



STATE OF OREGON
OFFICE OF THE STATE TREASURER
16290 SW UPPER BOONES FERRY ROAD
TIGARD, OREGON 97224

OREGON INVESTMENT COUNCIL
AUGUST 10, 2016
MEETING MINUTES

- Members Present: Katy Durant, Rex Kim, John Russell and Ted Wheeler (via conference call)
- Staff Present: Darren Bond, Deena Bothello, John Hershey, Karl Cheng, May Fanning, Karl Hausafus, Debra Day, Michael Langdon, Perrin Lim, Jen Plett, David Randall, Angela Schaffers, Priyanka Shukla, James Sinks, John Skjervem, Michael Viteri, Tony Breault, Amanda Kingsbury, Mike Mueller, Jen Peet, Austin Carmichael, Ben Mahon, Kim Olson, Tom Lofton, William Hiles
- Consultants Present: David Fann and Tom Martin (TorreyCove); Allan Emkin, David Glickman, Christy Fields and John Linder (PCA); Janet Becker-Wold; (Callan)
- Legal Counsel Present: Dee Carlson, Oregon Department of Justice

The August 10th, 2016 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 June 1, 2016 meeting minutes. Mr. Kim seconded the motion, which then passed by a 4/0 vote.

COMMITTEE REPORTS

John Skjervem, OST Chief Investment Officer gave an update on the following committee actions taken since the June, 2016 OIC meeting:

Private Equity Committee:

None

Alternatives Committee:

None

Opportunity Portfolio Committee:

None

Real Estate Committee:

None

II. 9:01 am OPERF Consultant Recommendation – Alternatives and Opportunity Portfolios
The Alternatives and Opportunity (Alts/Opp) Portfolios are currently supported by consulting

services provided primarily by TorreyCove (TC), with occasional due diligence performed by Callan.

The Private Equity team is currently engaged in an RFP process for a consultant, as the current agreement with TC, which was originally executed in January, 2008, is nearing the end of its most recent extension. Accordingly, services TC provides relative to due diligence and monitoring services, for not only the Alternatives Portfolio, but also the Opportunity Portfolio, need be addressed.

Staff recommended working with TorreyCove and legal counsel to craft a separate contractual relationship for Alts/Opp consulting services on behalf of the OIC. Staff further recommended terms and conditions similar to the existing amendment, a two-year contract period ending December 31, 2018, and one optional two-year extension.

MOTION: Mr. Kim moved approval of the staff recommendation. Mr. Russell seconded the motion which then passed by a 4/0 vote.

III. 9:06 am Fixed Income Policy Recommendation – Oregon Short Term Fund

Tom Lofton, Investment Officer requested Council approval for revisions to Oregon Short Term Fund (“OSTF”) guidelines that would allow OSTF to invest up to \$250 million in the Oregon Local Government Intermediate Fund (“OLGIF”).

Staff believes an OSTF investment in OLGIF will provide a diversified return opportunity for OSTF with limited additional risk. Staff’s expectation is that OLGIF will be managed closely to its benchmark, the Barclays 1-5 Year Government/Credit Index.

MOTION: Mr. Russell moved approval of the staff recommendation. Mr. Kim seconded the motion which then passed by a 4/0 vote.

IV. 9:17 am Policy Updates – OPERF and other OST-managed Accounts

Ms. Durant, commenting on the fact that she and the Treasurer will be leaving the Council within the next six months, in addition to the absence of the other most senior Council member (Ms. Adams) deferred consideration of and action on this agenda item to the next regularly scheduled OIC meeting. Other committee members present expressed no objections to this deferral.

V. 9:18 am Corporate Governance Update - Annual Report

Director of Legal Affairs, Jennifer Peet updated the Council on the investment division’s increased emphasis on risk management and compliance. Specifically, she discussed the division’s approach to ESG (environmental, social and governance) risks and corporate governance issues (e.g., proxy voting, access, board diversity, pay for performance, etc.), and reported on OST’s current and recently-concluded securities litigation efforts.

As required by *INV 605: Exercise of Voting Rights Accompanying Equity Securities*, and to summarize and present votes cast by Glass, Lewis and Co. (“Glass Lewis”) on behalf of the OIC, Senior Investment Officer Michael Viteri introduced Mr. Aaron Bertinetti, Vice President of Research and Engagement at Glass Lewis for an update on the proxy environment and how his firm has approached several current proxy issues.

For background, Mr. Viteri noted that soon after the retention of Glass Lewis in 2006, the OIC adopted the MSCI All Country World Investable Market Index (ACWI IMI) as its Public Equity benchmark in order to broaden OPERF’s public equity allocation and reduce its “home country” bias. As a result of that benchmark change, the number of securities comprised by OPERF’s Public Equity portfolio has increased substantially, as has the corresponding number of proxy votes managed by Glass Lewis.

Summarized below, is the year-over-year increase in proxy voting since 2006:

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Meetings	2,323	2,672	4,306	4,816	5,669	5,690	6,006	7,563	6,766
Resolutions	22,186	27,328	45,584	51,340	63,449	62,760	63,839	74,972	66,308

Mr. Bertinetti provided a presentation with information regarding the current corporate governance landscape and updates on his company's overall position and performance on several proxy-related matters.

VI. 10:22 am Asset Allocation & NAV Updates

Mr. Skjervem reviewed asset allocations and NAVs across OST-managed accounts for the period ended June 30, 2016.

VII. 10:22 am Calendar – Future Agenda Items

Mr. Skjervem presented and briefly discussed the OIC's forward meeting calendar.

VIII. 10:22 am Other Items

None

10:24 am Public Comments

1. Rob Sisk, President of SEIU (503) started his remarks by thanking the Council for its excellent work on behalf of OPERF beneficiaries. He then reiterated SEIU's support for improved corporate boardroom diversity in multiple forms including gender, race, sexual orientation, skill and experience.
2. Diane Freaney of Rooted Investing remarked on the Council's need to make investments within the state of Oregon due to a housing crisis and other challenges local citizens are facing. She then went on to suggest creation of an advisory board comprised of PERS retirees that would review and discuss ways to improve overall OPERF results.

Ms. Durant adjourned the meeting at 10:33 am.

Respectfully submitted,



May Fanning
Executive Support Specialist