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

Staff Present: Darren Bond, Tony Breault, Karl Cheng, Michael Cox, Garrett Cudahey, Sam Green, Andy Hayes, John Hershey, Brooks Hogle, Julie Jackson, Mary Krehbiel, Perrin Lim, Tom Lofton, Mike Mueller, Paola Nealon, Kim Olson, Tom Rinehart, Angela Schaffers, Priyanka Shukla, John Skjervem, Michael Viteri, Byron Williams

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

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

The June 3, 2015 OIC meeting was called to order at 9:03 am by Katy Durant, Chair.

I. 9:03 am Review and Approval of Minutes

   MOTION: Treasurer Wheeler moved approval of the April 29, 2015 meeting minutes. Mr. Russell 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 April 29, 2015 OIC meeting:

   **Private Equity Committee:**
   None

   **Alternatives Committee:**
   May 7, 2015 Brookfield Brazil Agriculture Fund II, L.P. $100 million

   **Opportunity Portfolio Committee:**
   None

   **Real Estate Committee:**
   None
II. 9:04 am OPERF Asset/Liability Update and Strategic Asset Allocation Recommendation
Callan Associates provided an update to the asset/liability study and strategic asset allocation (SAA) recommendation the firm presented earlier this year at the March 4 OIC meeting. Specifically, Callan’s March analysis was updated to a) contemplate a 20-year forecast period (and hence align with the 20-year forecast period used by PERS actuaries), b) reflect a higher private equity premium than Callan’s initial assumptions for that asset class and c) adjust the PERS liability projections to account for the recent Oregon State Supreme Court decision that overturned certain provisions of 2013 PERS reform legislation.

Despite these updates, Callan’s “2A” SAA recommendation remained unchanged relative to that presented at the March 4 meeting. Mr. Skjervem reported that the 2A recommendation enjoyed senior staff support as it was expected to produce a modestly better risk/return profile as reflected by a correspondingly modest Sharpe ratio improvement. Mr. Skjervem also described that since the March 4 OIC meeting, he had reviewed 2A’s likely impact on current and projected staff levels and concluded that while 2A implementation would take time, it should ultimately prove marginally more scalable than current OPERF SAA targets. Therefore, OIC adoption of the 2A recommendation was not expected to exacerbate the division’s current resource constraints.

Over the 20-year forecast period, the SAA targets embedded in the 2A recommendation, combined with Callan’s 2015 capital market assumptions, are expected to generate a 7.5% expected annual return with 14.0% expected annual volatility at the estimated median outcome.

MOTION: Mr. Larson moved approval of the staff recommendation. Treasurer Wheeler seconded the motion which passed by a vote of 3/2 (Ms. Adams and Ms. Durant voted against the recommendation).

III. 9:52 am Oregon Intermediate Term Pool (OITP) – Annual Update
Investment Officer Tom Lofton provided on update on OITP during which he reviewed OITP investment performance and general portfolio changes implemented since the fixed income team’s last OITP presentation. Mr. Lofton further described staff’s proposal to change the OITP benchmark from the BofA Merrill Lynch 1-5 Year Corporate, Government and Mortgage Index to the Barclay’s U.S. Aggregate 3-5 Year Index for the following reasons:

- OST subscribes to Barclay’s indices for use in OST’s risk management system;
- Since OPERF’s custom fixed income benchmarks already utilize Barclay’s indices, this OITP benchmark change is expected to reduce OST’s 3rd-party data costs; and
- OST’s current subscription provides constituent-level transparency into Barclay’s indices which enables better portfolio management vis-a-vis assigned Barclay’s benchmarks.

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

IV. 10:20 am Securities Lending Update
Bo Jackson and Johnson Shum with State Street provided the OIC an update on cash management and securities lending markets, respectively, with a focus on the two main accounts managed by State Street on behalf of OPERF and other state agency funds, including the OSTF.

V. 10:45 am OPERF Q1 Performance & Risk Report
Jim Callan and Janet Becker-Wold with Callan presented an OPERF performance and risk report for the period ending March 31, 2015. The total regular account gained 2.42% (+2.35% net of fees), versus a return of 2.96% for the policy target, and ranked in the 50th percentile of the $10B+ public fund peer group. For the 12 months ended March 31, 2015, the
account gained 7.06% (+6.78% net of fees), trailing the policy target return of 7.84%, and ranked in the 51st percentile of Callan’s $10B+ public fund peer group.

VI. **11:03 am Litigation Update (Executive Session)**
Pursuant to ORS 192.660(2)(f) & (h) this update was presented in executive session.

VII. **11:10 am Asset Allocation & NAV Updates**
Mr. Skjervem reviewed asset allocations and NAVs across OST-managed accounts for the period ended April 30, 2015.

VIII. **11:12 am Other Items**
None

**11:12 am Public Comments**
None

Ms. Durant adjourned the meeting at 11:12 am.

Respectfully submitted,

Julie Jackson
Executive Support Specialist