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OREGON INVESTMENT COUNCIL
DECEMBER 9, 2015
MEETING MINUTES

Members Present: Rukaiyah Adams, Katy Durant, Keith Larson, Steve Rodeman, John Russell, Ted Wheeler

Staff Present: Darren Bond, Deena Bothello, Tony Breault, Austin Carmichael, Garrett Cudahey, Debra Day, Sam Green, Scott Harra, John Hershey, Julie Jackson, Krehbiel, Michael Langdon, Perrin Lim, Tom Lofton, Ben Mahon, Mike Mueller, Paola Nealon, Nancy O'Halloran, Jen Peet, Jen Plett, Dave Randall, Jo Recht, Tom Rinehart, Angela Schaffers, Priyanka Shukla, James Sinks, John Skjervem, Michael Viteri, Byron Williams

Consultants Present: David Fann and Tom Martin (TorreyCove); Allan Emkin, Christy Fields, David Glickman, Dillon Lorda (PCA); Janet Becker Wold, Jim Callahan, Uvan Tseng (Callan)

Legal Counsel Present: Dee Carlson, Oregon Department of Justice

The December 9, 2015 OIC meeting was called to order at 9:00 am by Katy Durant, Chair.

I. 9:00 am Review and Approval of Minutes

MOTION: Mr. Russell moved approval of the October 28, 2015 meeting minutes. Mr. Larson seconded the motion, which then passed by a 5/0 vote.

COMMITTEE REPORTS John Skjervem, OST Chief Investment Officer gave an update on the following committee actions taken since the October 28, 2015 OIC meeting:

Private Equity Committee:
None

Alternatives Committee:
None

Opportunity Portfolio Committee:
None

Real Estate Committee:
None

II. 9:01 am KKR Americas Fund XII, L.P. - OPERF Private Equity Portfolio

Staff and TorreyCove recommended a \$500 million commitment to the KKR Americas Fund XII, L.P. for the OPERF Private Equity Portfolio, subject to satisfactory negotiation of terms and conditions with Staff working in concert with Department of Justice personnel.

Across all of KKR's global private equity platforms, the GP looks for opportunities to acquire a controlling ownership stake in leading companies with strong business franchises, attractive growth prospects, defensible market positions and the ability to generate attractive returns. For KKR Americas Fund XII, the GP will target roughly 25 investments of \$350 million to \$600 million in companies with enterprise values of \$500 million to \$2 billion. From an industry standpoint, KKR has longstanding coverage of six sectors in the AMPE practice including retail & consumer, energy, financial services, healthcare, industrials and technology, media & telecom. With respect to strategy, Fund XII is being formed to engage in management buyouts/build-ups and growth equity investments primarily in companies based in North America. On an opportunistic basis, KKR will pursue deals in Latin America in Fund XII, and the AMPE practice has recently formed a specialized function to explore active, toe-hold investments in public equities.

KKR Americas Fund XII represents an attractive, core opportunity for the North America, large buyout portion of OPERF's Private Equity Program.

MOTION: Ms. Adams moved approval of the staff recommendation. Mr. Larson seconded the motion which passed by a vote of 5/0.

III. 9:54 am Global Infrastructure Partners III, L.P. - OPERF Alternatives Portfolio

Staff and TorreyCove recommended a \$400 million commitment to Global Infrastructure Partners III, L.P. for the OPERF Alternatives Portfolio, subject to satisfactory negotiation of terms and conditions with Staff working in concert with Department of Justice personnel.

Global Infrastructure Partners was founded in 2006 by former senior executives from Credit Suisse and General Electric as an independent, specialist infrastructure fund manager. Since its inception, GIP has raised \$17.8 billion in commitments for their flagship equity funds, as well as several GIP-led co-investments. Oregon's relationship with GIP dates back to 2011 when the OIC committed \$150 million of OPERF capital to Global Infrastructure Partners Fund II, L.P. ("GIP II"), a global, diversified equity mandate. A subsequent \$200 million commitment was made to the Global Infrastructure Partners Capital Solutions Fund, L.P. ("GIP CAPS"), a global, diversified debt mandate, in 2014. Thus, this proposed commitment represents the OIC's third GIP fund commitment.

GIP is seeking \$12.5 billion in aggregate L.P. capital commitments for the Fund with a \$15 billion hard cap. The Firm plans to hold a first close on or about December 15, 2015. Well in excess of the Alternatives Portfolio's target return, the Fund is targeting a gross internal rate of return of 15% to 20%.

The Alternatives Portfolio target allocation to infrastructure is 20% to 30% (or approximately \$1.7 billion to \$2.5 billion at current OPERF NAV). To date, OIC has approved \$1.55 billion in aggregate commitments to the sector, and Staff considers GIP III an anchor commitment within the OPERF infrastructure portfolio.

MOTION: Mr. Russell moved approval of the staff recommendation. Ms. Adams seconded the motion which passed by a vote of 4/1 (Treasurer Wheeler voted no).

IV. 10:55 am OPERF Opportunity Portfolio Review

John Hershey, Director of Alternative Investments presented the Opportunity portfolio annual review and provided an update on that portfolio's strategic focus and transaction pipeline.

V. 11:15 am OPERF Real Estate Review

Tony Breault, Senior Investment Officer along with PCA's Christy Fields and David Glickman gave a review of the OPERF Real Estate portfolio performance and prevailing market conditions, followed by a strategic review of the portfolio's long-term objectives. This strategic review included a plan to increase the portfolio's focus on current income, reduced its volatility and continue staff's pursuit of scalable, separate account mandates. To accomplish these objectives, staff will submit corresponding policy revisions for OIC review and approval in Q1 2016.

VI. 11:45 am OPERF Fixed Income Strategy Update

Tom Lofton presented a comprehensive analysis that included an evaluation of ten potential strategies for the planned reconstitution of OPERF's fixed income portfolio. Based on this analysis, Staff recommended a revised strategy, key components of which include the following:

- Reduce below investment grade exposures which exhibit credit risks positively correlated with equity market volatility;
- Add U.S. Treasury and Agency exposure to mitigate equity market volatility at the total OPERF portfolio level; and
- Given a reduced need for near-term plan liquidity, use current Short Duration High Quality mandate to fund both the U.S. Treasury/Agency exposure and an increased allocation to OPERF's existing Core mandates.

12:06 (after OIC Elections Vote) MOTION: Mr. Russell moved approval of the staff recommendation. Ms. Adams seconded the motion which passed by a vote of 4/0 (Treasurer Wheeler had already left the meeting).

VII. 12:05 pm OIC Elections

Mr. Larson moved to continue with Ms. Durant as OIC Chair and Ms. Adams as Vice Chair. Treasurer Wheeler seconded the motion, which passed by a vote of 5/0.

VIII. 12:20 pm OPERF Q3 2015 Performance Report

Janet Becker-Wold of Callan Associates gave a 3rd Quarter OPERF investment performance report.

IX. 12:29 pm Asset Allocation & NAV Updates

Mr. Skjervem reviewed asset allocations and NAVs across OST-managed accounts for the period ended October 31, 2015.

X. 12:30 pm Calendar – Future Agenda Items

Mr. Skjervem briefly discussed the OIC forward calendar.

XI. 12:30 pm Other Items

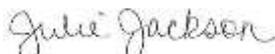
Mr. Skjervem gave an update on the Investment Division's current recruiting endeavors.

12:32 pm Public Comments

Bill Parish, Registered Investment Advisor with Parish & Company, addressed the Council with prepared remarks.

Ms. Durant adjourned the meeting at 12:35 pm.

Respectfully submitted,



Julie Jackson
Executive Support Specialist