078	\$23,425
Recallable Return of Capital	\$2,724	\$2,802
Cash Distributed (Other) ¹	\$15,377	\$16,037
Estimated FMV	\$14,759	\$15,250
Total Value (Excl. Recallable ROC)	\$30,136	\$31,287
Total Value Multiple ²	1.48x	1.52x
IRR Since Inception	11.8%	12.1%
EXITED		
# of Partnerships	56	61
Capital Committed	\$5,363	\$5,638
Cash Contributed	\$6,681	\$6,969
Recallable Return of Capital	\$1,233	\$1,276
Cash Distributed (Other) ¹	\$10,784	\$11,301
Estimated FMV**	\$0	\$1
Total Value (Excl. Recallable ROC)	\$10,784	\$11,302
Total Value Multiple ²	1.98x	1.99x
IRR Since Inception	17.3%	17.4%
OVERALL		
Portfolio Multiple ²	1.59x	1.62x
IRR	15.8%	15.9%

* Total Pension Assets updated to incorporate actual Private Equity portfolio values at each quarter end.

** Includes escrows of exited deals.

1) Includes all non-recallable distributions

2) Total Value Multiple is calculated net of recallable return of capital ("ROC"). In practice, both total distributions and contributions are reduced by the amount of recallable ROC in the numerator and denominator of the calculation, respectively.

- As of quarter-end OPERF has contributed \$30.4 billion, funding approximately 91.5% of aggregate capital commitments made since inception. Approximately \$7.2 billion of capital commitments remain outstanding.
- Since inception, a total of approximately \$31.4 billion has been distributed to the OPERF.
- OPERF's private equity allocation by market value is above its 20% target as a result of significant drawdowns during the 2007 - 2010 period and the scarcity of distributions as firms avoided sales at the bottom of the market. The result was significant expansion of average holding periods. Private equity funds have sought to support the most promising of their existing portfolio companies in a volatile economic environment by making follow-on investments to supply working capital or expand market share by purchasing competitors at attractive prices. However, the quarterly cash flow chart on the next page shows a shift starting in 2012 to distributions outweighing contributions. As such, private equity as a percentage of the total portfolio decreased this quarter.

Activity Detail

Recent Investment Activity

INVESTMENT NAME	DATE AUTHORIZED	DATE CLOSED	AMOUNT COMMITTED
Pine Brook Capital Partners II*	9/26/2013	10/15/2013	\$25 million
OrbiMed Private Investments V	9/26/2013	10/31/2013	\$40 million
GI Partners Fund IV	8/21/2013	11/5/2013	\$100 million
Apollo Investment Fund VIII*	12/3/2013	12/5/2013	\$100 million
Morgan Stanley Private Equity Asia IV*	12/3/2013	12/13/2013	\$25 million
A&M Capital Partners*	12/5/2012	12/15/2013	\$25 million
Tailwind Capital Partners II	12/3/2013	12/19/2013	\$75 million
KSL Capital Partners Credit Opportunities Fund	8/21/2013	12/20/2013	\$75 million
MHR Institutional Partners Fund IV	9/26/2013	12/30/2013	\$100 million
CDH Fund V*	12/3/2013	12/30/2013	\$25 million
Union Square Ventures 2014 Fund	12/3/2013	1/10/2014	\$25 million
Union Square Ventures 2014 Opportunity Fund	12/3/2013	1/10/2014	\$18.75 million
Palladium Equity Partners IV	12/3/2013	2/28/2014	\$100 million

*Represents an additional commitment to this fund.

Subsequent Activity:

TDR Capital III	1/28/2014	3/28/2014	\$100 million
Vista Equity Partners Fund V	3/31/2014	4/3/2014	\$200 million
Montauk Triguard Fund VI	1/28/2014	4/22/2014	\$100 million
GGV Capital V	3/31/2014	4/23/2014	\$50 million
TPG Capital Partners Strategic Account	1/29/2014	N/A	\$700 million

Glossary

Variance Analysis Reports

These reports provide an analysis of the difference between the portfolio and the benchmark returns in terms of sector exposure. The incremental return is attributed to over-or under-weighting and selection within the sector.

For each sector, the beginning of the period weighting is used for both the portfolio and the benchmark. Returns are time-weighted for periods longer than one month. For periods of more than one month, the monthly calculations are geometrically linked over the indicated time period.

WEIGHTING

Measures the portion of the portfolio return that can be attributed to over/underweighting sectors/countries relative to the benchmark. Positive weighting occurs if the fund was overweighted in sectors/countries that performed well or underweighted in sectors/countries that did not perform well.

$$\text{Sector weighting} = [\text{benchmark return}_{(\text{sector})} - \text{benchmark return}_{(\text{total})}] \times [\text{portfolio beginning weight}_{(\text{sector})} - \text{benchmark beginning weight}_{(\text{sector})}] / 100$$

SELECTION

Measures the portion of the portfolio return that can be attributed to the selection of securities within a sector/country relative to the benchmark. Positive selection occurs if the portfolio's sector/country return is greater than the benchmark sector/country return.

$$\text{Sector selection} = [\text{portfolio return}_{(\text{sector})} - \text{benchmark return}_{(\text{sector})}] \times [\text{portfolio beginning weight}_{(\text{sector})}] / 100$$

TIMING

This is the value required to make the sum of weighting + selection + timing = the total variance between the portfolio and the benchmark. This is a result of attribution being based on beginning weights and the portfolio shifting weights throughout the month.

TAB 5 – ASSET ALLOCATIONS & NAV UPDATES

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Asset Allocations at April 30, 2014

Regular Account								Variable Fund	Total Fund
OPERF	Policy	Target ¹	\$ Thousands	Pre-Overlay	Overlay	Net Position	Actual	\$ Thousands	\$ Thousands
Public Equity	32.5-42.5%	37.5%	28,141,410	41.3%	(325,140)	27,816,270	40.8%	794,601	28,610,871
Private Equity	16-24%	20.0%	14,572,404	21.4%		14,572,404	21.4%		14,572,404
Total Equity	52.5-62.5%	57.5%	42,713,814	62.6%	(325,140)	42,388,674	62.2%		43,183,275
Opportunity Portfolio			858,600	1.3%		858,600	1.3%		858,600
Fixed Income	15-25%	20.0%	14,609,070	21.4%	1,629,757	16,238,827	23.8%		16,238,827
Real Estate	9.5-15.5%	12.5%	7,593,101	11.1%	(1,200)	7,591,901	11.1%		7,591,901
Alternative Investments	0-10%	10.0%	1,116,404	1.6%		1,116,404	1.6%		1,116,404
Cash*	0-3%	0.0%	1,303,578	1.9%	(1,303,417)	161	0.0%	29,328	29,489
TOTAL OPERF		100%	\$ 68,194,567	100.0%	\$ -	\$ 68,194,567	100.0%	\$ 823,929	\$ 69,018,496

¹Targets established in June 2013. Interim policy benchmark consists of: 41.5% MSCI ACWI Net, 23.5% Custom FI Benchmark, 20% Russell 3000+300bps (1 quarter lagged), 12.5% NCREIF (1 quarter lagged), & 2.5% CPI+400bps.

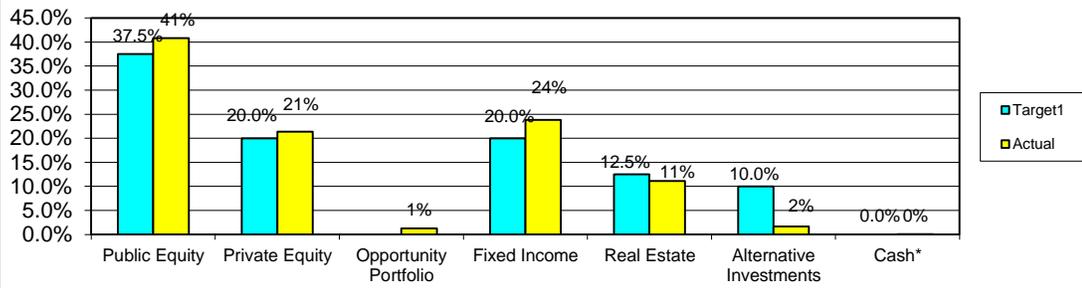
*Includes cash held in the policy implementation overlay program.

SAIF	Policy	Target	\$ Thousands	Actual
Total Equity	7-13%	10.0%	495,623	10.8%
Fixed Income	80-90%	85.0%	4,045,278	88.2%
Real Estate	0-7%	5.0%	0	0.0%
Cash	0-3%	0%	47,815	1.0%
TOTAL SAIF		95%	\$4,588,716	100.0%

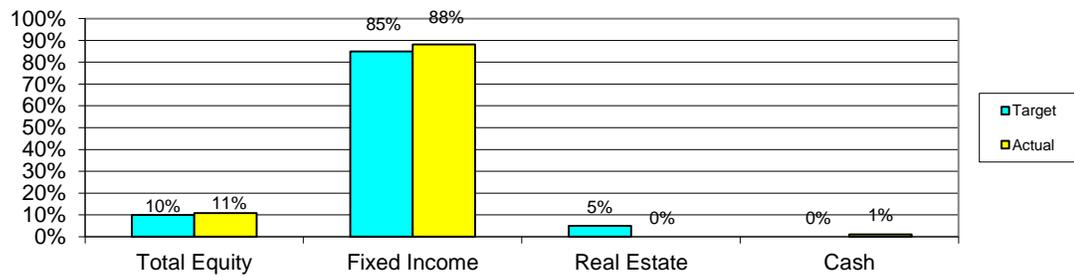
CSF	Policy	Target	\$ Thousands	Actual
Domestic Equities	25-35%	30%	\$430,377	30.9%
International Equities	25-35%	30%	403,213	28.9%
Private Equity	0-12%	10%	140,717	10.1%
Total Equity	65-75%	70%	974,307	69.9%
Fixed Income	25-35%	30%	399,471	28.6%
Cash	0-3%	0%	20,728	1.5%
TOTAL CSF			\$1,394,506	100.0%

HIED	Policy	Target	\$ Thousands	Actual
Domestic Equities	20-30%	25%	\$21,619	27.9%
International Equities	20-30%	25%	21,623	27.9%
Private Equity	0-15%	10%	6,976	9.0%
Growth Assets	50-75%	60%	50,218	64.7%
Real Estate	0-10%	7.5%	5,692	7.3%
TIPS	0-10%	7.5%	4,511	5.8%
Inflation Hedging	7-20%	15%	10,203	13.1%
Fixed Income	20-30%	25%	16,092	20.7%
Cash	0-3%	0%	1,101	1.4%
Diversifying Assets	20-30%	25%	17,193	22.2%
TOTAL HIED			\$77,614	100.0%

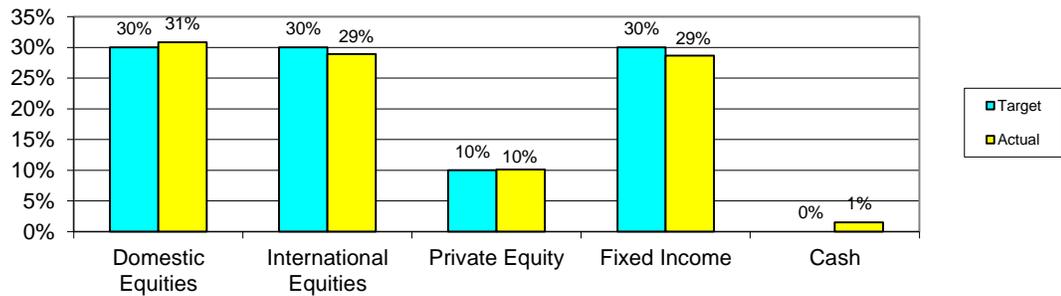
OPERF Asset Allocation



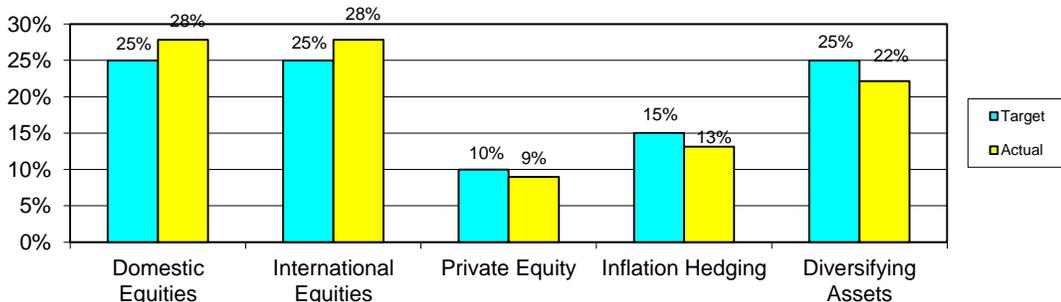
SAIF Asset Allocation



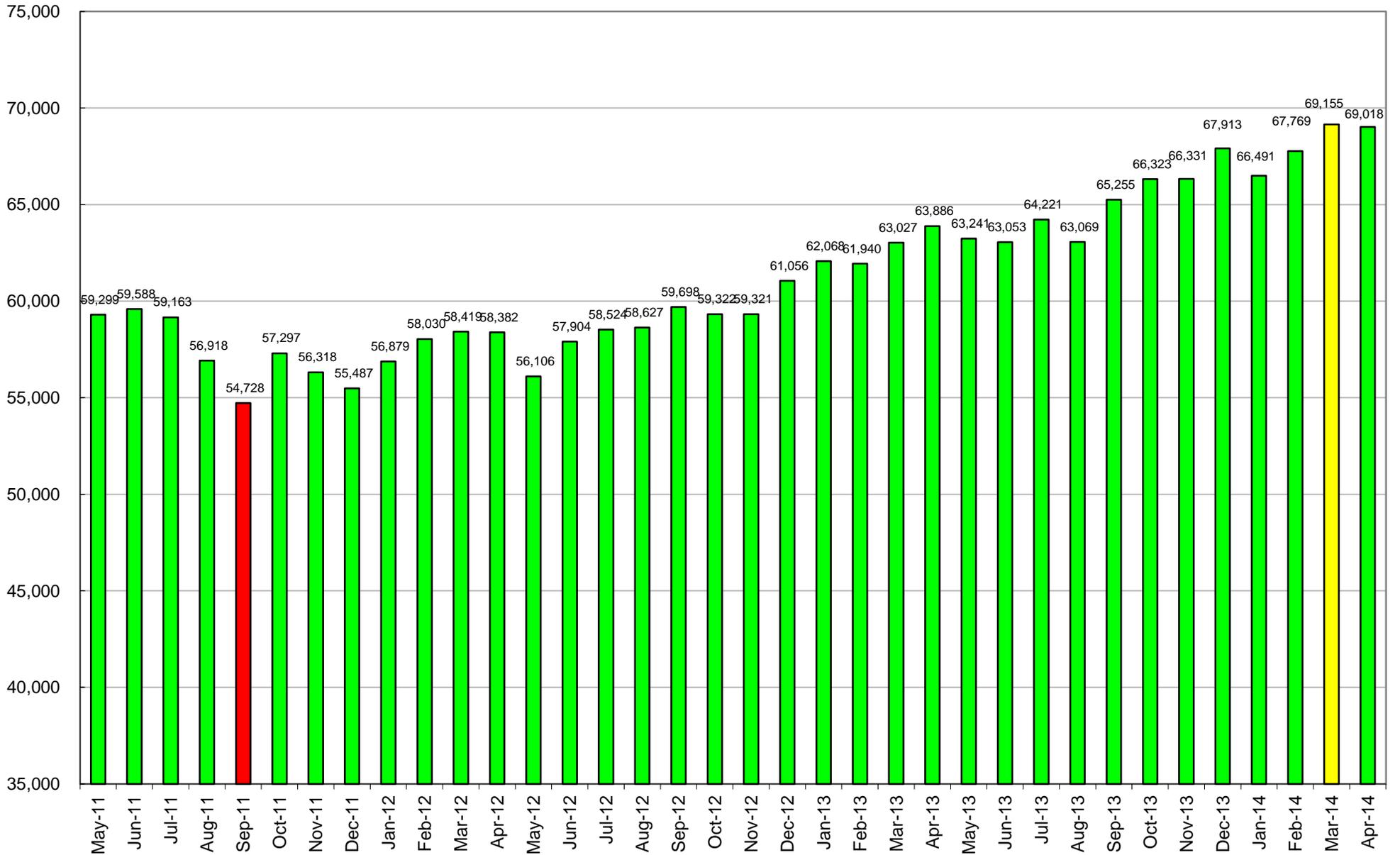
CSF Asset Allocation



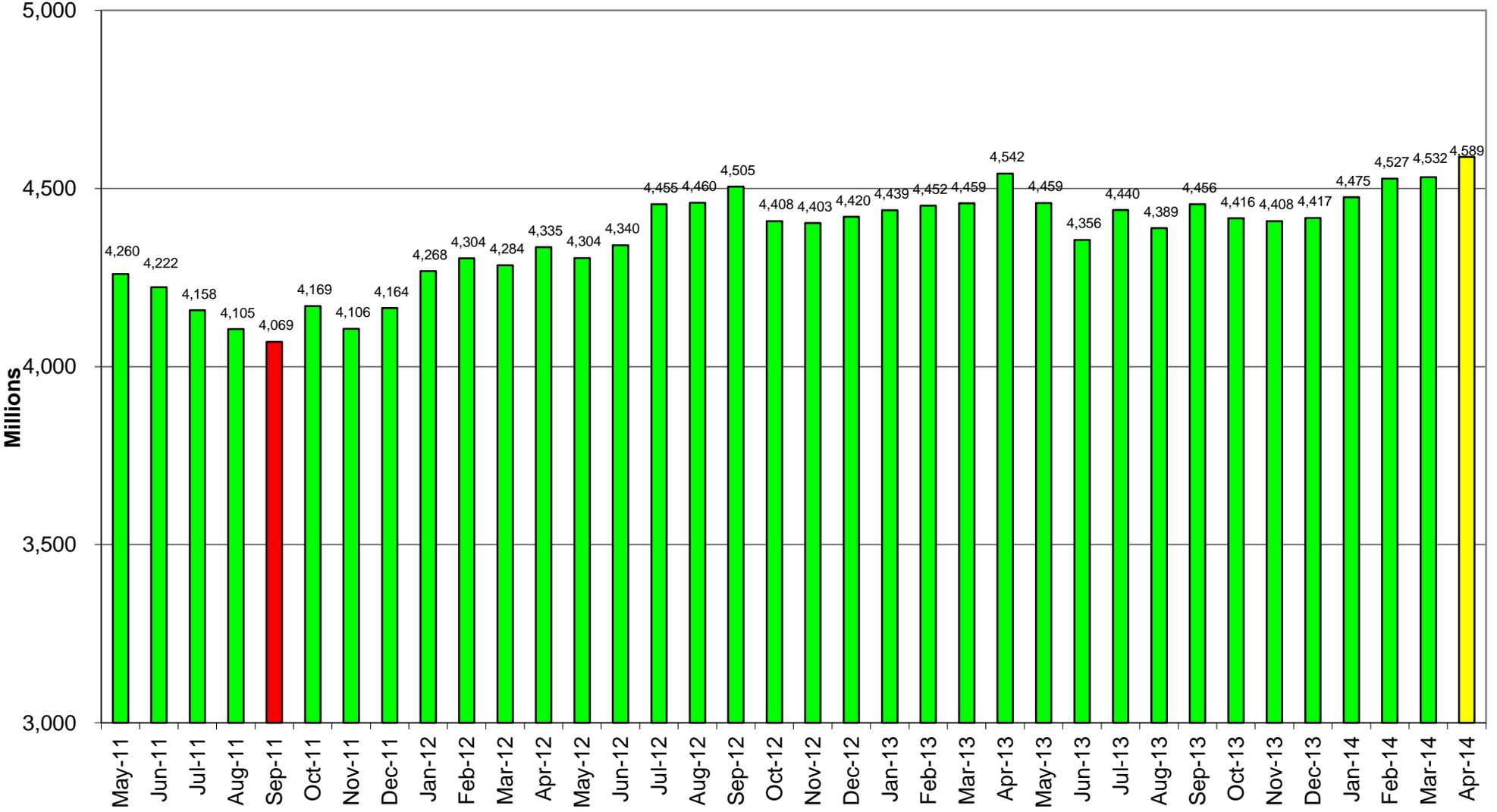
HIED Asset Allocation



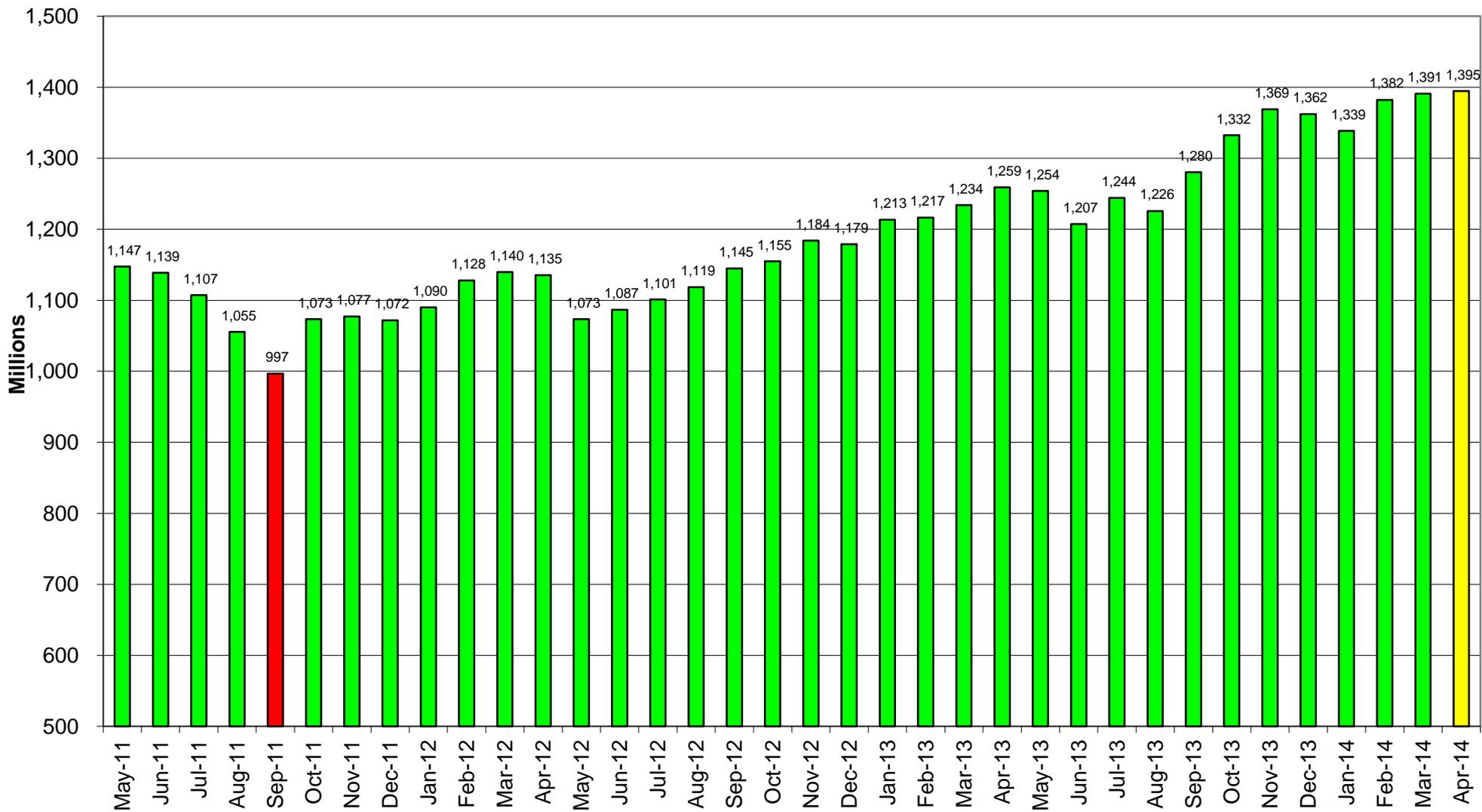
OPERF NAV
Three years ending April 2014
(\$ in Millions)



SAIF NAV
Three years ending April 2014
(\$ in Millions)



CSF NAV
Three years ending April 2014
(\$ in Millions)



TAB 6 – CALENDAR/FUTURE AGENDA ITEMS

2014 OIC Forward Agenda Topics

- July 30:** OPERF Alternative Investments (2)
OPERF Real Estate
OSGP Review
OSTF Annual Review
SAIF Annual Review
- September 24:** Updated OPERF A/L Study
OPERF Public Equity Review
OPERF Real Estate Review
OPERF Fixed Income Review
OIC Annual Policy Updates
- November 5:** CSF Annual Review
OPERF Alternative Portfolio Review
CEM Benchmarking Report
Internal Audit Report
- December 3:** OPERF Opportunity Portfolio Review
HIED Annual Review
OPERF 3rd Quarter Performance Review