Members Present: Rukaiyah Adams, Katy Durant, Rex Kim, Steve Rodeman, John Russell, Ted Wheeler

Staff Present: Darren Bond, Deena Bothello, Karl Cheng, May Fanning, Karl Hausafus, John Hershey, Aliese Jacobsen, Michael Langdon, Carmen Leiva, Perrin Lim, Ben Mahon, Paola Nealon, Jen Plett, David Randall, Angela Schaffers, Priyanka Shukla, James Sinks, John Skjervem, Michael Viteri, Lisa Massena, Kim Olson and Garrett Cudahey

Consultants Present: Tom Martin (TorreyCove); Allan Emkin, John Linder and David Glickman (PCA); Janet Becker-Wold and James Callahan (Callan)

Legal Counsel Present: Dee Carlson, Oregon Department of Justice

The April 20, 2016 OIC meeting was called to order at 9:01 am by Rukaiyah Adams, Vice Chair.

I. 9:01 am Review and Approval of Minutes

MOTION: Mr. Russell moved approval of the March 9, 2016 regular meeting minutes. Mr. Kim seconded the motion, which then passed by a 3/0 vote. Ms. Adams moved approval of the March 29, 2016 special meeting minutes. Mr. Russell seconded that motion, which then passed by a 3/0 vote.

COMMITTEE REPORTS
John Skjervem, OST Chief Investment Officer gave an update on the following committee actions taken since the regular March 9, 2016 OIC meeting:

Private Equity Committee:
April 13, 2016 Mayfield XV and Mayfield Select Fund $60 million

Alternatives Committee:
None

Opportunity Portfolio Committee:
None

Real Estate Committee:
April 11, 2016 DivcoWest Real Estate Fund V $250 million

Mr. Skjervem then described the recent exercise of staff discretion in the form of additional commitments made to existing mandates in the OPERF Alternatives and Opportunity portfolios, respectively:

Alternatives Portfolio SailingStone Capital Partners Global Natural Resources $50 million

Opportunity Portfolio SailingStone Capital Partners Natural Gas $25 million
II. 9:05 am Centerbridge Special Credit Partners III, L.P. & Centerbridge Special Credit Partners III-Flex, L.P. – OPERF Private Equity Portfolio

Subject to satisfactory negotiation of terms and conditions with Staff working in concert with legal counsel, Staff recommended a combined $500 million commitment to Centerbridge Special Credit Partners III, L.P. (“Fund III”) and Centerbridge Special Credit Partners III-Flex, L.P. (“Fund III-Flex”) for the OPERF Private Equity Portfolio. Centerbridge (“the Firm”) is raising these two funds (the “Funds”) as a stapled offering with limited partner commitments allocated 25% to Fund III and 75% to Fund III-Flex. Accordingly, the specific recommendation offered for OIC consideration was a $125 million commitment to Fund III and $375 million commitment to Fund III-Flex. These proposed commitments to these Funds represent the planned continuation of an existing general partner relationship in the OPERF Private Equity Program that dates back to 2006 and includes aggregate commitments of $435 million across three previous Centerbridge Capital Partners funds.

9:30 am Treasurer Wheeler arrived.

9:33 am Chair Durant arrived.

Centerbridge currently manages $25 billion in total assets across two investment complexes. The Capital Partners platform has raised $14 billion across three previous funds focused on private equity, distressed for control, and structured transactions. The Credit Funds platform focuses on non-control distressed debt investing and includes roughly $7 billion of aggregate net asset value in the Credit Partners hedge funds and $4 billion of total capital commitments across two previous Special Credit Partners funds.

Centerbridge is now targeting $5 billion of total capital commitments for Fund III and Fund III-Flex as a continuation of the non-control distressed strategy the Firm has successfully managed since the 1990s.

The Funds offer OPERF an opportunity to participate in a differentiated portfolio of private equity investments with relatively attractive overall terms. Staff and TorreyCove’s review of the Firm and proposed fund commitments indicates that the potential returns available to OPERF justify the corresponding investment risks.

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

III. 9:46 am OPERF Alternatives Portfolio Review - Annual Update

Ben Mahon, Senior Investment Officer provided an annual review and update on the OPERF Alternatives Portfolio. Highlights of Mr. Mahon’s presentation included the following:

- Alternatives Portfolio commitments authorized in 2015 comprised $2.15 billion across 7 separate investments;
  - In the past two years, authorized commitments have totaled $3.4 billion across 16 investments
  - Since Alternatives Portfolio program inception, authorized commitments total $5.2 billion cumulatively and comprise 32 investments with 21 firms
- Current Alternatives Portfolio exposures are balanced and within target ranges;
- Staff continues to refine Alternatives Portfolio strategy and develop anchor positions complemented by specialists and next generation relationships; and
- Staff finds no shortage of deal flow – rather, challenge has been discriminating among myriad opportunities.

Other 2015 Alternatives Portfolio highlights include the following:
- First strategic relationship (AQR);
- First joint venture (Twin Creeks);
- First land-based agriculture investment (Brookfield Ag Fund II); and
- First private open-ended investment (Teays River).

IV. 10:03 am OPERF Overlay Review – Annual Update

Karl Cheng, Investment Officer, Portfolio risk and Research, provided an update on the OPERF overlay program, currently managed by Russell Investments. This program, initiated in September of 2005, is used to both equitize cash balances and regularly rebalance OPERF’s actual asset allocation back to its strategic targets. Russell monitors and, if necessary, equitizes both excess cash held by external public equity and REIT managers as well as all internal OPERF cash held to fund benefit payments and capital calls. These
overlay activities are implemented through highly-liquid futures contracts with margin requirements much smaller than the contracts' “face” or “notional” values. As of March 31, 2016, the OPERF overlay program was long $353 million in fixed income contracts and long $1.1 billion in global equity contracts for a total notional exposure of $1.45 billion.

V. 10:30 am OPERF, OSTF and Common School Fund - Policy Updates
Investment Officers Paola Nealon and Garrett Cudahey and Senior Investment Officer Michael Viteri presented the next installment of staff’s policy update initiative. This effort includes a comprehensive review and update of all relevant investment, fiduciary and governance policies as well as conforms policy document format with OST’s new PolicyStat application. Specifically, the following individual policies were presented for Council review and approval:

- INV 301: Staff to the Oregon Short Term Fund Board (OSTFB);
- INV 602: Equity Investments: Selecting and Terminating Managements Firms;
- INV 605: Exercise of Voting Rights Accompanying Equity Securities;
- INV 606: Equity Investments: Commission Recapture;
- INV 607: Equity Investments: Manager Monitoring;
- INV 901: Common School Fund: Asset Classes, Asset Allocation and Reporting Requirements;
- INV 903: Common School Fund: Public Equity Investments;
- INV 904: Common School Fund: Fixed Income Investments; and
- INV 905: Common School Fund: Private Equity Investments.

MOTION: Ms. Durant moved approval of staff’s recommendation with the exception of its proposed changes to policy “INV 607: Equity Investments: Manager Monitoring” which Ms. Adams suggested needed both additional staff research and further Council discussion. Mr. Kim seconded the motion which passed by a 4/1 vote with Mr. Russell voting against the qualified motion.

VI. 10:51 am Common School Fund
Paola Nealon introduced Jim Paul, Director of Department of State Lands (DSL), and, in accordance with OIC Policy 4.08.07, provided a report on the Common School Fund (CSF) including investment performance and asset allocation strategy. Ms. Nealon noted that at year-end 2015, the CSF was valued at $1.42 billion, and with an 8.1 percent average annual return, CSF investment performance exceeded corresponding benchmark results for the three-year period ended December 31, 2015. Ms. Nealon said historically about 4 percent of CSF market value has been distributed annually to Oregon schools. Mr. Paul then gave an overview of DSL history and purpose, including a description of the DSL/CSF intersection.

VII. 11:17 am Asset Allocation & NAV Updates
Mr. Skjervem reviewed asset allocations and NAVs across OST-managed accounts for the period ended February 29, 2016.

VIII. 11:18 am Calendar – Future Agenda Items
Mr. Skjervem presented an updated OIC meeting calendar and related agenda items.

IX. 11:18 am Other Items
None

11:19 am Public Comments
Representative Rob Sisk from SEIU shared comments in connection with his organization’s Equity and Inclusion initiative.

Ms. Durant adjourned the meeting at 11:27 am.

Respectfully submitted,

May Fanning
Executive Support Specialist