Members Present: Rukaiyah Adams, Rex Kim, Steve Rodeman, John Russell, Katy Durant (via phone)


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

Legal Counsel Present: Dee Carlson, Oregon Department of Justice

The October 26th, 2016 OIC meeting was called to order at 9:03 am by Rex Kim, OIC member.

Ms. Adams joined the meeting at 9:04am.

I. 9:04 am Review and Approval of Minutes

MOTION: Mr. Russell moved approval and Ms. Durant seconded a motion to approve both the September 14, 2016 OIC meeting minutes and the September 30, 2016 joint PERS/OIC meeting minutes. That motion 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 September 14, 2016 OIC meeting:

Private Equity Committee:

None

Alternatives Portfolio Committee:

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>September 29, 2016</td>
<td>Starwood Energy Infrastructure Fund III</td>
<td>$150 million</td>
</tr>
<tr>
<td>September 29, 2016</td>
<td>Homestead Capital USA Farmland Fund II LP</td>
<td>$100 million</td>
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Opportunity Portfolio Committee:

September 29, 2016 Lone Star Fund X $150 million

Real Estate Committee:

None

II. 9:05 am General Consultant Recommendation – OPERF
Karl Cheng, Investment Officer, Portfolio Risk & Research addressed the OIC’s general consulting contracts with Callan Associates Inc. (Callan) and Pension Consulting Alliance LLC (PCA), both of which expire on December 31, 2016.

Mr. Cheng explained staff’s proposal that the OIC extend its current contracts with both Callan and PCA, subject to existing terms and conditions, for an additional two-year period beginning January 1, 2017 and ending December 31, 2018.

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

III. 9:06 am MBK Partners IV, L.P. – OPERF Private Equity Portfolio
Michael Langdon, Senior Investment Officer, Private Equity recommended approval of a $200 million commitment to MBK Partners Fund IV, L.P. (“Fund IV” or the “Fund”) for the OPERF Private Equity portfolio, subject to the satisfactory negotiation of all terms and conditions with Staff working in concert with legal counsel. This proposed commitment would establish a new general partner relationship with MBK Partners. Mr. Langdon then introduced Mr. Michael ByungJu Kim, Partner, MBK Partners and Mr. Tae Hyun Park, Partner, MBK Partners who had traveled from South Korea to provide the Council with a presentation on the Fund, their firm and their firm’s strategy.

MBK Partners (“MBK” or the “Firm”) is forming the Fund to target control-oriented investments in Korea, Japan and Greater China (collectively, “North Asia”). Mr. Kim and four additional founding partners created the Firm in April 2005. The founding partners, who spun out of Carlyle Asia Partners and Carlyle Japan Partners, have now worked together for an average of 17 years. MBK has supplemented these partners with 33 additional investment professionals operating from offices in Seoul, Tokyo, Shanghai and Hong Kong. Each country team is entirely comprised of individuals native to their respective markets. MKB has invested $4.2 billion of capital in 24 transactions across their first three funds, while also generating an additional $4.4 billion of co-investment.

Since 2005, MBK has raised over $5.7 billion across three prior funds. The Firm is now targeting $3.5 billion for Fund IV, with a $4.0 billion stated hard cap.

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

IV. 9:50 am AQR Managed Futures Strategy – OPERF Alternatives Portfolio
Ben Mahon, Senior Investment Officer, Alternatives, Karl Cheng and Callan recommend a $250 million commitment to the AQR Capital Management Managed Futures Strategy for the Diversifying Strategies sleeve of the OPERF Alternatives Portfolio, subject to the satisfactory negotiation of terms and conditions with Staff working in concert with legal counsel. Mr. Mahon introduced Yao Hua Ooi, Principal, AQR Capital Management, LLC who gave an introduction to futures-based investment strategies and discussed AQR’s unique approach in this area.

AQR Capital Management (“AQR” or the “Firm”) was established in 1998 by Cliff Asness and several other members of Goldman Sachs Asset Management. Although the Firm now manages investment products across the asset class spectrum, the common thread running throughout AQR’s strategies is a
systematic, model-driven approach towards asset allocation and security selection that is grounded in fundamental economic principles and supported by contemporary, empirical research. The Firm has become one of the largest global managers of alternative assets, with total assets under management (AUM) of $159.2 billion, split between traditional equities ($69.4 billion) and alternatives ($89.9 billion).

The OIC/OST relationship with AQR dates back to 2006 with a U.S. small cap value mandate in the OPERF Public Equities Portfolio. Alternatives Portfolio investments with AQR date back to 2011, when OIC committed $100 million of OPERF capital to the AQR DELTA Fund (“DELTA”). The OIC made a subsequent $200 million Alternatives Portfolio commitment to the AQR Style Premia Fund (“SPF”) in 2013. Along with an additional $750 million commitment, both DELTA and SPF were consolidated into the Oregon Strategic Partnership in 2015.

MOTION: Ms. Durant moved approval of staff recommendation, and Mr. Kim seconded the motion which then passed by a vote of 3/1. Mr. Russell cast the dissenting vote.

V. 10:55 am Public Equity Review – OPERF Public Equity Portfolio
Michael Viteri, Senior Investment Officer, Public Equity, and Paola Nealon, Investment Officer, Public Equity along with Janet Becker-Wold and Uvan Tseng from Callan Associates provided the Council with an annual review of the Oregon Public Employees Retirement Fund (OPERF) Public Equity portfolio.

VI. 11:21 am Public Equity Restructuring – OPERF Public Equity Portfolio
Mr. Viteri presented staff’s recommendation to restructure 25% of the OPERF Public Equity portfolio in the form of a Low Volatility strategies sleeve. Mr. Viteri said that staff believes a 25 percent allocation to Low Vol strategies was projected to result in OPERF Public Equity portfolio risk dropping by approximately 10 percent (from 15.33% to 14.05%). In addition, risk at the total OPERF level was also projected to drop a meaningful amount (from 11.71% to 11.24%).

Recommendation:
1. Staff and Callan recommend funding Arrowstreet, Acadian, AQR and Los Angeles Capital Management with approximately $750 mm - $800 mm each to populate a dedicated Low Vol sleeve within the OPERF Public Equity portfolio; and
2. Amend OIC policy INV 601 (Public Equity Investments: Strategic Role of Public Equity Securities within OPERF) accordingly.

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

VII. 12:17 pm International Risk Premia Strategy – OPERF Public Equity Portfolio
Staff has successfully managed select public equity strategies since 2009. As of September 30, 2016, internally-managed public equity AUM totaled approximately $5.2 billion, representing 19 percent of OPERF’s $26.1 billion global public equity portfolio. Since inception, all internally-managed public equity mandates have outperformed their assigned benchmarks.

Mr. Viteri recommend funding a $1.2 billion internally-managed World X-U.S. Risk Premia strategy within the OPERF Public Equity Portfolio and amending OIC policy VIN 603 (Internal Equity – Portfolio Objectives & Strategies) accordingly.

MOTION: Ms. Durant moved approval of the staff recommendations, and Mr. Kim seconded the motion which then passed by a vote of 4/0.

VIII. 12:22 pm CEM Benchmarking Report – OPERF
Beginning in 2003, Treasury staff provided the OIC with an independent assessment of the various costs incurred for OPERF management (e.g., asset management, custody and consulting fees), and how those costs and resultant net OPERF performance compare with other institutional investors.
CEM is recognized as the foremost, independent, third-party provider of cost analysis to defined benefit and defined contribution plans. Using the firm’s unique database, CEM has provided defined benefit fund sponsors with net return and cost insights since 1990. That database includes 162 pension funds (including 55 U.S. public funds), valued at approximately $3.2 trillion.

Bruce Hopkins, Vice President at CEM Benchmarking, Inc. (CEM) presented his firm’s analysis of OPERF investment returns and costs for both the calendar year and five-year period ended December 31, 2015.

IX. 12:38 pm Asset Allocation & NAV Updates
Mr. Skjervem reviewed asset allocations and NAVs across OST-managed accounts for the period ended September 30, 2016.

X. 12:38 pm Calendar – Future Agenda Items
A calendar listing of future OIC meetings and scheduled agenda topics was included in the Council’s meeting material.

XI. 12:38 pm Other Items
None

12:40 pm Public Comments
Mr. Michael Pineschi, Researcher with UniteHere! and two homeowners, Ms. Sandra Cohen and Ms. Yvette Riviere from Baltimore, MD, provided public comment regarding Oaktree Capital Management and its residential mortgage investment activities.

Ms. Adams adjourned the meeting at 12:50 pm.

Respectfully submitted,

May Fanning
Executive Support Specialist