



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

OREGON INVESTMENT COUNCIL
FEBRUARY 4, 2015
MEETING MINUTES

Members Present: Rukaiyah Adams, Katy Durant, Keith Larson, Steve Rodeman, Dick Solomon, Ted Wheeler

Staff Present: Darren Bond, Tony Breault, Austin Carmichael, Karl Cheng, Michael Cox, Garrett Cudahey, Sam Green, Andy Hayes, John Hershey, Julie Jackson, Perrin Lim, Tom Lofton, Ben Mahon, Mike Mueller, Paola Nealon, Tom Rinehart, Priyanka Shukla, John Skjervem, Michael Viteri

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

Legal Counsel Present: Keith Kutler and Deena Bothello, Oregon Department of Justice

The February 4, 2015 OIC meeting was called to order at 9:00 am by Dick Solomon, Chair.

I. **9:00 am Review and Approval of Minutes**

MOTION: Ms. Adams moved approval of the December 3, 2014 meeting minutes. Ms. Durant 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 December 3, 2014 OIC meeting:

Private Equity Committee:

December 19, 2014	Endeavour Capital Fund VI, L.P.	\$100 million
January 23, 2015	KSL Capital Partners IV, L.P.	\$150 million
January 23, 2015	OCM Opportunities Fund X, L.P.	\$50 million
January 23, 2015	OCM Opportunities Fund X (B), L.P.	\$100 million
January 23, 2015	Rhone Partners V, L.P.	\$200 million
January 23, 2015	TPG Growth III (A), L.P.	\$200 million

Alternatives Portfolio Committee:

NONE

Opportunity Portfolio Committee:

December 4, 2014	Lone Star Residential Mortgage Fund I, L.P.	\$100 million
December 4, 2014	OrbiMed Royalty Opps Fund II, L.P.	up to \$50 million

Real Estate Committee:

December 4, 2014	Harrison Street Real Estate Partners V, L.P.	\$150 million
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II. 9:02 am OPERF Private Equity Review

Sam Green, Private Equity Investment Officer and David Fann and Tom Martin with TorreyCove presented the OPERF Private Equity Review and 2015 Plan, highlights of which included the following:

- Authorized commitments during 2014 totaled \$2.9 billion versus \$1.8 billion in 2013;
- 2014 commitments were made to a diversified set of existing managers operating across multiple investment strategies and supplemented with a limited number of high quality new manager relationships; and
- OPERF's private equity program has outperformed the Cambridge Associates median IRR benchmark in 21 of the past 28 vintage years.

III. 10:12 am OPERF Fixed Income Review

Perrin Lim, Director of Capital Markets and Tom Lofton, Investment Officer presented the OPERF Fixed Income Review and 2015 Plan. OPERF's fixed income portfolio is invested in three actively managed strategies. By policy, two of these strategies (Short Term High Quality and Core) comprise approximately 80% of the total portfolio and focus on investment grade market sectors. The third strategy (Strategic Credit) invests in bank loans and below investment grade (i.e., high yield) securities.

Each sector of the fixed income market has distinct performance attributes which are driven by economic, business cycle and supply/demand conditions. In general, active management strategies attempt to anticipate sector performance trends and identify relative value opportunities within, between and among sectors. Specifically, active fixed income managers a) rotate among sectors and securities based on relative value considerations, b) make duration bets in the form of both rate level and yield curve forecasts, and c) balance portfolio yield and convexity attributes. This process involves both "top down" macro-economic analysis as well as "bottom up" sector and security analysis.

10:35 am: Treasurer Wheeler withdrew from the meeting.

Over a market cycle of three to five years and on a net-of-fee basis, the OPERF fixed income performance objective is a portfolio return of at least 35 basis points above OPERF's custom policy benchmark. The OPERF fixed income portfolio has exceeded this performance objective in each of the past five consecutive, calendar years and cumulatively (as measured by average annual returns) for the past 1-, 3-, 5-, 7- and 10-year periods ending December 31, 2014.

IV. 10:48 am Annual Placement Agent Report

John Skjervem, Chief Investment Officer presented the annual placement agent report for the calendar year ending December 31, 2014.

V. **10:49 am Asset Allocation & NAV Updates**

Mr. Skjervem reviewed asset allocations and NAVs across OST-managed accounts for the period ended December 31, 2014.

VI. **10:50 am Calendar-Future Agenda Items**

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

VII. **10:52 am Other Items**


Ms. Adams requested an update on the BlackRock Solutions project at the next OIC meeting.

10:53 am Public Comments

Bill Parish, an independent Registered Investment Advisor, addressed the Council regarding its private equity and hedge fund investments. He specifically requested that the Council post OPERF's KKR refund following that firm's recent SEC settlement. Mr. Parish also suggested that the OIC's recent investment in drug royalty payments raises important public policy questions given that the revenue support for that type of strategy originates primarily from Medicare and Medicaid reimbursements.

Mr. Solomon adjourned the meeting at 10:55 am.

Respectfully submitted,



Julie Jackson
Executive Support Specialist