



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

OREGON INVESTMENT COUNCIL
AUGUST 9, 2017
MEETING MINUTES

Members Present: Rukaiyah Adams, Tobias Read, John Russell, Rex Kim, Rick Miller and Steve Rodeman

Staff Present: John Skjervem, John Hershey, Perrin Lim, Deena Bothello, Karl Cheng, May Fanning, Michael Langdon, Jen Plett, Jen Peet, James Sinks, Michael Viteri, Tony Breault, Amanda Kingsbury, Austin Carmichael, Dana Millican, Ricardo Lopez, Jo Recht, Mark Selfridge, Ben Mahon, Debra Day, Tom Lofton, Angela Schaffers, Eric Messer, Paola Nealon, Priyanka Shukla, Roy Jackson, Garrett Cudahey, Mike Mueller, Lisa Massena, Steven Chang, Andy Coutu, Cassie Lallack, Connie Lelack, Chelsea Brossard

Consultants Present: Jeff Goldberger, (TorreyCove); Allan Emkin, David Glickman (PCA); Uvan Tseng (Callan)

Legal Counsel Present: Dee Carlson, Oregon Department of Justice

The August 9th, 2017 OIC meeting was called to order at 9:00 am by Rukaiyah Adams, OIC Chair.

I. 9: 01am Review and Approval of Minutes

MOTION: Mr. Russell moved approval of the June 7th, 2017 OIC meeting minutes, and Treasurer Read seconded the motion which then passed by a 5/0 vote.

II. 9:06 am Committee Reports and CIO Update

Committee Reports: John Skjervem, OST Chief Investment Officer gave an update on the following committee actions taken since the June 7, 2017 OIC meeting:

Private Equity Committee

June 27, 2017 Palladium Equity Partners V \$250 million

Alternatives Portfolio Committee

None

Opportunity Portfolio Committee

None

Real Estate Committee

Pursuant to INV 501: Acquiring and Managing Equity Real Estate, the following managers, both with ex-U.S. mandates, were terminated from the real estate portfolio as part of staff's efforts to bring public REIT allocations within the portfolio's established policy range:

- EII Capital Management; and
- Morgan Stanley.

In accordance with the above referenced policy, staff is required to report all terminations at the next, most feasible OIC meeting.

Mr. Skjervem then gave opening remarks which included updates on the Individual Account Program (IAP), Foreign Currency Policy Recommendation and forthcoming presentation on alternative risk premia.

III. 09:39 am Individual Account Program Policy Recommendation - OPERF

As of 2016, there were over 200,000 individual participants of varying ages in the Individual Account Program (IAP or the Program), a defined contribution retirement plan. To adapt the Program to these participants, the Council directs staff to establish a set of Target-Date Funds available for PERS to assign to each Program participant. These funds are collectively called the Individual Account Program Funds (the "IAP Funds"). Program participants approaching retirement would be assigned to less-risky IAP Funds while younger Program participants would be directed to IAP Funds with greater return potential (and higher volatility).

Karl Cheng, Investment Officer, Portfolio Risk & Research, asked the Council to approve a new policy governing IAP investment activities. Specifically, the proposed policy stipulates that the OIC will maintain a program for the investment of moneys in the IAP that will provide an array of investment funds with varying levels of risk and return for eligible participating employees.

MOTION: Treasurer Read moved approval of staff's recommendation, and Mr. Russell seconded the motion which then passed by a 5/0 vote.

IV. 9:52 am Foreign Currency Policy Recommendation – OPERF

Staff presented a proposed policy to a) summarize OIC philosophy relative to OPERF's foreign currency exposures and b) establish a Currency Overlay Program to manage the risk of such exposures. The goal of the Currency Overlay Program was then described as strategically managing foreign currency risk to reduce volatility in U.S. dollar-denominated value as a result of adverse movements in foreign exchange rates while preserving the diversification benefits of OPERF's foreign-denominated investments.

Karl Cheng and Jen Plett, Senior Internal Investment Auditor, requested Council approval for the newly proposed OIC policy INV217: OPERF Foreign Currency Risk Policy.

MOTION: Mr. Russell moved approval of staff's recommendation pending elimination of the word "adverse" from the policy. Mr. Kim seconded the motion which then passed by a 5/0 vote.

V. 9:56 am Oregon Savings Growth Plan – Consultant Recommendation

In accordance with OIC Policy INV 210: Consulting Contracts, Paola Nealon, Investment Officer, Public Equity recommended that the OIC select Callan Associates to provide investment consultant services for OSGP. She further indicated that OST staff recommended an initial three-year engagement, with two optional 24-month extensions available at OIC discretion.

MOTION: Treasurer Read moved approval of staff’s recommendation, and Mr. Russell seconded the motion which then passed by a 5/0 vote.

VI. 11:33 am Alternative Risk Premia Overview – OPERF Alternatives Portfolio

Ben Mahon, Senior Investment Officer, Alternatives, provided the OIC with an overview of Alternative Risk Premia and introduced Clifford Asness, Ph.D, Founder, Managing Principal & Chief Investment Officer of AQR Capital Management, one of the Council’s largest and long-standing managers. Dr. Asness then lead a comprehensive discussion of the origin, evolution and application of Alternative Risk Premia in institutional investment portfolios.

VII. 11:34 am Asset Allocation & NAV Updates

Mr. Skjervem reviewed asset allocations and NAVs across OST-managed accounts for the period ended June 30, 2017.

VIII. 11:34 am Calendar — Future Agenda Items

A calendar listing of future OIC meetings and scheduled agenda topics was included in the Council’s meeting material.

IX. 11:39 am Open Discussion

Treasurer Read provided an update on the recently-concluded legislative session, and announced that OST successfully achieved most of its budget objectives including approval for over two dozen more positions in the investment division. The Treasurer also mentioned that House Bill 2779 passed which mandates fiduciary training and continuing education requirements for all OIC members. Treasurer Read indicated that he, Chair Adams and CIO John Skjervem would meet, per the new law’s direction, to identify the best and most efficient means of helping OIC members satisfy these new requirements. Finally, Chair Adams reminded Council members that the upcoming November 1 OIC meeting would include a strategic discussion agenda item and that members should share with her any suggestions for that discussion at their earliest convenience.

11:39 am Public Comments

None

Ms. Adams adjourned the meeting at 11:39 am.

Respectfully submitted,



May Fanning
Executive Support Specialist