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State of Oregon

Office of the State Treasurer

16290 SW Upper Boones Ferry Road
Tigard, Oregon 97224

OREGON INVESTMENT COUNCIL

March 11, 2020

Meeting Minutes

Members Present: John Russell, Tobias Read, Rex Kim, Cara Samples, Patricia Moss (via phone) and Kevin Olineck

Staff Present: John Skjervem, Deena Bothello, David Randall, John Hershey, Karl Cheng, May Fanning, Jen Peet, Andy Coutu, Wil Hiles, Geoff Nolan, Jen Plett, Debra Day, Ben Mahon, Faith Sedberry, Tony Breault, Paul Koch, Kristi Jenkins, Ahman Dirks, Michael Langdon, Austin Carmichael, David Elott, Sam Spencer, Amanda Kingsbury, Michael Mueller, Chris Ebersole, Claire Illo, Dana Millican, Eric Messer, Michael Viteri, Robin Kaukonen, Mohammed Quraishi, Tiffany ZhuGe, Meredith Coba, Dmitri Palmateer, Amy Wojcicki, Rachel Wray, Krystal Korthals, Sommer May, Andrey Voloshinov, Caitlyn Wang, Ryan Auclair and Katie Jones

Consultants Present: Tom Martin and Nic DiLoretta, (TorreyCove); Christy Fields, Allan Emkin and David Glickman (Meketa Investment Group, Inc.); Janet Becker-Wold and Jim Callahan (Callan LLC)

Legal Counsel Present: Steven Marlowe, Department of Justice

The March 11th, 2020 OIC meeting was called to order at 8:58 am by John Russell, OIC Chair, who commenced by welcoming the newest Council member, Ms. Cara Samples to the Oregon Investment Council. Chair Russell then honored what he described as the distinguished service of departing Chief Investment Officer, John Skjervem whose nearly seven and half year tenure at Oregon State Treasury was concluding at the end of March. Chair Russell's remarks ended with a request for a standing ovation in recognition of Mr. Skjervem and his many achievements, a request that was enthusiastically supported by everyone present.

I. 9:00 am Review and Approval of Minutes

MOTION: Chair Russell asked for approval of the January 30, 2020 OIC regular meeting minutes. Mr. Kim moved approval at 9:01 am, and Treasurer Read seconded the motion which then passed by a 5/0 vote.

II. 9:01 am Committee Reports and CIO Remarks

Committee Reports: Mr. Skjervem, gave an update on the following committee actions taken since the January 30, 2020 OIC meeting:



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Real Estate Committee

February 27, 2020

GID All Weather Fund, L.P.	\$150M
Nuveen U.S. Cities Multifamily Fund, L.P.	\$100M
Oak Street Real Estate Capital Fund V, L.P.	\$200M

Consistent with INV 501, Mr. Skjervem announced the termination of OPERF's Cohen & Steer Capital Management public REIT mandate.

Private Equity Committee

None

Alternatives Portfolio Committee

None

Opportunity Portfolio Committee

None

Mr. Skjervem then provided opening remarks which included commentary on OPERF's 2019 and cumulative investment performance, staff's proposed Stonepeak re-up, the CSF Annual Review, general OPERF policy updates and context for staff's annual Real Estate portfolio review.

III. 9:11 am Stonepeak Infrastructure Partners IV, L.P. – OPERF Alternatives Portfolio

Ben Mahon, Senior Investment Officer, Alternatives and Tom Martin, Managing Director, TorreyCove Capital Partners, recommended a \$500 million commitment to Stonepeak Infrastructure Fund IV for the OPERF Alternatives Portfolio, subject to the satisfactory negotiation of terms and conditions with Staff working in concert with legal counsel. This proposed commitment represents the continuation of a relationship on behalf of the OPERF Alternatives Portfolio.

Member Moss announced that she would recuse herself from voting on the recommendation due to a potential conflict of interest stemming from her other role as a board member of a publicly-traded utility company.

Mr. Mahon then presented Michael Dorrell, CEO & Co-Founder, Stonepeak Infrastructure Partners and Luke Taylor, Senior Managing Director, Stonepeak Infrastructure Partners, who provided an overview of their firm, its investment philosophy and performance track record.

MOTION: Mr. Kim moved approval at 9:45 am for a \$500 million commitment to Stonepeak Infrastructure Fund IV. Treasurer Read seconded the motion which then passed by a 4/0 vote.

IV. 9:45 am Common School Fund Annual Review – Common School Fund

Michael Viteri, Senior Investment Officer, Public Equity, provided the Oregon Investment Council with an update on the Common School Fund for the period ended December 31, 2019.

Mr. Viteri then introduced Bill Ryan, Deputy Director for Operations, Department of State Lands who provided an overview of the Common School Fund and its history as well as an update on his department's current priorities.



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V. 10:15 am Policy Updates – OIC and OPERF

Jennifer Peet, Corporate Governance Director, provided the Council with an update on both the Council's Responsible Contractor Policy as well as its policies governing divestment. She then recommended the following two changes:

- 1) Update INV 504, Real Estate Investments Responsible Contractor Policy as proposed by staff; and
- 2) Update and consolidate the Council's two current divestment policies into one.

Currently, Ms. Peet reported, there are two divestment policies in force: 1) an overarching OIC document; and 2) a second policy outlining steps for staff to follow in implementing divestment programs. Ms. Peet said staff recommended converting the second policy into a procedure document, and attaching it to the first policy. This approach is consistent with staff's broader and on-going policy rationalization initiative, and results in a single policy document regarding Oregon's divestment program.

Prior to discussing and ultimately making a motion regarding the Responsible Contractor Policy (RCP), Member Kim requested an opportunity to make a statement. He started by noting that an updated RCP was first presented at the recent January 30 OIC meeting, but was withdrawn from the agenda in order to give Council members more time to review and consider the proposed changes and implications thereof. He then summarized his own understanding of the proposed changes, and started by pointing out that the Council's RCP was first adopted in 2006, which means all existing Managers should be quite familiar with this policy and its application to OPERF capital commitments. He then posited that due to the Council's increasing focus on core and separate account investments, implementing the revised RCP would seem easier for staff and the Council relative to other public plan peers. Finally, Member Kim referenced an article published the preceding weekend in the local press that appropriately focused on the potential impact this policy change may have on ex ante returns in the Real Estate portfolio. He said the article led him to think about an expanded definition of risk and enabled him to become more comfortable with the proposed policy changes.

Member Moss then interjected that she agreed with Member Kim's remarks, and that she too had needed additional time to better understand the policy and its implications. She also said that updating this particular policy exposed flaws in both Treasury's and the Council's governance process that she hoped would never be repeated and instead rectified immediately. Setting this governance concern aside, she said she felt the revised policy as proposed was workable, and, according to the Council's real estate consultants, was both comparable to peer funds and wouldn't put the Council at a competitive disadvantage in its negotiations with potential investment partners. She further remarked that the revised policy may provide some minimal added value in terms of risk mitigation, but again stated her expectation that future policy revisions must follow the more efficient, completely transparent process that she and her Council peers depended on in order to fulfill their individual and collective fiduciary responsibility.

Chair Russell then made remarks about his personal real estate activities, indicating that he routinely offered compensation above the minimum union wage for janitorial services, and believed that by doing so, he enjoyed lower staff turnover in his buildings which in turn lowered those same buildings' risk management profile.

MOTION 1: Treasurer Read moved approval at 10:19 am to update the Responsible Contractor Policy. Mr. Kim seconded the motion which then passed by a 5/0 vote.

MOTION 2: Mr. Kim requested keeping the following language that has been modified in draft policy INV 205 page 3- (K): "specific decisions regarding whether or not investments are made in Oregon-based companies or real



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property are delegated to third-party managers selected by the OIC.” Member Kim’s Council peers agreed, so he moved approval of the modified motion at 10:26 am. Ms. Moss seconded the modified motion which then passed by a 5/0 vote.

VI. 10:26 am Real Estate Portfolio Review – OPERF

Tony Breault, Senior Investment Officer, Real Estate, began by notifying the Council that due to travel challenges and constraints, Mr. Tony Charles, Managing Director, Real Assets, Morgan Stanley wasn’t able to attend and deliver the presentation he had prepared. Mr. Breault, along with Christy Fields, Managing Principal, Meketa Investment Group, and David Glickman, Real Estate Consultant, Meketa Investment Group, then proceeded to present the Real Estate Annual Review and 2020 Plan. Their presentation included a review of the overall real estate environment as well as an executive summary of OPERF’s real estate investment activity, portfolio construction, strategic direction and cumulative investment performance.

VII. 11:19 am Q4 2019 Performance & Risk Report – OPERF

Karl Cheng, Senior Investment Officer, Portfolio Risk & Research and Janet Becker-Wold, Senior Vice President, Callan LLC presented the quarterly OPERF investment performance and risk report for the calendar year and cumulative period ended December 31, 2019.

VIII. 11:40 am Asset Allocation & NAV Updates

Mr. Skjervem reviewed asset allocations and NAVs across OST-managed accounts for periods ended January 31, 2020.

IX. 11:40 am Calendar – Future Agenda Items

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

X. 11:43 am Open Discussion

None

11:43 am Public Comments

None

Mr. Russell adjourned the meeting at 11:44 am.

Respectfully submitted,

May Fanning

May Fanning
Executive Support Specialist