
Oregon Investment Council

October 28, 2015 - 9:00 AM

**PERS Headquarters
11410 S.W. 68th Parkway
Tigard, OR 97223**

Katy Durant
Chair

John Skjervem
Chief Investment Officer

Ted Wheeler
State Treasurer





OREGON INVESTMENT COUNCIL

Agenda

October 28, 2015
9:00 AM

PERS Headquarters
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Tigard, OR 97223

<u>Time</u>	<u>A. Action Items</u>	<u>Presenter</u>	<u>Tab</u>
9:00-9:05	1. Review & Approval of Minutes September 9, 2015 Committee Reports	Katy Durant <i>OIC Chair</i> John Skjervem <i>Chief Investment Officer</i>	1
9:05-9:45	2. Stonepeak Infrastructure Fund II, L.P. <i>OPERF Alternative Portfolio</i>	Ben Mahon <i>Investment Officer</i> Michael Dorrell Trent Vichie <i>Senior Managing Directors & Co-Founders</i> Tom Martin <i>TorreyCove Partners</i>	2
9:45-10:15	3. CEM Benchmarking <i>Annual Review of OPERF Costs</i>	Mike Mueller <i>Deputy Chief Investment Officer</i> Bruce Hopkins <i>Vice President, CEM</i>	3
10:15-10:30	----- BREAK -----		
10:30-11:00	4. OSTF Annual Review <i>Annual Update</i>	Garrett Cudahey <i>Investment Officer</i>	4
11:00-11:15	5. OIC Policy Updates	Mike Mueller	5

B. Information Items

- 11:15-11:35 6. OPERF Actuarial Valuation Update** **Steve Rodeman** **6**
Executive Director, OPERS
- 11:35-11:45 7. Asset Allocations & NAV Updates** **John Skjervem** **7**
a. Oregon Public Employees Retirement Fund
b. SAIF Corporation
c. Common School Fund
d. Southern Oregon University Endowment Fund
- 8. Calendar — Future Agenda Items** **8**
- 9. Other Items** **Council
Staff
Consultants**

C. Public Comment Invited

15 Minutes



STATE OF OREGON
OFFICE OF THE STATE TREASURER
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SALEM, OREGON 97301-3896

OREGON INVESTMENT COUNCIL
SEPTEMBER 9, 2015
MEETING MINUTES

Members Present: Rukaiyah Adams, Katy Durant, Keith Larson, John Russell

Member Absent: Steve Rodeman, Ted Wheeler

Staff Present: Darren Bond, Tony Breault, Austin Carmichael, Karl Cheng, Debra Day, John Hershey, Julie Jackson, Mary Krehbiel, Michael Langdon, Perrin Lim, Ben Mahon, Mike Mueller, Paola Nealon, Kim Olson, Tom Rinehart, Angela Schaffers, Priyanka Shukla, John Skjervem, Bonnie Vinyard, Michael Viteri, Byron Williams

Consultants Present: David Fann, Kyson Hawkins, Tom Martin (TorreyCove); Allan Emkin, Christy Fields, David Glickman, Dillon Lorda (PCA); Jim Callahan and Uvan Tseng (Callan)

Legal Counsel Present: Dee Carlson and Deena Bothello Oregon Department of Justice

The September 9, 2015 OIC meeting was called to order at 9:00 am by Katy Durant, Chair.

I. 9:00 am Review and Approval of Minutes

MOTION: John Russell moved approval of the June 3 and July 21, 2015 meeting minutes. Ms. Adams 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 3, 2015 OIC meeting:

Private Equity Committee:

August 13, 2015	OrbiMed Private Investments VI, L.P.	\$50 million
August 13, 2015	JP Morgan Venture Capital V, L.P. (fbo Common School Fund)	\$25 million

Alternatives Committee:

August 26, 2015	Twin Creeks Timber, LLC	\$200 million
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Opportunity Portfolio Committee:

September 2, 2015	TSSP Adjacent Opportunities Partners, L.P.	\$250 million
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Real Estate Committee:

June 26, 2015

Waterton Fund IX PT Chicago, LLC

\$205 million

II. 9:01 am AQR-OPERF Strategic Partnership

Alternatives Investment Officer Ben Mahon recommended a \$750 million commitment to the AQR-OPERF Strategic Partnership for the OPERF Alternatives Portfolio, subject to satisfactory negotiation of terms and conditions with Staff working in concert with Department of Justice personnel.

Cliff Asness and Ronen Israel with AQR presented to the Council. The Strategic Partnership, via a custom vehicle formed by AQR Capital Management and OST, will invest primarily in the AQR Style Premia and DELTA strategies, both of which are existing OPERF mandates. The custom vehicle will be the mechanism by which OPERF receives a global discount on fees, consolidated reporting and enhanced investor research services.

In January 2011, OIC approved the creation of the Alternatives Portfolio, with a target allocation of 5% of total OPERF assets and a portfolio mix of approximately 75% Real Assets and 25% Diversifying Assets. Consistent with the expansion potential outlined in the original proposal, the target allocation for the Alternatives Portfolio has increased twice since its inception: first, in June 2013, when the overall target allocation was doubled to 10% of total OPERF assets (with the initial composition unchanged), and second, in June 2015, when the Diversifying Assets portion was doubled to 5% of total OPERF assets (resulting in an overall 12.5% target allocation for the Alternatives Portfolio and a 60% Real Assets/40% Diversifying Assets mix).

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

III. 9:56 am General Atlantic Managed Account Program – OPERF Private Equity

John Hershey, Director of Alternative Investments and Michael Langdon, Senior Private Equity Investment Officer presented staff's recommendation for an up to \$250 million commitment to General Atlantic Managed Account Program for the OPERF Private Equity Portfolio, subject to satisfactory negotiation of terms and conditions with Staff working in concert with Department of Justice personnel. This commitment would be a new investment relationship on behalf of OPERF.

General Atlantic ("GA" or the "Firm") expects to make 40-60 investments of \$50-\$400 million each during the Program's investment period. Consistent with its past investment strategy, GA will target growth investments, in five preferred sectors (business services, financial services, healthcare, internet/technology, and retail/consumer). While the Firm will pursue investments globally, it anticipates that a majority of investments will be made in North America and Europe.

GA expects a majority of its investments will be structured as traditional growth-equity investments (unlevered, significant-but-non-control equity investments in private companies, with Board of Directors representation); however, the Firm's strategy is flexible regarding the types of transactions it can pursue, and includes select early-late stage venture capital, growth buyouts, and both structured and open market purchases of public securities.

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

IV. 10:45 am OPERF Public Equity Review

Michael Viteri, Senior Investment Officer and Jim Callahan with Callan Associates provided an annual review of the OPERF public equity portfolio in general, and an update on staff's domestic equity portfolio restructuring efforts in particular.

V. **11:11 am OIC Policy Updates**

Mike Mueller, Deputy CIO presented various OIC policy updates.

MOTION: Mr. Larson moved approval of the recommended updates. Mr. Russell seconded the motion, which passed by a vote of 4/0.

VI. **11:15 am OIC Private Equity Consultant Update**

Staff proposed that the OIC waive Policy INV 210 and extend the contract of TorreyCove, working in concert with the Oregon Department of Justice, subject to existing fees and terms, for an additional one-year period ending December 31, 2016. Staff will conduct a comprehensive RFP process during 2016.

MOTION: Ms. Adams moved approval of the staff recommendation. Mr. Larson seconded the motion, which passed by a vote of 4/0.

VII. **11:17 am 2016 OIC Meeting Dates**

Mr. Skjervem presented the 2016 OIC meeting dates.

VIII. **11:19 am OPERF Q2 Performance and Risk Report**

Uvan Tseng with Callan Associates presented the OPERF second quarter performance review.

IX. **11:26 am Asset Allocation & NAV Updates**

Mr. Skjervem reviewed asset allocations and NAVs across OST-managed accounts for the period ended July 31, 2015.

X. **11:28 am Other Items**

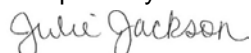
None

11:29 am Public Comments

Michael Pineschi and Jose Luis Revas with Unite Here and Pastor Donald McCloud made public comments regarding the status of negotiations between workers at the Palms Hotel in Las Vegas and that hotel's current owners which include OPERF fund managers TPG and Leonard Green.

Ms. Durant adjourned the meeting at 11:37 am.

Respectfully submitted,



Julie Jackson
Executive Support Specialist

Stonepeak Infrastructure Fund II, L.P.

Purpose

Staff and TorreyCove recommend a \$400 million commitment to Stonepeak Infrastructure Fund II, L.P. ("Stonepeak II" or the "Fund") for the OPERF Alternatives Portfolio, subject to satisfactory negotiation of terms and conditions with Staff working in concert with Department of Justice personnel.

Background

Stonepeak Infrastructure Partners ("Stonepeak" or the "Firm") is an independently-owned investment firm formed in 2011 by Mike Dorrell and Trent Vichie, formerly of The Blackstone Group and Macquarie. Oregon's relationship with Stonepeak dates back to 2012, when the OIC committed \$100 million of OPERF capital to Stonepeak Infrastructure Fund I, L.P. ("Stonepeak I"). Accordingly, this proposed commitment should be considered a "re-up" to an existing relationship.

Stonepeak is seeking \$2.5 billion in aggregate L.P. capital commitments for the Fund with a \$3.5 billion hard cap. The Firm plans to hold a first close on or about October 30, 2015. Well in excess of the Alternatives Portfolio's target return, the Fund is targeting a net internal rate of return of 12%, inclusive of a 4% cash yield.

Discussion/Investment Considerations

Consistent with its history, Stonepeak will focus Fund capital on U.S. and Canadian middle-market infrastructure investments, primarily in the power, water, energy, communications, renewables, and transportation sectors. Target returns will include a balance of income and capital appreciation, and the Firm expects to make individual equity investments of between \$75 million and \$300 million and generally aims to secure a controlling stake. An important feature of Stonepeak II strategy is the Firm's focus on middle-market investments, which it believes provide greater "off-the-run" and exclusive deal sourcing opportunities. Seeking to create additional value through its active management strategy, Stonepeak will work with its operating partners to intensively manage Fund portfolio companies and identify both operational improvements and growth opportunities.

Attributes:

- *Experienced team.* Stonepeak is led by Mike Dorrell and Trent Vichie, who collectively have over 33 years of infrastructure investing experience (including 16 years working together). The pair has been responsible for day-to-day sourcing and execution of prospective investment opportunities and portfolio management for existing portfolio investments across a wide variety of assets and businesses. This breadth of experience provides Stonepeak with the capabilities to evaluate the widest possible set of opportunities on behalf of the Fund.
- *Supply/demand gap.* North American infrastructure represents a compelling investment opportunity given the current and substantial gap between capital demand and supply. U.S. infrastructure is severely aging due to historical underinvestment and is in critical need of upgrade and replacement. According to recent estimates, the North American infrastructure market now represents a \$3 trillion investment opportunity.
- *Independent platform.* Stonepeak is employee owned and controlled. As such, conflicts typically associated with sponsored entities do not exist.
- *Middle-market focus.* The Firm's focus with Stonepeak II will be on middle-market, value-add infrastructure investments, a strategy that complements OPERF's existing infrastructure portfolio, which is currently tilted toward larger infrastructure assets or more opportunistic strategies.

- *Strong interim results.* While Stonepeak I is still early in its lifespan, interim investment returns have been strong, with the portfolio achieving a net IRR of 28% and multiple of 1.3x.

Concerns:

- *Dependence on key personnel.* The success or failure of the Fund will be highly dependent on Messrs. Dorrell and Vichie's investment experience, management relationships and industry network. [Mitigant: Staff assesses their departure odds as low, and both have a significant portion of their liquid net worth invested in Stonepeak funds. Moreover, the Firm has continued to build an experienced team around the founders, adding depth and new insight to the organization.]
- *Competitive market for investment opportunities.* Interest from institutional investors in real assets, including infrastructure strategies, remains high. As more capital enters the market for private infrastructure, expected returns may be driven down. [Mitigant: Staff has confidence in Stonepeak's financial discipline and expertise in originating, structuring, and executing infrastructure transactions. Overall, the market for middle-market infrastructure capital is small and the Firm will likely face an equally small universe of competing capital.]
- *Fund II increase.* Fund II represents a substantial increase in capital commitments relative to Fund I. Such increases in assets under management may result in a deviation from stated objectives, i.e., "style drift," as well as create strains on organizational infrastructure. [Mitigant: The Fund is subject to restrictions on the size and type of investments, limiting the potential impacts on investment approach. Furthermore, the firm has been steadily hiring ahead of the Fund II launch, growing to a team of 20, including 13 investment professionals.]
- *Limited track record.* The Firm has a limited historical track record, and Fund I has realized only one investment to date. [Mitigant: While Fund I is still relatively young, key Stonepeak team members have worked together as colleagues and industry peers for several years, and Stonepeak has provided representations about their track records from prior firms, allowing for a greater degree of analysis.]

Terms

Fund terms include a management fee on committed capital with a standard carry and preferred return. Note: investors participating in the first close will receive a carried interest discount. The Fund will have a five-year investment period, and a 12-year duration with three, one-year extensions subject to LPAC consent. The GP will make a capital commitment of at least the lesser of (a) \$20 million or (b) one percent of the aggregate capital commitments to the Fund. During fundraising efforts, no placement agent had contact with Treasury staff.

Conclusion

The Alternatives Portfolio target allocation to infrastructure is 20% to 30% (or approximately \$1.75 billion to \$2.6 billion at current OPERF NAV). To date, OIC has approved \$1.15 billion in aggregate commitments to the sector, and Staff considers Stonepeak II an anchor commitment within the OPERF infrastructure portfolio.

Staff also believes Stonepeak II represents an opportunity to invest with an experienced manager in an attractive sector. Stonepeak is a focused investor with expertise across the spectrum of infrastructure investments and has a deep network of industry relationships. Moreover, Stonepeak is differentiated by their value-add strategy and middle-market focus. At a macro level, requirements for infrastructure investment are massive, underpinning positive demand dynamics for capital, and Staff believes Stonepeak is well positioned to capitalize on the Fund's target opportunity set.



MEMORANDUM

TO: Oregon Public Employees Retirement Fund ("OPERF")
FROM: TorreyCove Capital Partners ("TorreyCove")
DATE: October 19, 2015
RE: Stonepeak Infrastructure Fund II L.P. (the "Fund")

Strategy:

The Fund is expected to be larger than its predecessor but will employ a similar strategy, targeting majority and/or control positions in middle-market North American infrastructure assets. The Fund anticipates it will invest \$75 million to \$300 million of equity into 10 to 15 power, water, midstream energy, renewables, transportation, and communications assets. The Fund will attempt to assemble a diversified and balanced portfolio of both brownfield and greenfield assets that are core, core plus and value-added in nature.

Targeted assets will have high barriers to entry, stable and predictable cash flows, operational improvement opportunities, strong contractual protections, and platform capabilities that can be scaled over time. Core to the strategy is the focus on downside protection. Assets should be inflation-linked, long-lived real assets that provide an essential service with inelastic demand and low operational risk. Transactions should also be structured in a manner that provide a preferred position in the capital structure or significantly transfer the risk through counterparty contracts.

Please see attached investment memorandum for further detail on the investment opportunity.

Conclusion:

The Fund offers OPERF an opportunity to participate in a differentiated portfolio of private investments with relatively attractive overall terms. TorreyCove's review of the General Partner and the proposed Fund indicates that the potential returns available justify the risks associated with an investment in the Fund. TorreyCove recommends that OPERF consider a commitment of \$400 million to the Fund. TorreyCove's recommendation is contingent upon the following:

- (1) Satisfactory negotiation or clarification of certain terms of the investment;
- (2) Satisfactory completion of legal documents;
- (3) Satisfactory continuation and finalization of due diligence;
- (4) No material changes to the investment opportunity as presented; and
- (5) Confidentiality maintained regarding the commitment of OPERF to the Partnership until such time as all the preceding conditions are met.

CEM Benchmarking, Inc. (CEM) 2014 OPERF Cost Study

Purpose

To present the OPERF investment cost analysis performed by CEM for both the calendar and five-year period ended 31 December 2014.

Background

Beginning in 2003, Treasury staff provided the OIC an independent assessment of the various costs paid for the management of OPERF (e.g., management fees, custody fees, consulting fees, staff costs, etc.), and how those costs (and the resultant performance) compare to other institutional investors.

CEM is recognized as the key, independent, third-party provider of cost analysis to defined benefit and defined contribution plans. Using their unique database, CEM has provided defined benefit fund sponsors with insights into their cost, return, risk and liability performance since 1990. Their database includes 149 U.S. funds (including 57 U.S. public funds), valued at approximately \$3.4 trillion.

Similar to previous years' analyses, staff provided CEM with updated OPERF cost and operating data. For the calendar year ended December 31, 2014, OPERF's total investment management costs (including oversight, custodial and other costs) were approximately 76 basis points, consistent with the 77 bps reported for calendar year 2013.

OPERF's custom peer group for benchmarking purposes is comprised of 16 funds ranging in asset size from \$24 billion to \$90 billion. In terms of asset size, the median fund in this peer group was \$44 billion, and within the peer group, OPERF was the 13th largest fund. Based on CEM's analysis and benchmarking, OPERF's total costs were lower than "expected" by approximately \$13 million.

Recommendation

None, information only. Report findings will be presented by CEM.

Oregon Public Employees Retirement Fund Investment Benchmarking Results

For the 5 year period ending December 2014

Bruce Hopkins
CEM Benchmarking Inc
October 28, 2015



Key takeaways

Returns

- Your 5-year net total return was 10.3%. This was above the U.S. Public median of 9.8% and above the peer median of 10.1%.
- Your 5-year policy return was 10.4%. This was above the U.S. Public median of 9.7% and above the peer median of 9.7%.

Value added

- Your 5-year net value added was -0.1%. This was close to the U.S. Public median of 0.0% and close to the peer median of 0.1%.

Cost

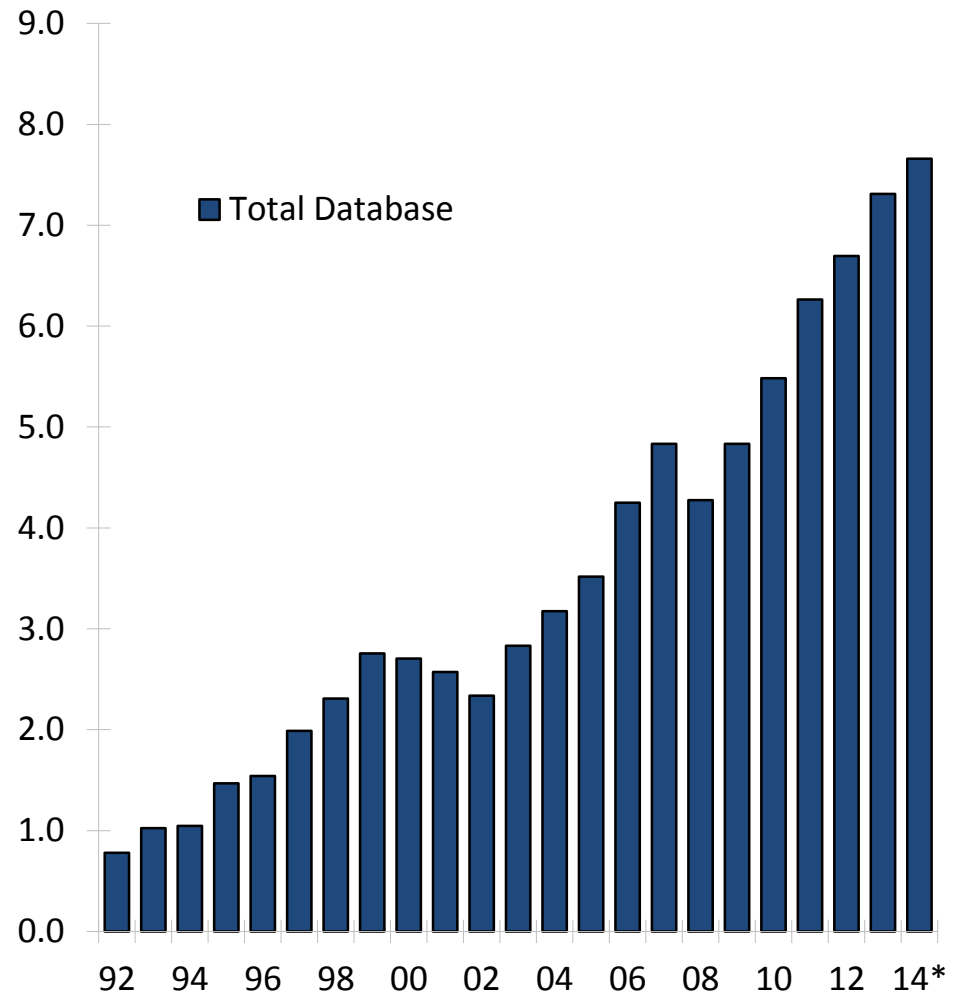
- Your investment cost of 75.5 bps was above the peer median cost of 58.2. You were higher cost because your investments were more heavily weighted in inherently higher cost private asset classes. However, your cost was below your benchmark cost of 77.5 bps. This suggests that your fund was low cost compared to your peers for similar assets.
- Your fund was low cost as a result of offsetting factors. You paid less than peers for similar services, which was partly offset because you had a higher cost implementation style.

This benchmarking report compares your cost and return performance to CEM's extensive pension database.

- 149 U.S. pension funds participate. The median U.S. fund had assets of \$9.6 billion and the average U.S. fund had assets of \$22.6 billion. Total participating U.S. assets were \$3.4 trillion.
- 73 Canadian funds participate with assets totaling \$718 billion.
- 49 European funds participate with aggregate assets of \$2.3 trillion. Included are funds from the Netherlands, Norway, Sweden, Finland, Ireland, Denmark and the U.K.
- 6 Asia-Pacific funds participate with aggregate assets of \$286 billion. Included are funds from Australia, New Zealand, China and South Korea.
- 2 Gulf region funds participate.

The most meaningful comparisons for your returns and value added are to the U.S. Public universe which consists of 57 funds.

Participating assets (\$ trillions)

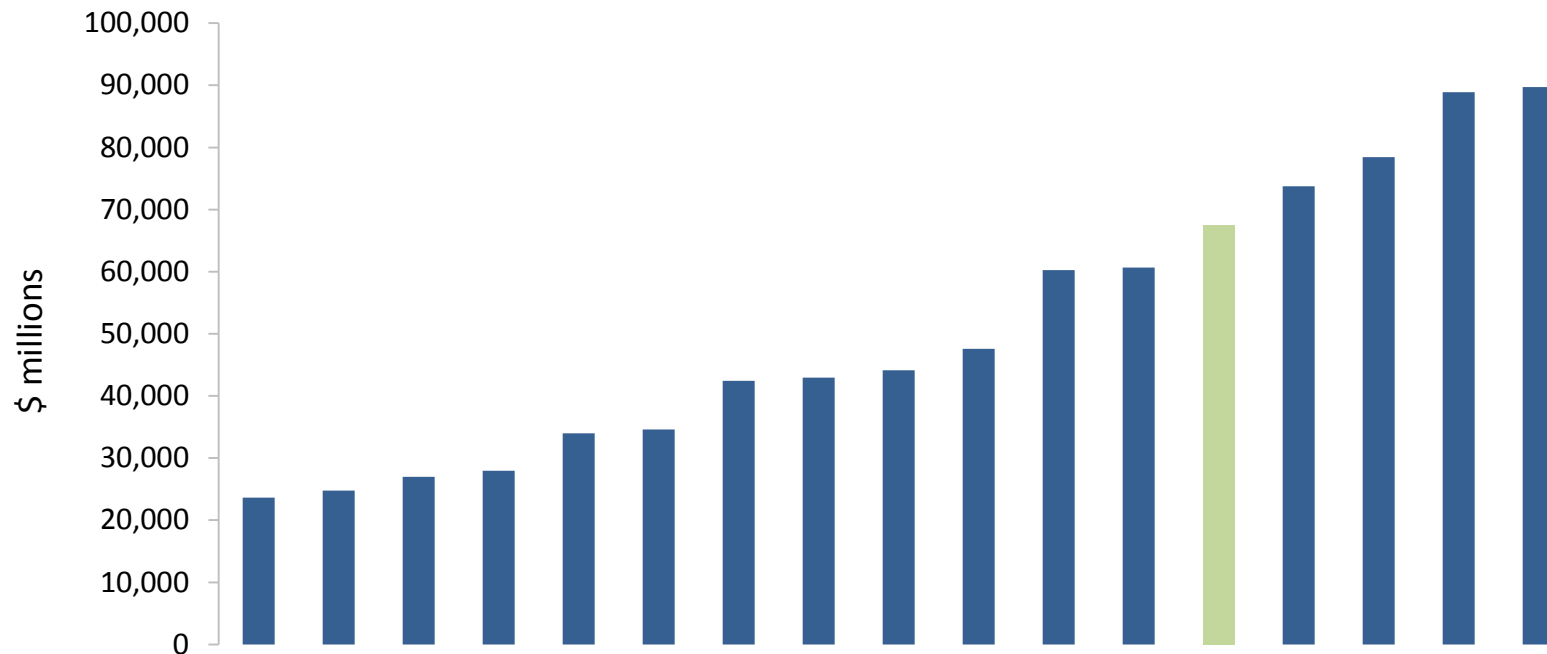


* 2014 reflects both received and expected data.

The most valuable comparisons for cost performance are to your custom peer group because size impacts costs.

Peer group for Oregon Public Employees Retirement Fund

- 17 U.S. public sponsors from \$24 billion to \$90 billion
- Median size of \$44 billion versus your \$67 billion



To preserve client confidentiality, given potential access to documents as permitted by the Freedom of Information Act, we do not disclose your peers' names in this document.

What gets measured gets managed, so it is critical that you measure and compare the right things:

1. Returns

Why do total returns differ from other funds? What was the impact of your policy mix decisions versus implementation decisions?

2. Net value added

Are your implementation decisions (i.e., the amount of active versus passive management) adding value?

3. Costs

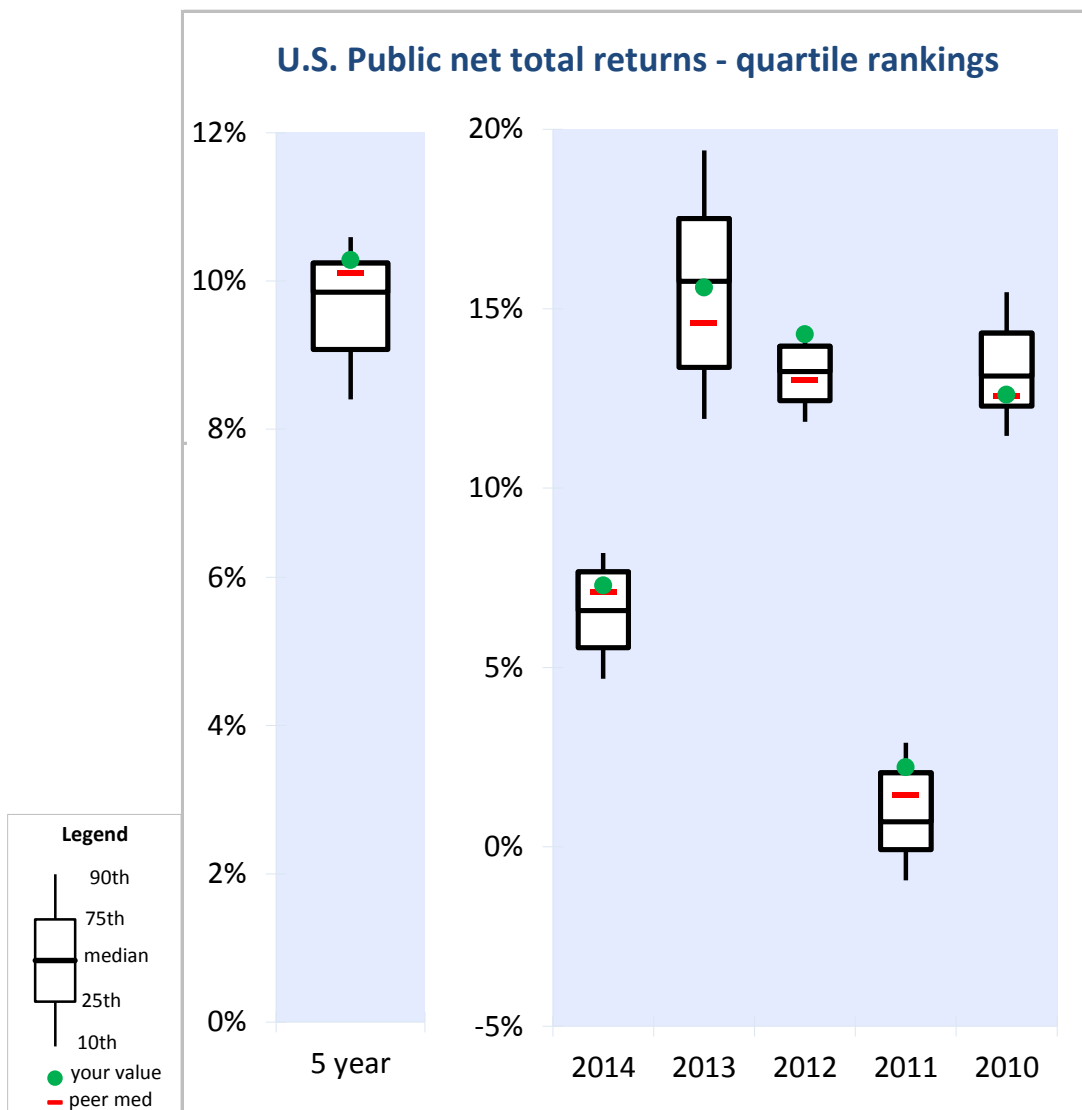
Are your costs reasonable? Costs matter and can be managed.

Your 5-year net total return of 10.3% was in the top quartile versus both the U.S. Public universe (median of 9.8%) and the peer group (median of 10.1%).

Total returns, by themselves, provide little insight into the reasons behind relative performance. Therefore, we separate total return into its more meaningful components: policy return and value added.

	Your 5-year
Net total fund return	10.3%
- Policy return	10.4%
= Net value added	-0.1%

This approach enables you to understand the contribution from both policy mix decisions (which tend to be the board's responsibility) and implementation decisions (which tend to be management's responsibility).



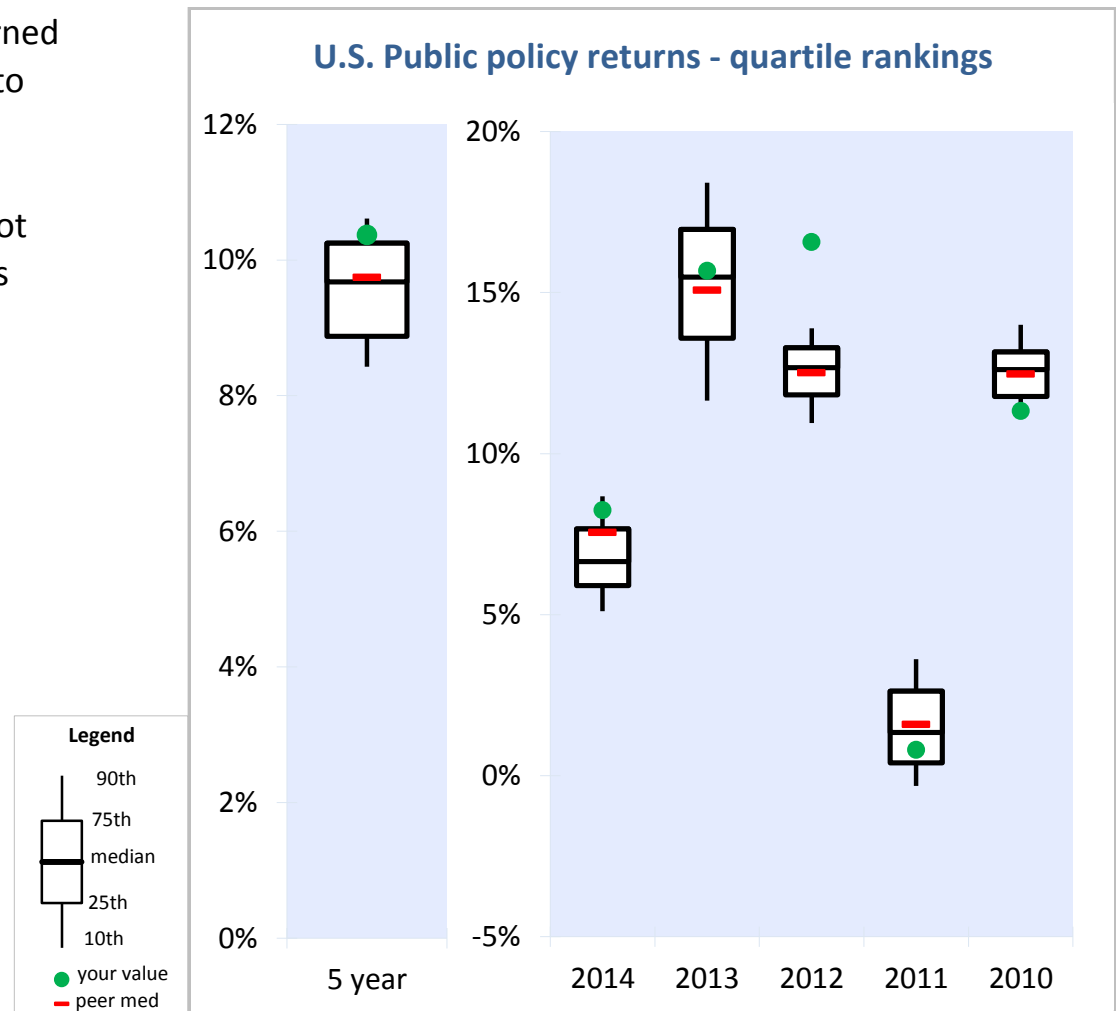
Your 5-year policy return of 10.4% was above both the U.S. Public median of 9.7% and the peer median of 9.7%.

Your policy return is the return you could have earned passively by indexing your investments according to your policy mix.

Having a higher or lower relative policy return is not necessarily good or bad. Your policy return reflects your investment policy, which should reflect your:

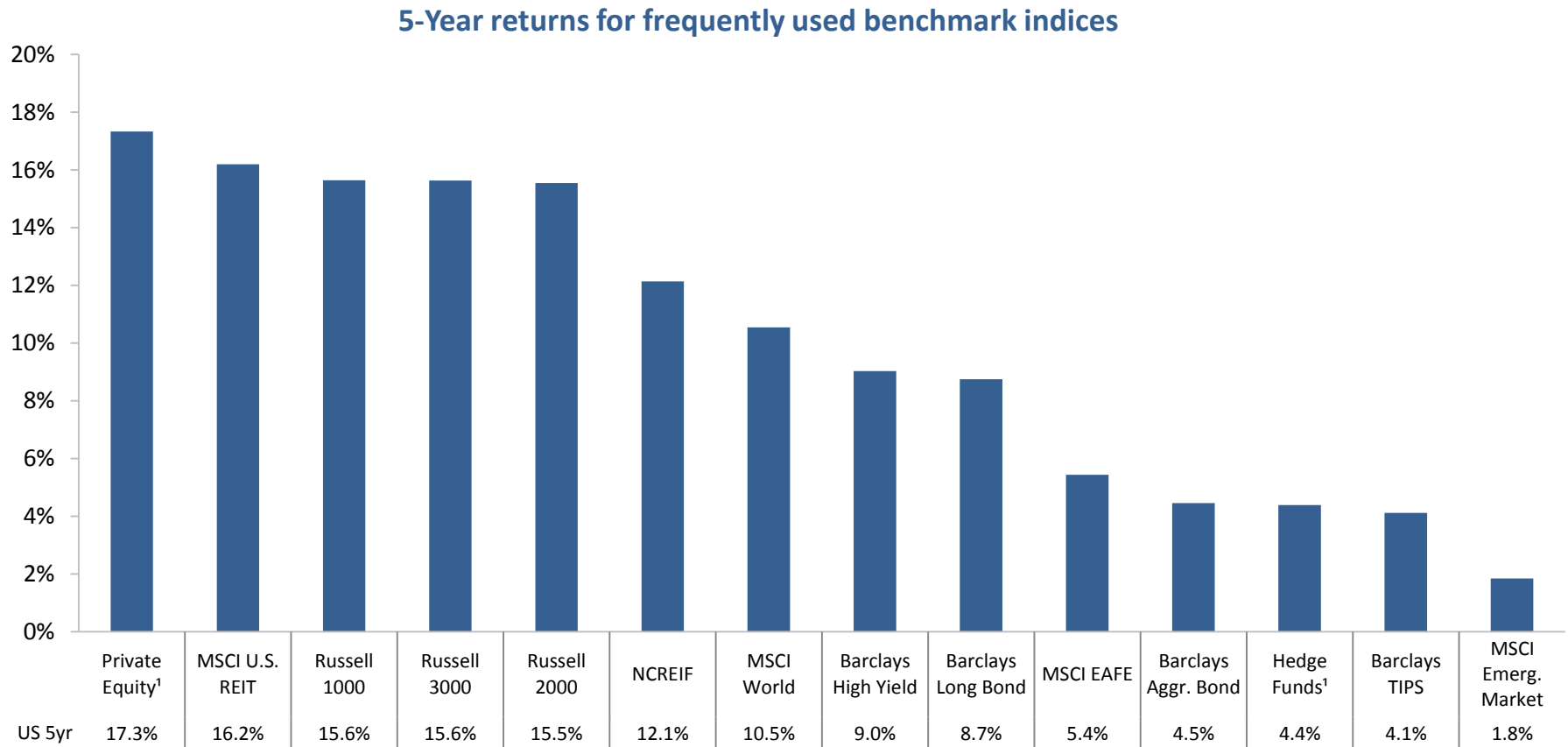
- Long term capital market expectations
- Liabilities
- Appetite for risk

Each of these three factors is different across funds. Therefore, it is not surprising that policy returns often vary widely between funds.



To enable fairer comparisons, the policy returns of all participants except your fund were adjusted to reflect private equity benchmarks based on lagged, investable, public-market indices. If CEM used this same adjustment for your fund, your 5-year policy return would be 9.9%, 0.5% lower than your actual 5-year policy return of 10.4%. Mirroring this, your 5-year total fund net value added would be 0.5% higher. Refer to the Research section pages 6-7 for details.

Differences in policy returns are caused by differences in benchmarks and policy mix.



1. The private equity benchmark is the average of the default private equity benchmark returns applied to U.S. participants. The hedge fund benchmark is the average benchmark return reported by U.S. participants.

Your 5-year policy return was above the U.S. Public median primarily because of:

- The positive impact of your higher weight in one of the better performing asset classes of the past 5 years: Private Equity (your 19% 5-year average weight versus a U.S. average of 8%).

5-Year average policy mix

	Your Fund	Peer Avg.	U.S. Public Avg.
U.S. Stock	0%	23%	25%
ACWIxUS Stock	0%	8%	9%
Global Stock	43%	7%	7%
EAFE/Emerging	0%	10%	10%
Total Stock	43%	48%	52%
U.S. Bonds	21%	20%	19%
Long Bonds	0%	0%	1%
Other Fixed Income ¹	4%	9%	8%
Total Fixed Income	25%	29%	27%
Hedge Funds	0%	3%	4%
Real Estate incl. REITS	12%	9%	7%
Other Real Assets ¹	2%	1%	2%
Private Equity	19%	9%	8%
Total	100%	100%	100%

1. Other fixed income includes Inflation Indexed, High Yield and Global bonds. Other real assets includes commodities, natural resources and infrastructure.

Your policy asset mix has changed over the past 5 years. At the end of 2014 your policy mix compared to your peers and the U.S. universe as follows:

Policy asset mix

Asset class	Your fund					Peer avg.	U.S. Public avg.
	2010	2011	2012	2013	2014	2014	2014
U.S. Stock	0%	0%	0%	0%	0.0%	22%	23%
ACWixUS Stock	0%	0%	0%	0%	0.0%	7%	9%
Global Stock	46%	43%	43%	42%	41.5%	8%	8%
EAFE/Emerging	0%	0%	0%	0%	0.0%	10%	11%
Total Stock	46%	43%	43%	42%	41.5%	47%	51%
U.S. Bonds	27%	19%	19%	17%	23.5%	19%	16%
Long Bonds	0%	0%	0%	0%	0.0%	0%	2%
Other Fixed Income ¹	0%	6%	6%	7%	0.0%	9%	7%
Total Fixed Income	27%	25%	25%	24%	23.5%	27%	25%
Hedge Funds	0%	0%	0%	0%	0.0%	4%	4%
Real Estate incl. REITS	11%	11%	11%	13%	12.5%	9%	8%
Other Real Assets ¹	0%	0%	5%	3%	2.5%	1%	3%
Private Equity	16%	21%	16%	20%	20.0%	10%	9%
Total	100%	100%	100%	100%	100.0%	100%	100%

1. Other fixed income includes Inflation Indexed, High Yield and Global bonds. Other real assets includes commodities, natural resources and infrastructure.

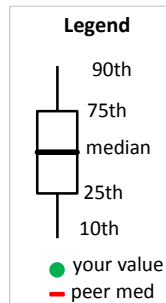
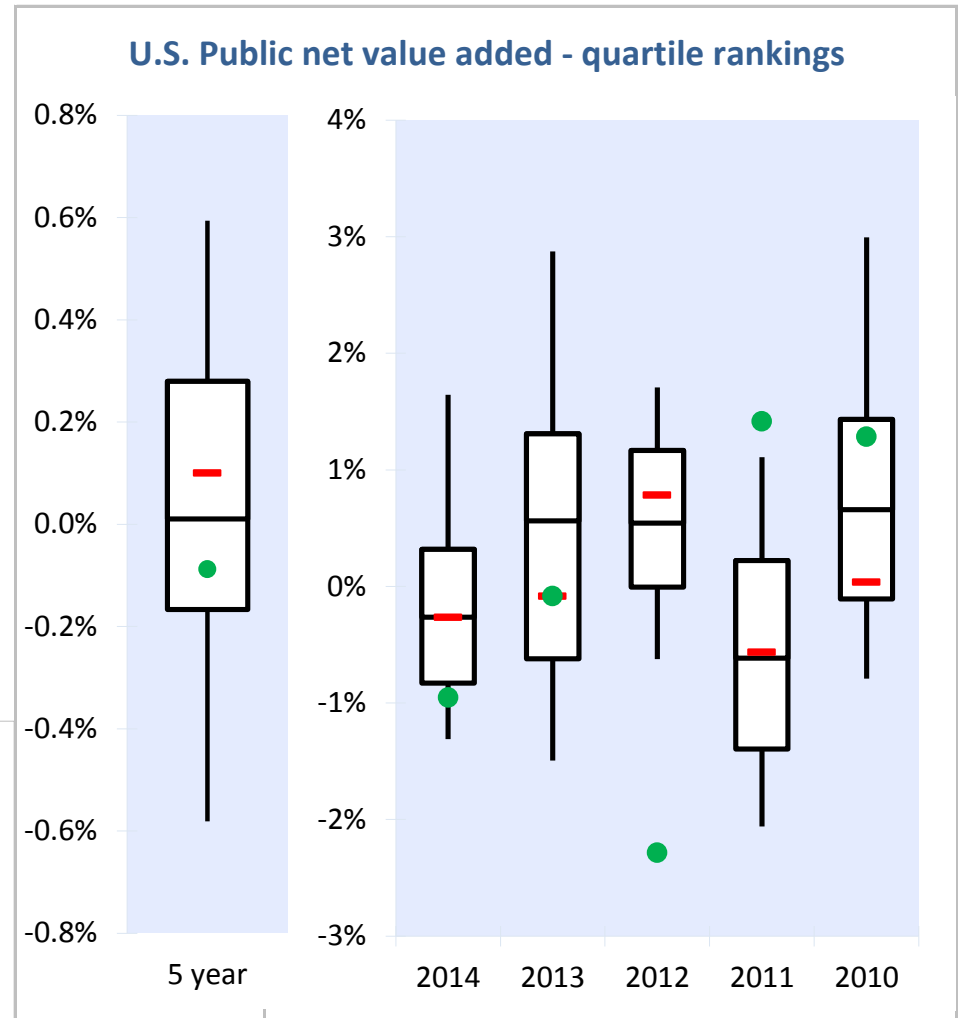
Net value added is the component of total return from active management. Your 5-year net value added was -0.1%.

Net value added equals total net return minus policy return.

Value added for Oregon Public Employees Retirement Fund

Year	Net Return	Policy Return	Net value Added
2014	7.3%	8.2%	(1.0%)
2013	15.6%	15.7%	(0.1%)
2012	14.3%	16.6%	(2.3%)
2011	2.2%	0.8%	1.4%
2010	12.6%	11.3%	1.3%
5-year	10.3%	10.4%	(0.1%)

Your 5-year net value added of -0.1% compares to a median of 0.1% for your peers and 0.0% for the U.S. Public universe.



Your value added was impacted by your choice of benchmarks for private equity. CEM suggests using lagged, investable benchmarks for private equity (see Research section, pages 6-7, for reasons why). If your fund used the private equity benchmark suggested by CEM, your 5-year total fund value added would have been 0.5% higher.

Your investment costs were \$509.6 million or 75.5 basis points in 2014.

Asset management costs by asset class and style (\$000s)	Internal Management			External Management			Total	
	Passive	Active	Overseeing of external	Passive fees	Active base fees	Perform. fees ³		
U.S. Stock - Broad/All			259		6,243	588	7,089	
U.S. Stock - Large Cap	16		522	168	10,343		11,049	
U.S. Stock - Small Cap	130		83		8,207		8,420	
Stock - Emerging		187	122		11,096		11,405	
Stock - ACWIxU.S.			747	585	38,895		40,227	
Stock - Global			235	405	3,696		4,336	
Fixed Income - U.S.			526		5,188		5,714	
Fixed Income - U.S. Gov't			135		4,337		4,472	
Fixed Income - Other			391		21,508		21,899	
Cash		358					358	
REITs			77		6,172		6,249	
Real Estate			770		14,855		15,625	
Real Estate - LPs			1,158		46,862		48,020	
Other Real Assets			1,424		30,670		32,094	
Diversified Private Equity			3,656		248,465 ¹		252,121	
Diversified Priv. Eq.- Fund of Funds			194		23,486 ²		23,681	
Other Private Equity			768		12,450		13,218	
Overlay Programs			16		580		596	
Total asset management costs excluding private asset performance fees							506,572	75.0bp
Oversight, custodial and other costs ⁴								
Oversight & consulting							2,625	
Trustee & custodial							138	
Other							308	
Total oversight, custodial & other costs							3,070	0.5bp
Total investment cost (excluding transaction and private asset performance fees)							509,643	75.5bp

Footnotes

¹ Cost derived from the partnership level detail you provided. Costs are based on partnership contract terms.

² Default underlying costs of 159 bps added to provided top-layer costs.

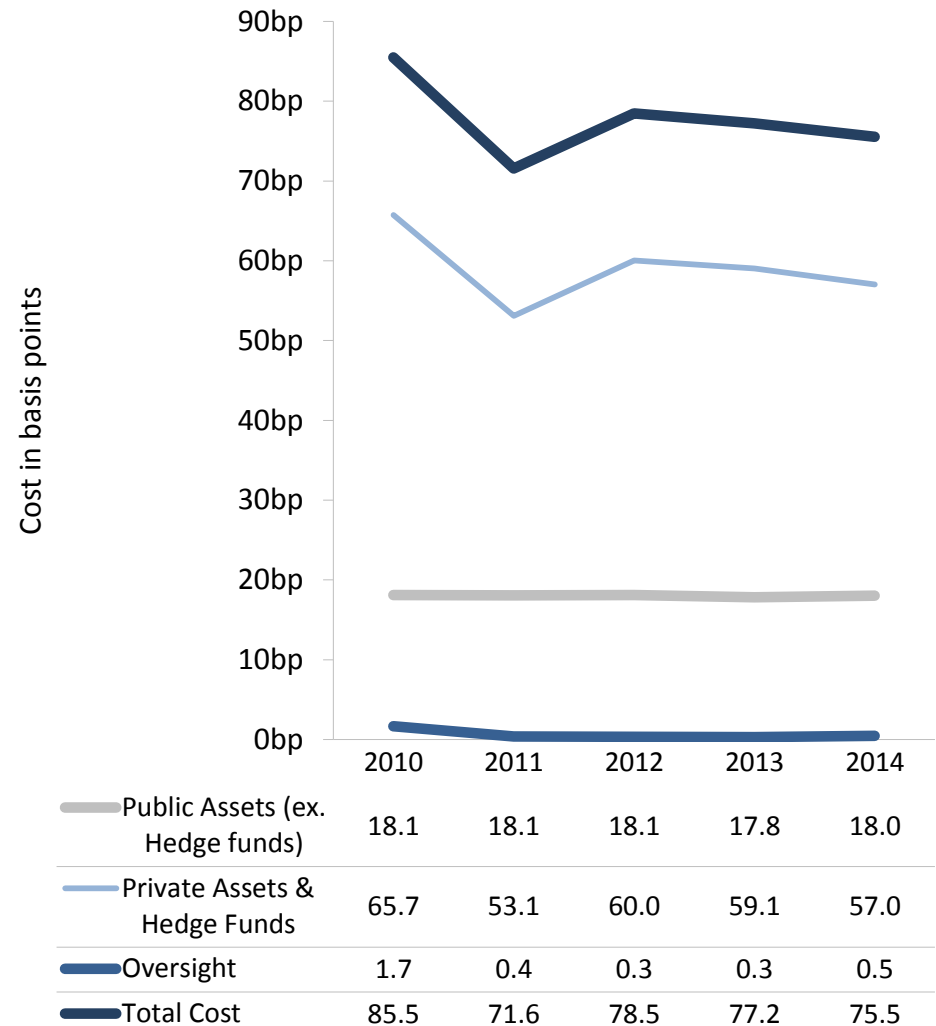
³ Total cost excludes carry/performance fees for real estate, infrastructure, natural resources and private equity. Performance fees are included for the public market asset classes and hedge funds.

⁴ Excludes non-investment costs, such as PBGC premiums and preparing checks for retirees.

Your costs decreased slightly between 2010 and 2014.

Your reduction in costs is almost entirely due to a reduction in private equity fees. This reduction could reflect a maturing, as opposed to growing private equity program. The amount on which private equity fees are based is usually the commitment amount during commitment period and net asset value afterwards.

Trend in your investment costs

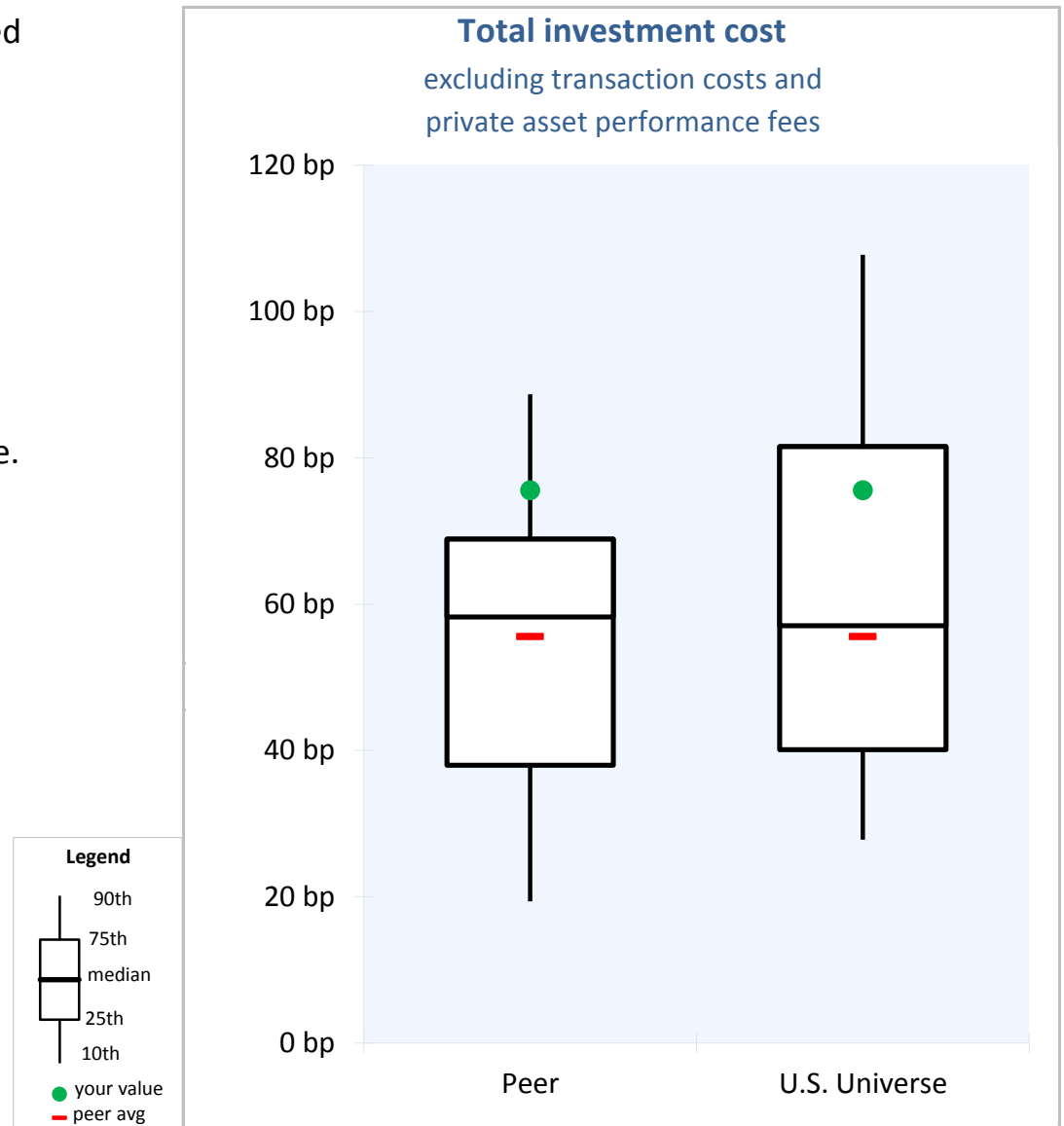


Your total investment cost of 75.5 bps was above the peer median of 58.2 bps.

Differences in total investment cost are often caused by two factors that are often outside of management's control:

- Asset mix, particularly holdings of the highest cost asset classes: real estate (excl REITS), infrastructure, hedge funds and private equity. These high cost assets equaled 32% of your funds assets at the end of 2014 versus a peer average of 23%.
- Fund size. Bigger funds have advantages of scale.

Therefore, to assess whether your costs are high or low given your unique asset mix and size, CEM calculates a benchmark cost for your fund. This analysis is shown on the following page.



Benchmark cost analysis suggests that, after adjusting for fund size and asset mix, your fund was low cost by 2.0 basis points in 2014.

Your benchmark cost is an estimate of what your cost would be given your actual asset mix and the median costs that your peers pay for similar services. It represents the cost your peers would incur if they had your actual asset mix.

Your total cost of 75.5 bp was below your benchmark cost of 77.5 bp. Thus, your cost savings was 2.0 bp.

Your cost versus benchmark

	\$000s	basis points
Your total investment cost	509,643	75.5 bp
Your benchmark cost	523,048	77.5 bp
Your excess cost	(13,406)	(2.0) bp

Your fund was low cost as a result of offsetting factors. You paid less than peers for similar services, which was partly offset because you had a higher cost implementation style.

Reasons for your low cost status

	Excess Cost/ (Savings)	
	\$000s	bps
1. Higher cost implementation style		
• Use of fund of funds	(123)	(0.0)
• More external active management (less lower cost passive and internal)	30,484	4.5
• More overlays	620	0.1
• Other style differences	(960)	(0.1)
	<u>30,021</u>	<u>4.5</u>
2. Paying less than peers for similar services		
• External investment management costs	(37,865)	(5.6)
• Internal investment management costs	(39)	(0.0)
• Oversight, custodial & other costs	(5,522)	(0.8)
	<u>(43,427)</u>	<u>(6.4)</u>
Total savings	(13,406)	(2.0)

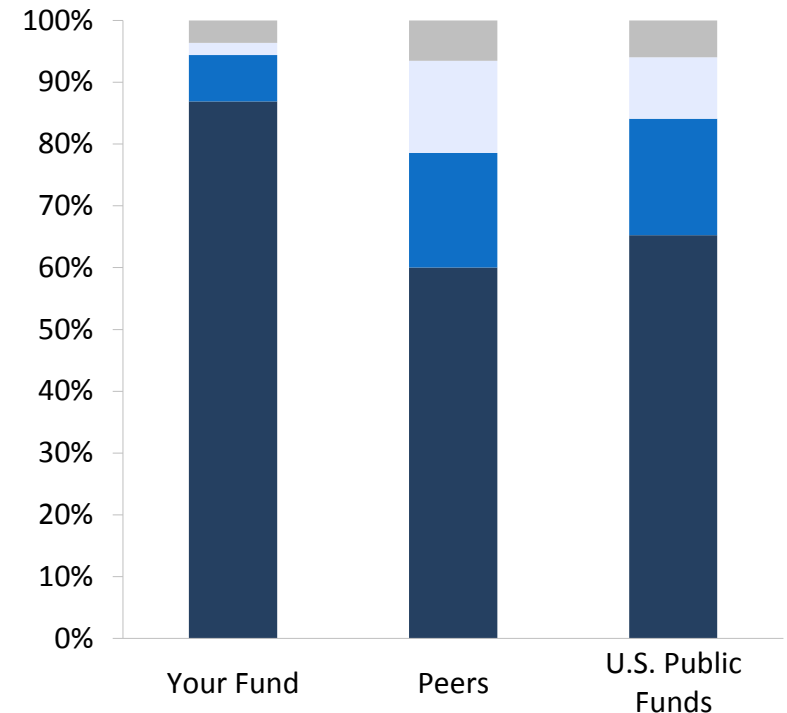
Differences in cost performance are often caused by differences in implementation style.

Implementation style is defined as the way in which your fund implements asset allocation. It includes internal, external, active, passive and fund of funds styles.

The greatest cost impact is usually caused by differences in the use of:

- External active management because it tends to be much more expensive than internal or passive management. You used more external active management than your peers (your 87% versus 60% for your peers).
- Within external active holdings, fund of funds usage because it is more expensive than direct fund investment. You had less in fund of funds. Your 5% of hedge funds, real estate and private equity in fund of funds compared to 10% for your peers.

Implementation style¹



Internal passive	4%	7%	6%
Internal active	2%	15%	10%
External passive	8%	19%	19%
External active	87%	60%	65%

1. The graph above does not take into consideration the impact of derivatives.

Differences in implementation style cost you 4.5 bp relative to your peers.

Calculation of the cost impact of differences in implementation style

Asset class	Your avg holdings in \$mils (A)	% External active			Premium vs passive & internal ¹ (C)	Cost/ (savings) \$000s bps (A X B X C)	
		You	Peer average	More/ (less) (B)			
U.S. Stock - Broad/All	1,924	100.0%	27.7%	72.3%	30.4 bp	4,234	
U.S. Stock - Large Cap	8,629	56.7%	20.5%	36.3%	24.4 bp	7,641	
U.S. Stock - Small Cap	1,916	59.0%	75.3%	(16.3%)	62.9 bp	(1,963)	
Stock - Emerging	1,978	88.3%	74.5%	13.9%	50.4 bp	1,383	
Stock - ACWixU.S.	11,190	82.5%	64.6%	17.9%	31.4 bp	6,274	
Stock - Global	1,743	54.5%	64.2%	(9.7%)	33.9 bp	(572)	
Fixed Income - U.S.	5,322	100.0%	53.6%	46.4%	10.1 bp	2,491	
Fixed Income - U.S. Gov't	4,914	100.0%	100.0%	0.0%		0	
Fixed Income - Other	4,423	100.0%	95.9%	4.1%	Insufficient ²	0	
REITs	1,715	100.0%	86.6%	13.4%	44.8 bp	1,033	
Real Estate ex-REITs	5,895	100.0%	90.5%	9.5%	55.4 bp	3,092	
of which Ltd Partnerships represent:		66.4%	40.8%	25.6%	45.5 bp	6,869	
Other Real Assets	988	100.0%	100.0%	0.0%		0	
Diversified Private Equity	19,339	100.0%	100.0%	0.0%	Insufficient ²	0	
Other private equity	911	100.0%	80.9%	19.1%	Insufficient ²	0	
Impact of less/more external active vs. lower cost styles						30,484	4.5 bp
		<u>Fund of funds % of LPs</u>			<u>vs. direct LP¹</u>		
Real Estate ex-REITs - LPs	3,914	0.0%	0.1%	(0.1%)	Insufficient ²	0	
Diversified Private Equity - LPs	19,339	6.3%	6.4%	(0.1%)	47.9 bp	(123)	
Impact of less/more fund of funds vs. direct LPs						(123)	(0.0) bp
<u>Overlays and other</u>							
Impact of higher use of portfolio level overlays						620	0.1 bp
Impact of mix of internal passive, internal active, and external passive ³						(960)	(0.1) bp
Total impact of differences in implementation style						30,021	4.5 bp

Footnotes

1. The cost premium is the additional cost of external active management relative to the average of other lower cost implementation styles - internal passive, internal active and external passive.
2. A cost premium listed as 'Insufficient' indicates that there was not enough peer data to calculate the premium.
3. The 'Impact of mix of internal passive, internal active and external passive' quantifies the net cost impact of differences in cost between, and your relative use of, these 'low-cost' styles.

The net impact of paying more/less for external asset management costs saved 5.6 bps.

Cost impact of paying more/(less) for external asset management

	Your avg holdings in \$mils (A)	Cost in bps			Cost/(savings)	
		Your Fund	Peer median	More/ (less) (B)	in \$000s (A X B)	bps
U.S. Stock - Broad/All - Active	1,924	36.8 ¹	31.5	5.4	1,037	
U.S. Stock - Large Cap - Passive	2,080	1.5	0.9	0.6	125	
U.S. Stock - Large Cap - Active	4,896	21.9	27.1	(5.2)	(2,550)	
U.S. Stock - Small Cap - Active	1,131	73.3	66.2	7.1	802	
Stock - Emerging - Active	1,748	64.2	61.4	2.8	493	
Stock - ACWIxU.S. - Passive	1,957	3.6	5.2	(1.6)	(321)	
Stock - ACWIxU.S. - Active	9,233	42.8	36.6	6.2	5,739	
Stock - Global - Passive	794	7.4	5.6	1.9	148	
Stock - Global - Active	949	39.5	39.5	0.0	0	
Fixed Income - U.S. - Active	5,322	10.7	12.8	(2.1)	(1,097)	
Fixed Income - U.S. Gov't - Active	4,914	9.1	13.0*	(3.9)	(1,937)	
Fixed Income - Other - Active	4,423	49.5	49.5	0.0	0	
REITs - Active	1,715	36.4	47.0	(10.5)	(1,809)	
Real Estate ex-REITs - Active	1,981	78.9	65.6	13.3	2,627	
Real Estate ex-REITs - Limited Partnership	3,914	122.7	111.1	11.5	4,518	
Other Real Assets - Active	988	324.8	Excluded			
Diversified Private Equity - Active	18,130	139.1	165.0	(25.9)	(47,016)	
Diversified Private Equity - Fund of Fund	1,209	195.8	212.9	(17.1)	(2,065)	
Other Private Equity - Active	911	145.1	102.4	42.7	3,893	
	<i>Notional</i>					
Derivatives/Overlays - Passive Beta	1,765	3.4	5.9*	(2.6)	(454)	
Total impact of paying more/less for external management					(37,865)	(5.6) bp

'Excluded' indicates that the asset class was excluded from this analysis due to comparability concerns with peers.

*Universe median used as peer data was insufficient.

¹ You paid performance fees in these asset classes.

The net impact of paying more/less for internal asset management costs rounds to 0.0 bps.

Cost impact of paying more/(less) for internal asset management

	Your avg holdings in \$mils (A)	Cost in bps			Cost/(savings)	
		Your Fund	Peer median	More/ (less) (B)	in \$000s (A X B)	bps
U.S. Stock - Large Cap - Passive	1,653	0.1	0.1	0.0	2	
U.S. Stock - Small Cap - Passive	785	1.7	2.2	(0.5)	(41)	
Stock - Emerging - Active	231	8.1	8.1	0.0	0	
Total impact of paying more/less for internal management					(39)	(0.0) bp

The net impact of differences in oversight, custodial & other costs saved 0.8 bps.

Cost impact of differences in oversight, custodial & other costs

	Your avg holdings in \$mils (A)	Cost in bps			Cost/(savings)	
		Your fund	Peer median	More/ (less) (B)	in \$000s (A X B)	bps
Oversight & consulting	67,460	0.4	0.9	(0.5)	(3,564)	
Custodial	67,460	0.0	0.2	(0.2)	(1,371)	
Audit	67,460	0.0	0.0	(0.0)	(251)	
Other	67,460	0.0	0.1	(0.0)	(337)	
Total					(5,522)	(0.8) bp

Benchmark cost analysis suggests that, after adjusting for fund size and asset mix, your fund was low cost by 2.0 basis points in 2014.

Why are you high/(low) cost by asset class?

Asset class/category	Due to impl. style \$000s	Due to paying more/ (less)	Total \$000s	Total bps
U.S. Stock - Broad/All	4,234	1,037	5,272	0.8 bp
U.S. Stock - Large Cap	6,840	(2,423)	4,417	0.7 bp
U.S. Stock - Small Cap	(2,055)	762	(1,293)	(0.2) bp
Stock - Emerging	1,318	493	1,810	0.3 bp
Stock - ACWIxU.S.	6,274	5,418	11,692	1.7 bp
Stock - Global	(572)	148	(424)	(0.1) bp
Fixed Income - U.S.	2,491	(1,097)	1,395	0.2 bp
Fixed Income - U.S. Gov't	0	(1,937)	(1,937)	(0.3) bp
Fixed Income - Other	0	0	0	N/A
Cash	0	0	0	N/A
REITs	1,033	(1,809)	(776)	(0.1) bp
Real Estate ex-REITs	9,962	7,145	17,107	2.5 bp
Other Real Assets	0	Excluded	0	N/A
Diversified Private Equity	(123)	(49,081)	(49,204)	(7.3) bp
Other private equity	0	3,893	3,893	0.6 bp
Overlays	620	(454)	166	0.0 bp
Oversight, Custodial & Other		(5,522)	(5,522)	(0.8) bp
Total	30,021	(43,427)	(13,406)	(2.0) bp

Summary of key takeaways

Returns

- Your 5-year net total return was 10.3%. This was above the U.S. Public median of 9.8% and above the peer median of 10.1%.
- Your 5-year policy return was 10.4%. This was above the U.S. Public median of 9.7% and above the peer median of 9.7%.

Value added

- Your 5-year net value added was -0.1%. This was close to the U.S. Public median of 0.0% and close to the peer median of 0.1%.

Cost

- Your investment cost of 75.5 bps was above the peer median cost of 58.2. You were higher cost because your investments were more heavily weighted in inherently higher cost private asset classes. However, your cost was below your benchmark cost of 77.5 bps. This suggests that your fund was low cost compared to your peers for similar assets.
- Your fund was low cost as a result of offsetting factors. You paid less than peers for similar services, which was partly offset because you had a higher cost implementation style.

Oregon Short Term Fund Policy Revisions

Date: October 28, 2015

Subject: OSTF Policy Revision

Oregon State Treasury (OST) staff is recommending revisions to the Oregon Short Term Fund Policy in order to update outdated language, separate policy from procedure (as part of an OST-wide effort), align our policy with BlackRock's Aladdin methodology and clean up the document for enhanced readability.

The following is a list of changes that are substantive in nature:

1. Policy & Procedure Separation – OST is undergoing an agency-wide effort to separate policy from procedure. In conjunction with this effort staff gathered procedural portions of the policy and placed them into a unique section that appears after the policy section.
2. Update to Government Guaranteed Securities – Staff removed outdated TLGP language and inserted language pertaining to securities guaranteed by a government entity.
3. Updated Maturity Language – Staff updated the maturity language to be clearer as to how the policy applies to securities with more than one maturity date proxy.
4. Municipal Security Exposure – The current policy does not contain an exposure limitation on municipal securities or to issuers of municipal securities. To be more conservative staff included a limitation for municipal securities and issuers of municipal securities.
5. Modification of The Ratings Grid – Staff modified the ratings grid to conform to our new BlackRock Aladdin compliance system. This modification resulted in a slight upgrade to short-term ratings. Staff also included a unique category for asset-backed securities that carry short term ratings to accurately reflect their long-term rating equivalency for use in calculating the weighted average credit quality of the fund.

FUNCTION: Short Term Investments**ACTIVITY: Portfolio Rules**

POLICY: The Oregon Investment Council has, with advice from the Treasurer, from OST investment staff, and from the Oregon Short Term Fund Board, adopted specific rules for investing the Oregon Short Term Fund (OSTF). These rules are included as sample form A.

PROCEDURES:

- 1. Verify Compliance With Portfolio Rules.** The Senior Fixed Income Investment Officer and Investment Officer(s) receive an Oregon Short Term Fund Daily Compliance Report. This report summarizes OSTF holdings by type of investment (asset allocation), by investment issuer, by time until investment maturity, and by investment quality (rating). The Daily Compliance Report also summarizes each Portfolio Rule as an "Objective," and compares the actual current portfolio to the objectives. The OSTF staff reviews this report, daily, to ensure compliance with portfolio rules.
- 2. Oversight of Compliance.** The Deputy State Treasurer, Chief Investment Officer, Chief Audit Executive, Risk & Compliance Officer, and Investment Accounting staff receive and review this same report daily. For meetings at which the OSTF is discussed, the Oregon Short Term Fund Board and the Oregon Investment Council receive and review the compliance report.
- 3. Correction of Non-Compliance.** If the OSTF is found to be out of compliance with one or more adopted portfolio rules, the Senior Fixed Income Investment Officer or Investment Officer(s) shall sell (or purchase) the securities necessary to bring about compliance as soon as is prudently feasible.

SAMPLE FORMS, DOCUMENTS, OR REPORTS (Attached):

- A. Oregon Short Term Fund Portfolio Rules

Sample Form A

Oregon Short Term Fund Portfolio Rules

These are the most current Portfolio Rules for the Oregon Short Term Fund which have been adopted by the Oregon Investment Council.

Portfolio Rules
For The
Oregon Short Term Fund
Revised November 2014

I. Scope

These rules apply to the investment of cash from all state and eligible local government participants of the Oregon Short Term Fund (“OSTF”). These rules are established under the authority of, and shall not supersede the requirements established under, ORS Chapter 293.

II. Investment Objectives

The primary objectives of investment activities, in priority order, shall be preservation of principal, liquidity, and yield.

- A. Preservation of Principal: Safety is the foremost objective of the OSTF rules. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk (see specific guidelines below).
- B. Liquidity: The OSTF shall remain sufficiently liquid to meet all state agency and local government operating requirements that may be reasonably anticipated. This is accomplished by structuring the OSTF so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the OSTF should consist largely of securities with active secondary or resale markets.
- C. Yield: The OSTF shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The majority of the OSTF is limited to highly rated/low risk securities in anticipation of earning a fair return relative to the risk being assumed.

III. Standards of Careⁱ

A. Prudence: The standard of prudence to be used by investment officers shall be the “prudent investor” standard and shall be applied in the context of managing the OSTF as a whole. Pursuant to ORS Chapter 293.726:

(1) The investment funds shall be invested and the investments of those funds managed as a prudent investor would do, under the circumstances then prevailing and in light of the purposes, terms, distribution requirements and laws governing each investment fund.

(2) The standard stated in subsection (1) of this section requires the exercise of reasonable care, skill and caution, and is to be applied to investments not in isolation but in the context of each investment fund’s investment portfolio and as a part of an overall investment strategy, which should incorporate risk and return objectives reasonably suitable to the particular investment fund.

B. Ethics and Conflicts of Interest: Officers involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Officers and employees shall, at all times, comply with the State of Oregon Government Standards and Practices code of ethics set forth in ORS Chapter 244, as well as all policies of the OST.

C. Delegation of Authority: The Senior Investment Officer and Investment Officer(s) (or the Investment Analyst acting under the direction of the Investment Officers) shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with these Portfolio Rules. No person may engage in an investment transaction except as provided under the terms of these Portfolio Rules and the procedures established by OST staff. The Senior Investment Officer and Investment Officer(s) are jointly responsible for all transactions undertaken, and shall establish a reasonable system of controls to regulate the activities of subordinate employees.

IV. Safekeeping and Custody

A. Authorized Financial Dealers and Institutions: All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply, as appropriate:

(1) Audited financial statements

(2) Licensing Representation form provided by OST

(3) Understanding and acknowledgement of OSTF Portfolio Rules located at

- B. Internal Controls: The Senior Investment Officer and Investment Officer(s) jointly collaborate to establish and maintain an adequate internal control structure designed to reasonably protect the assets of the OSTF from loss, theft or misuse.
- C. Delivery vs. Payment: All trades where applicable will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.
- D. Safekeeping: Securities will be held by a third-party custodian as evidenced by safekeeping receipts.

V. Maturity Distribution of Portfolio

- A. 50% of the portfolio must mature within 93 days.
- B. A maximum of 25% of the portfolio may mature over one year.
- C. No investment may mature in over 3 years as measured from settlement date. The OSTF Daily Compliance Report adheres to trade date accounting, thus creating potential short term exceptions on the Daily Compliance Report when a “new issue” 3-year security is purchased. Any such securities will be disclosed on the Daily Compliance Report, when purchased.
- D. For securities that have been called by the issuer, the effective call date will be used as a proxy for the maturity date.
- E. For securities with a put option, the date upon which the put option is fully exercisable for a value of at least 100% of the investment’s par or face amount will be used as a proxy for the maturity date.
- F. For variable rate securities, the period remaining to the next reset date will be used as a proxy for the maturity date.
- G. For Asset-Backed Securities, the weighted average life (WAL) will be used as a proxy for the maturity date.

VI. Diversification and Limitations of Portfolio**A. Eligible Securities:****(1) U.S. Treasury Securities**

- a. 100% of the portfolio may be in U.S. Treasury securities.

(2) Senior unsecured debt obligations guaranteed by the Federal Deposit Insurance Corporation (FDIC) under the Temporary Liquidity Guarantee Program (TLGP); Eligible TLGP debt obligations carry the full faith and credit of the United States.

- a. 50% maximum of portfolio per FDIC-guarantee exposure.

(3) U.S. Government Agency Securities

- a. 100% of the portfolio may be in U.S. Government Agency securities.
- b. 33% maximum of portfolio per agency issuer.
 - For newly issued Agency securities, and absent assigned ratings, “expected ratings” may be used as a proxy for assigned ratings for not more than 30 business days after the anticipated settlement date.

(4) Foreign Government Securities and their Instrumentalities

- a. 25% maximum of portfolio in foreign government securities and their instrumentalities.
- b. 10% maximum of portfolio per issuer.
- c. Foreign government securities must have minimum long-term ratings of AA-, Aa3, or AA-, or better, by Standard & Poor’s, Moody’s Investors Services, or Fitch Ratings, respectively, at the time of purchase.

(5) Corporate Indebtedness

- a. 50% maximum of portfolio in corporate indebtedness.
- b. 5% maximum of portfolio per issuer in commercial paper and corporate notes.
- c. Commercial Paper (CP) must have top-tier short term ratings by at least two of the following nationally recognized statistical rating organizations (NRSRO) at the time of purchase (Standard & Poor’s = minimum A-1, Moody’s Investors Services = minimum P-1, Fitch Ratings = minimum F1).
- d. Corporate notes must have minimum long-term ratings of A-, A3, or A-, or better, by Standard & Poor’s, Moody’s Investors Services, or Fitch Ratings, respectively, at the time of purchase.

- For newly issued corporate securities, and absent assigned ratings, “expected ratings” may be used as a proxy for actual ratings for not more than 30 business days after the anticipated settlement date.
 - e. 25% maximum of portfolio in total foreign exposure (government and corporate indebtedness)
- (6) Asset-Backed Securities (ABS)
- a. 15% maximum of portfolio in ABS limited to auto loan, equipment loan and credit card backed securities
 - b. 5% maximum of portfolio per issuing trust
 - c. ABS must have long term ratings of AAA, Aaa or AAA, or short term ratings of A-1+, P-1, or F-1+ by Standard & Poor’s, Moody’s Investor Services, or Fitch Ratings respectively, at the time of purchase.
- (7) Negotiable Certificates of Deposit (NCD’s)
- a. 20% maximum of portfolio in NCD’s.
 - b. 5% maximum of portfolio per issuer in domestic bank NCD’s.
 - c. NCD’s must have minimum ratings of AA-, Aa3, or AA-, or better, by Standard & Poor’s, Moody’s Investors Services, or Fitch Ratings, respectively, at the time of purchase.
- (8) Bankers’ Acceptances (BA’s)
- a. 20% maximum of portfolio in BA’s.
 - b. 5% maximum of portfolio per issuer in domestic bank BA’s.
 - c. BA’s must have minimum ratings of AA-, Aa3, or AA-, or better, by Standard & Poor’s, Moody’s Investors Services, or Fitch Ratings, respectively, at the time of purchase.
- (9) Time Certificates of Deposit (TCD’s)
- a. 20% maximum of portfolio in TCD’s.
 - b. Permitted TCD’s will be limited to qualified depositories as defined in ORS Chapter 295.005.
 - c. Maximum TCD exposure per depository must be no more than 5% of the bank’s total deposits, or \$100,000, whichever is greater. Maximum credit union exposure per depository shall be \$100,000.

- (10) Municipal Debt
- a. Municipal debt obligations (agencies, instrumentalities, and political subdivisions) that have long-term ratings of AA-, Aa3 or AA-, or better, or are rated in the highest category for short-term municipal debt by Standard & Poor's, Moody's Investors Services, or Fitch Ratings, respectively, at the time of purchase.
 - b. Commercial Paper (CP) must have top-tier short term ratings by at least two of the following nationally recognized statistical rating organizations (NRSRO) at the time of purchase (Standard & Poor's = minimum A-1; Moody's Investors Services = minimum P-1/MIG1/VMIG1, Fitch Ratings = minimum F1).
- (11) Repurchase Agreements
- a. Maximum maturity will be 90 days.
 - b. Net capital of counterparty must be greater than \$100 million.
 - c. Repurchase Agreements must equal no more than 2% of liabilities of the counterparty.
 - d. No more than 5% of OSTF assets shall be placed with the same counterparty for repurchases.
 - e. Counterparty must be a Primary Dealer as recognized by the Federal Reserve Bank. The only exception is OST's custodial agent as a non-primary dealer counterparty.
 - f. The counterparty must have a signed repurchase agreement.
 - g. Collateral must be delivered to the OST's account at its custodian or to an account established for the OST pursuant to the terms of the specific Repurchase Agreement in the name of the Office of the State Treasurer.
 - h. Collateral for repurchase agreements may be U.S. Treasury or U.S. Agency Discount and Coupon securities only. Collateral must have a final maturity of three years or less. The market value of the delivered collateral must be maintained at not less than 102% of the cash invested.
- (12) Reverse Repurchase Agreements
- a. Maximum maturity will be 90 days.
 - b. Net capital of counterparty must be greater than \$100 million.
 - c. Reverse Repurchase Agreements must equal no more than 2% of liabilities of the counterparty.
 - d. No more than 5% of OSTF assets shall be placed with the same counterparty for reverse repurchase agreements.
 - e. Counterparty must be a Primary Dealer as recognized by the Federal Reserve Bank.

- f. The counterparty must have a signed repurchase agreement.
 - g. Acceptable reinvestment vehicles include securities that may otherwise be purchased outright.
 - h. Securities will be reversed on a fully collateralized basis.
 - i. Reverse repurchase investments for interest rate arbitrage shall only be done on a matched book basis.
- B. All portfolio investments will be denominated in US\$ only.
- C. 10% maximum of portfolio per issuer on all securities and support commitments with the exception of U.S. Treasury (100% maximum) and Government Agency securities (33% per issuer).
- D. Securities that have been downgraded to below the minimum ratings will be sold or held at the Senior Investment Officer's (SIO) discretion. In the absence of the SIO, or if the SIO is inaccessible, Investment Officer(s) will have discretion to sell or hold the downgraded securities. Such securities will be disclosed in the OSTF Daily Compliance Report and actively monitored by OST staff. The Senior Investment Officer, or the Investment Officer(s), is responsible for bringing the OSTF back into compliance as soon as is practicable.
- E. A single rating will be determined for each investment based on the methodology:
- To determine rating for each investment:
 - i. When three NRSROs rate an issue, a median rating is used to determine eligibility by dropping the highest and/or lowest rating.
 - ii. When a rating from only two NRSROs is available, the lower ("most conservative") of the two is used.
 - iii. When a rating from only one NRSRO is available, that rating is used.

To determine average rating for each security, a numeric value will be assigned to each nationally recognized statistical rating organization's (NRSRO) rating based on the following scheme:

Value	Moody's Ratings		S&P Ratings		Fitch Ratings	
	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term
1	US Treasury		US Treasury		US Treasury	
1	Agency		Agency		Agency	
1	Aaa		AAA		AAA	
2	Aa1		AA+		AA+	
3	Aa2		AA		AA	
4	Aa3	P-1 ⁱⁱ	AA-	A-1+	AA-	F-1+
5	A1	P-1	A+	A-1	A+	F-1
6	A2		A		A	
7	A3	P-2	A-	A-2	A-	F-2
8	Baa1		BBB+		BBB+	
9	Baa2		BBB		BBB	
10	Baa3		BBB-		BBB-	

F. The target weighted average credit quality of the portfolio shall be <3.50).

G. No commitments to buy or sell securities may be made more than 14 business days prior to the anticipated settlement date, or receive a fee other than interest for future deliveries.

VII. Securities Lending for Reinvestment of Cash Collateral

A. Acceptable reinvestment vehicles include securities that may otherwise be purchased outright in accordance with the Portfolio Rules for the Oregon Short Term Fund (Sections VI). Within the securities lending program only, cash collateral may also be reinvested in:

- (1) Repurchase agreements collateralized by U.S. Treasury or U.S. Government Agency securities with a maximum original maturity of 30 years. No more than 25% of assets shall be placed with the same counterparty. Repurchase agreements may also be placed with the Federal Reserve Bank's Repo facility.

B. Net capital of lending counterparty must be over \$100 million.

- C. Securities will only be loaned on a fully collateralized basis.
- D. Lending counterparty must be a Primary Dealer as recognized by the Federal Reserve Bank, and have a signed master securities lending agreement.
- E. The market value of the delivered collateral must be maintained at not less than 102% of the market value of the securities loaned.
- F. Notwithstanding Section VI.A.11 hereof, Reverse Repurchase Agreements are prohibited within the securities lending program.

ⁱ As part of OST cash management policies, the State Treasurer may establish interfund loans or lines of credit to state agencies experiencing short-term, transitory cash imbalances created in the conduct of legislatively approved agency activities. All requests will be in writing with supporting documentation and will be signed by the agency head in addition to governing board or commission approval, where applicable, and subject to final approval by OST management. OST has determined that, at the time of the advance, a maximum of 1.5% of monies held in the OSTF will be available per state agency, with the exception of the General Fund, which will be limited to 10.0% of monies in the OSTF. All state agencies receiving interfund loans provide compensation to the OSTF at generally the higher of: (1) the spread of the three year average yield of the Merrill Lynch U.S. Corporate & Government, 1-3 Years, AA Rated and Above Index over the U.S. Treasury 2 Year Note plus an illiquidity premium of 50 basis points, or (2) the statutory minimum rate outlined in ORS 293.220.

ⁱⁱ Unlike S&P, Moody's does not differentiate short term ratings with a plus (+), which indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong. As such, in terms of average credit quality valuation, Moody's short term ratings/valuations will correspond to the lowest S&P short term ratings/valuations.

OFFICE OF THE STATE TREASURER

Policies and Procedures

FUNCTION: Short Term Investments

ACTIVITY: Portfolio Rules

POLICY: The Oregon Investment Council has, with advice from the Treasurer, from OST investment staff, and from the Oregon Short Term Fund Board, adopted specific rules for investing the Oregon Short Term Fund (OSTF). ~~These rules are included as sample form A.~~

PROCEDURES:

- ~~1. **Verify Compliance With Portfolio Rules.** The Senior Fixed Income Investment Officer and Investment Officer(s) receive an Oregon Short Term Fund Daily Compliance Report. This report summarizes OSTF holdings by type of investment (asset allocation), by investment issuer, by time until investment maturity, and by investment quality (rating). The Daily Compliance Report also summarizes each Portfolio Rule as an "Objective," and compares the actual current portfolio to the objectives. The OSTF staff reviews this report, daily, to ensure compliance with portfolio rules.~~
- ~~2. **Oversight of Compliance.** The Deputy State Treasurer, Chief Investment Officer, Chief Audit Executive, Risk & Compliance Officer, and Investment Accounting staff receive and review this same report daily. For meetings at which the OSTF is discussed, the Oregon Short Term Fund Board and the Oregon Investment Council receive and review the compliance report.~~
- ~~3. **Correction of Non-Compliance.** If the OSTF is found to be out of compliance with one or more adopted portfolio rules, the Senior Fixed Income Investment Officer or Investment Officer(s) shall sell (or purchase) the securities necessary to bring about compliance as soon as is prudently feasible.~~

SAMPLE FORMS, DOCUMENTS, OR REPORTS (Attached):

~~A. Oregon Short Term Fund Portfolio Rules~~

~~Sample Form A~~

Oregon Short Term Fund Portfolio Rules

~~These are the most current Portfolio Rules for the Oregon Short Term Fund which have been adopted by the Oregon Investment Council.~~

**Portfolio Rules
For The
Oregon Short Term Fund
Revised ~~November 2014~~ October 2015**

I. Scope

These rules apply to the investment of cash from all state and eligible local government participants ~~in~~ the Oregon Short Term Fund (“OSTF”). These rules are established under the authority of, and shall not supersede the requirements established under, ORS Chapter 293.

II. Investment Objectives

The primary objectives of investment activities, in priority order, shall be preservation of principal, liquidity, and yield.

- A. Preservation of Principal: ~~Capital preservation~~ Safety is the OSTF’s foremost objective, ~~and all OSTF i- of the OSTF rules.~~ Investments shall be ~~made~~ undertaken in a manner consistent therewith ~~that seeks to ensure the preservation of capital in the overall portfolio.~~ Credit and interest rate risks ~~The objective~~ will be carefully managed and to mitigated ~~credit risk and interest rate risk~~ (see specific guidelines below).
- B. Liquidity: The OSTF shall remain sufficiently liquid to meet all state, agency and local government operating requirements ~~that~~ may be reasonably anticipated. ~~This is accomplished by structuring the OSTF so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, t~~ The OSTF should consist largely of securities with active secondary or resale markets.
- C. Yield: ~~The~~ OSTF shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the aforementioned investment risk constraints and liquidity needs. ~~Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The majority of the OSTF is limited to highly rated/low risk securities in anticipation of earning a fair return relative to the risk being assumed.~~

III. Standards of Care¹

~~A. Prudence: The standard of prudence to be used by investment officers shall be the “prudent investor” standard and shall be applied in the context of managing the OSTF as a whole. Pursuant to ORS Chapter 293.726:~~

~~(1) The investment funds shall be invested and the investments of those funds managed as a prudent investor would do, under the circumstances then prevailing and in light of the purposes, terms, distribution requirements and laws governing each investment fund.~~

~~(2) The standard stated in subsection (1) of this section requires the exercise of reasonable care, skill and caution, and is to be applied to investments not in isolation but in the context of each investment fund’s investment portfolio and as a part of an overall investment strategy, which should incorporate risk and return objectives reasonably suitable to the particular investment fund.~~

~~B. Ethics and Conflicts of Interest: Officers involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Officers and employees shall, at all times, comply with the State of Oregon Government Standards and Practices code of ethics set forth in ORS Chapter 244, as well as all policies of the OST.~~

~~C. Delegation of Authority: The Senior Investment Officer and Investment Officer(s) (or the Investment Analyst acting under the direction of the Investment Officers) shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with these Portfolio Rules. No person may engage in an investment transaction except as provided under the terms of these Portfolio Rules and the procedures established by OST staff. The Senior Investment Officer and Investment Officer(s) are jointly responsible for all transactions undertaken, and shall establish a reasonable system of controls to regulate the activities of subordinate employees.~~

IV. Safekeeping and Custody

- ~~A. Authorized Financial Dealers and Institutions: All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply, as appropriate:~~
- ~~(1) Audited financial statements~~
 - ~~(2) Licensing Representation form provided by OST~~
 - ~~(3) Understanding and acknowledgement of OSTF Portfolio Rules located at~~
- ~~B. Internal Controls: The Senior Investment Officer and Investment Officer(s) jointly collaborate to establish and maintain an adequate internal control structure designed to reasonably protect the assets of the OSTF from loss, theft or misuse.~~
- ~~C. Delivery vs. Payment: All trades where applicable will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.~~
- ~~D. Safekeeping: Securities will be held by a third party custodian as evidenced by safekeeping receipts.~~

III. Maturity Distribution of Portfolio

- A. 50% of the OSTF portfolio must mature within 93 days.
- B. A maximum of 25% of the OSTF portfolio may mature over one year.
- ~~C. No investment may mature later than in over 3 years as measured from its settlement date. The OSTF Daily Compliance Report adheres to trade date accounting, thus creating potential short term exceptions on the Daily Compliance Report when a “new issue” 3-year security is purchased. Any such securities will be disclosed on the Daily Compliance Report, when purchased.~~
- ~~C.D. For purposes of this policy, maturity date will be calculated by using the following proxies, and if a security contains more than one of the following attributes, the shortest attribute will be used as the maturity date proxy:~~

1. For securities that have been called by the issuer, the effective call date will be used as ~~a proxy for~~ the maturity date proxy;
2. For securities with a put option, the date upon which the put option is fully exercisable for a value of at least 100% of the investment’s par or face amount will be used as ~~a~~ the maturity date proxy;
3. For variable rate securities, the period remaining to the next reset date will be used as the maturity date proxy;
4. For ~~a~~ Asset-Backed ~~s~~ Securities, the weighted average life (WAL) will be used as the maturity date proxy;

5.4.

V.IV. Diversification and Portfolio Limitations ~~of Portfolio~~

A. Eligible Securities:

<u>Issue Type</u>	<u>Maximum Holdings %</u>	<u>Minimum Ratings S&P/Moody’s/Fitch</u>
<u>U.S. Treasury Obligations (1)</u>	<u>100%</u>	<u>None</u>
<u>U.S. Agency Securities (1)</u>	<u>100%</u>	<u>None</u>
<u>Per Issuer</u>	<u>33%</u>	<u>None</u>
<u>Foreign Government & Instrumentalities (1)</u>	<u>25%</u>	<u>AA-/Aa2/AA-</u>
<u>Per Issuer</u>	<u>10%</u>	
<u>Corporate Securities (Total)</u>	<u>50%</u>	
<u>Corporate Bonds</u>	<u>50%</u>	<u>A-/A3/A-</u>
<u>Commercial Paper (2)</u>	<u>50%</u>	<u>A-1/P-1/F-1</u>
<u>Per Issuer</u>	<u>5%</u>	
<u>Asset-Backed Securities</u>	<u>15%</u>	<u>AAA/Aaa/AAA</u>
<u>Per Issuing Trust</u>	<u>5%</u>	<u>A-1+/P-1/F-1+</u>
<u>Negotiable Certificates of Deposit</u>	<u>20%</u>	<u>A-1/P-1/F-1</u>
<u>Per Issuer</u>	<u>5%</u>	
<u>Bankers’ Acceptances</u>	<u>20%</u>	<u>A-1/P-1/F-1</u>
<u>Per Issuer</u>	<u>5%</u>	
<u>Time Certificates of Deposit (3)</u>	<u>20%</u>	<u>A-1/P-1/F-1</u>
<u>Per Issuer</u>	<u>5%</u>	
<u>Municipal Debt (Total)</u>	<u>25%</u>	<u>AA-/Aa3/AA-</u>

OFFICE OF THE STATE TREASURER

Policies and Procedures

<u>Municipal Commercial Paper</u>	<u>25%</u>	<u>A-1/P-1/F-1</u>
<u>Short Term Municipal Obligations</u>	<u>25%</u>	<u>SP-1/(V)MIG1/F-1</u>
<u>Per Issuer</u>	<u>10%</u>	
<u>Repurchase Agreements (4)</u>	<u>100%</u>	<u>None</u>
<u>Per Counterparty</u>	<u>5%</u>	
<u>Reverse Repurchase Agreements (5)</u>	<u>100%</u>	<u>None</u>
<u>Per Counterparty</u>	<u>5%</u>	

- (1) Securities guaranteed by the U.S. Treasury, a U.S. Agency or a Foreign Government or its Instrumentality will be considered a U.S. Treasury, a U.S. Agency or a Foreign Government or its Instrumentality for the purposes of this policy.
- (2) Commercial Paper (CP) must have top-tier short term ratings by at least two of the nationally recognized statistical rating organizations (NRSROs) at the time of purchase.
- (3) Permitted Time Certificates of Deposit (TCDs)-s will be limited to qualified depositories as defined in ORS Chapter 295.005. Maximum TCD exposure per depository must be no more than 5% of the issuing bank's total deposits, or \$250,000, whichever is greater. Maximum credit union exposure per depository shall be \$250,000.
- (4) Repurchase agreements must meet the following criteria:
 - a) Maximum maturity will be 90 days:-
 - b) Net capital of counterparties must be greater than \$100 million:-
 - c) Repurchase Agreements must equal no more than 2% of a counterparty's liabilities:-of the counterparty-
 - d) Counterparties must be a Primary Dealer as recognized by the Federal Reserve Bank. The only exception is OST's custodial agent as a non-primary dealer counterparty:-
 - e) ~~C~~The counterparties must have a signed repurchase agreement:-
 - f) Collateral must be delivered to the OST's account at its custodian or to an account established for the OST pursuant to the terms of the specific Repurchase Agreement in the name of the Office of the State Treasurer; and-
 - g) Collateral for repurchase agreements may be U.S. Treasury or U.S. Agency Discount and Coupon securities only. Collateral must have a final maturity of three years or less. The market value of the delivered collateral must be maintained at not less than 102% of the cash invested.
- (5) Reverse Repurchase Agreements must meet the following criteria:
 - a) Maximum maturity will be 90 days:-
 - b) Net capital of counterparties must be greater than \$100 million:-
 - c) Reverse Repurchase Agreements must equal no more than 2% of a counterparty's liabilities:-of the counterparty-
 - d) Counterparties must be a Primary Dealer as recognized by the Federal Reserve Bank:-
 - e) ~~C~~The counterparties must have a signed repurchase agreement:- and-
 - f) Acceptable reinvestment vehicles include securities that may otherwise be purchased outright:-
 - g) Securities will be reversed on a fully collateralized basis; and-
 - h) Reverse repurchase investments for interest rate arbitrage shall only be done on a matched book basis.
 - (1) U.S. Treasury Securities
 - a. 100% of the portfolio may be in U.S. Treasury securities.
 - (2) Senior unsecured debt obligations guaranteed by the Federal Deposit Insurance Corporation (FDIC) under the Temporary Liquidity Guarantee Program (TLGP); Eligible TLGP debt obligations carry the full faith and credit of the United States.
 - a. 50% maximum of portfolio per FDIC guarantee exposure.
 - (3) U.S. Government Agency Securities
 - a. 100% of the portfolio may be in U.S. Government Agency securities.

~~b. 33% maximum of portfolio per agency issuer.~~

- ~~• For newly issued Agency securities, and absent assigned ratings, “expected ratings” may be used as a proxy for assigned ratings for not more than 30 business days after the anticipated settlement date.~~

~~(4) Foreign Government Securities and their Instrumentalities~~

- ~~a. 25% maximum of portfolio in foreign government securities and their instrumentalities.~~
- ~~b. 10% maximum of portfolio per issuer.~~
- ~~c. Foreign government securities must have minimum long term ratings of AA-, Aa3, or AA-, or better, by Standard & Poor’s, Moody’s Investors Services, or Fitch Ratings, respectively, at the time of purchase.~~

~~(5) Corporate Indebtedness~~

- ~~a. 50% maximum of portfolio in corporate indebtedness.~~
- ~~b. 5% maximum of portfolio per issuer in commercial paper and corporate notes.~~
- ~~c. Commercial Paper (CP) must have top tier short term ratings by at least two of the following nationally recognized statistical rating organizations (NRSRO) at the time of purchase (Standard & Poor’s = minimum A-1, Moody’s Investors Services = minimum P-1, Fitch Ratings = minimum F1).~~
- ~~d. Corporate notes must have minimum long term ratings of A-, A3, or A-, or better, by Standard & Poor’s, Moody’s Investors Services, or Fitch Ratings, respectively, at the time of purchase.~~
 - ~~• For newly issued corporate securities, and absent assigned ratings, “expected ratings” may be used as a proxy for actual ratings for not more than 30 business days after the anticipated settlement date.~~
- ~~e. 25% maximum of portfolio in total foreign exposure (government and corporate indebtedness)~~

~~(6) Asset Backed Securities (ABS)~~

- ~~a. 15% maximum of portfolio in ABS limited to auto loan, equipment loan and credit card backed securities~~
- ~~b. 5% maximum of portfolio per issuing trust~~
- ~~c. ABS must have long term ratings of AAA, Aaa or AAA, or short term ratings of A-1+, P-1, or F-1+ by Standard & Poor’s, Moody’s Investor Services, or Fitch Ratings respectively, at the time of purchase.~~

~~(7) Negotiable Certificates of Deposit (NCD's)~~

- ~~a. 20% maximum of portfolio in NCD's.~~
- ~~b. 5% maximum of portfolio per issuer in domestic bank NCD's.~~
- ~~c. NCD's must have minimum ratings of AA-, Aa3, or AA-, or better, by Standard & Poor's, Moody's Investors Services, or Fitch Ratings, respectively, at the time of purchase.~~

~~(8) Bankers' Acceptances (BA's)~~

- ~~a. 20% maximum of portfolio in BA's.~~
- ~~b. 5% maximum of portfolio per issuer in domestic bank BA's.~~
- ~~c. BA's must have minimum ratings of AA-, Aa3, or AA-, or better, by Standard & Poor's, Moody's Investors Services, or Fitch Ratings, respectively, at the time of purchase.~~

~~(9) Time Certificates of Deposit (TCD's)~~

- ~~a. 20% maximum of portfolio in TCD's.~~
- ~~b. Permitted TCD's will be limited to qualified depositories as defined in ORS Chapter 295.005.~~
- ~~c. Maximum TCD exposure per depository must be no more than 5% of the bank's total deposits, or \$100,000, whichever is greater. Maximum credit union exposure per depository shall be \$100,000.~~

~~(10) Municipal Debt~~

- ~~a. Municipal debt obligations (agencies, instrumentalities, and political subdivisions) that have long term ratings of AA-, Aa3 or AA-, or better, or are rated in the highest category for short term municipal debt by Standard & Poor's, Moody's Investors Services, or Fitch Ratings, respectively, at the time of purchase.~~
- ~~b. Commercial Paper (CP) must have top tier short term ratings by at least two of the following nationally recognized statistical rating organizations (NRSRO) at the time of purchase (Standard & Poor's = minimum A-1; Moody's Investors Services = minimum P-1/MIG1/VMIG1, Fitch Ratings = minimum F1).~~

~~(11) Repurchase Agreements~~

- ~~a. Maximum maturity will be 90 days.~~

- ~~b. Net capital of counterparty must be greater than \$100 million.~~
- ~~c. Repurchase Agreements must equal no more than 2% of liabilities of the counterparty.~~
- ~~d. No more than 5% of OSTF assets shall be placed with the same counterparty for repurchases.~~
- ~~e. Counterparty must be a Primary Dealer as recognized by the Federal Reserve Bank. The only exception is OST's custodial agent as a non-primary dealer counterparty.~~
- ~~f. The counterparty must have a signed repurchase agreement.~~
- ~~g. Collateral must be delivered to the OST's account at its custodian or to an account established for the OST pursuant to the terms of the specific Repurchase Agreement in the name of the Office of the State Treasurer.~~
- ~~h. Collateral for repurchase agreements may be U.S. Treasury or U.S. Agency Discount and Coupon securities only. Collateral must have a final maturity of three years or less. The market value of the delivered collateral must be maintained at not less than 102% of the cash invested.~~

~~(12) Reverse Repurchase Agreements~~

- ~~a. Maximum maturity will be 90 days.~~
- ~~b. Net capital of counterparty must be greater than \$100 million.~~
- ~~c. Reverse Repurchase Agreements must equal no more than 2% of liabilities of the counterparty.~~
- ~~d. No more than 5% of OSTF assets shall be placed with the same counterparty for reverse repurchase agreements.~~
- ~~e. Counterparty must be a Primary Dealer as recognized by the Federal Reserve Bank.~~
- ~~f. The counterparty must have a signed repurchase agreement.~~
- ~~g. Acceptable reinvestment vehicles include securities that may otherwise be purchased outright.~~
- ~~h. Securities will be reversed on a fully collateralized basis.~~
- ~~i. Reverse repurchase investments for interest rate arbitrage shall only be done on a matched book basis.~~

B. All OSTF portfolio investments must be denominated in U.S. \$ only.

B.C. Total foreign exposure (government and corporate indebtedness) limited to 25% maximum of OSTF portfolio. in total foreign exposure (government and corporate indebtedness)

~~C.D.~~ Any one individual issuer of securities or support commitments limited to 10% maximum of OSTF portfolio per issuer on all securities and support commitments with the exception of the U.S. Treasury (100% maximum) and U.S. gGovernment aAgency securities (33% per issuer).

~~D.E.~~ Securities that have been downgraded ~~to~~ below the minimum ratings will be sold or held at the Senior Investment Officer's (SIO) or SIO designee's Investment Officer's (IO) discretion. ~~In the absence of the SIO, or if the SIO is inaccessible, Investment Officer(s) will have discretion to sell or hold the downgraded securities. Such securities will be disclosed in the OSTF Daily Compliance Report and actively monitored by OST staff. The Senior Investment Officer, or the Investment Officer(s), is responsible for bringing the OSTF back into compliance as soon as is practicable.~~

F. A single rating will be determined for each investment based on the following methodology:

~~E.~~

~~a.~~ To determine rating for each investment:

- ~~i.~~ i. When three nationally recognized statistical rating organizations (NRSROs) rate an issue, a median rating is used to determine eligibility by dropping the highest and/or lowest rating;
- ~~ii.~~ ii. When a rating from only two NRSROs is available, the lower ("most conservative") of the two ratings will be is used; and;
- ~~iii.~~ iii. When a rating from only one NRSRO is available, that rating will be is used.

To determine average rating for each security, a numeric value will be assigned to each nationally recognized statistical rating organization's (NRSRO) rating based on the following scheme:

OFFICE OF THE STATE TREASURER

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<u>Value</u>	<u>S&P Rating</u>	<u>Moody's Rating</u>	<u>Fitch Rating</u>
<u>29</u>	<u>U.S. Treasury & Agency AAA/A-1+(1)</u>	<u>U.S. Treasury & Agency Aaa/P-1(1)</u>	<u>U.S. Treasury & Agency AAA/F-1+(1)</u>
<u>28</u>	<u>AA+</u>	<u>Aa1</u>	<u>AA+</u>
<u>27</u>	<u>AA/A-1+/SP-1+</u>	<u>Aa2</u>	<u>AA/F-1+</u>
<u>26</u>	<u>AA-</u>	<u>Aa3/P-1/MIG1/VMIG1</u>	<u>AA-</u>
<u>25</u>	<u>A+</u>	<u>A1</u>	<u>A+</u>
<u>24</u>	<u>A/A-1/SP-1</u>	<u>A2</u>	<u>A</u>
<u>23</u>	<u>A-</u>	<u>A3</u>	<u>A-</u>
<u>22</u>	<u>BBB+/A-2/SP-2</u>	<u>Baa1/P-2/MIG2/VMIG2</u>	<u>BBB+/F-2</u>
<u>21</u>	<u>BBB</u>	<u>Baa2</u>	<u>BBB</u>
<u>20</u>	<u>BBB-/A-3/SP-3</u>	<u>Baa3/P-3/SP-3</u>	<u>BBB-/F-3</u>

(1) Limited to Asset-Backed Securities rated A-1+, P-1 and F-1+ by Standard & Poor's, Moody's and Fitch respectively.

<u>Value</u>	<u>Moody's Ratings</u>		<u>S&P Ratings</u>		<u>Fitch Ratings</u>	
	<u>Long-Term</u>	<u>Short-Term</u>	<u>Long-Term</u>	<u>Short-Term</u>	<u>Long-Term</u>	<u>Short-Term</u>
<u>1</u>	<u>US Treasury</u>		<u>US Treasury</u>		<u>US Treasury</u>	
<u>1</u>	<u>Agency</u>		<u>Agency</u>		<u>Agency</u>	
<u>1</u>	<u>Aaa</u>		<u>AAA</u>		<u>AAA</u>	
<u>2</u>	<u>Aa1</u>		<u>AA+</u>		<u>AA+</u>	
<u>3</u>	<u>Aa2</u>		<u>AA</u>		<u>AA</u>	
<u>4</u>	<u>Aa3</u>	<u>P-1[#]</u>	<u>AA-</u>	<u>A-1+</u>	<u>AA-</u>	<u>F-1+</u>
<u>5</u>	<u>A1</u>	<u>P-1</u>	<u>A+</u>	<u>A-1</u>	<u>A+</u>	<u>F-1</u>
<u>6</u>	<u>A2</u>		<u>A</u>		<u>A</u>	
<u>7</u>	<u>A3</u>	<u>P-2</u>	<u>A-</u>	<u>A-2</u>	<u>A-</u>	<u>F-2</u>
<u>8</u>	<u>Baa1</u>		<u>BBB+</u>		<u>BBB+</u>	
<u>9</u>	<u>Baa2</u>		<u>BBB</u>		<u>BBB</u>	
<u>10</u>	<u>Baa3</u>		<u>BBB-</u>		<u>BBB-</u>	

G. The target weighted average credit quality of the OSTF portfolio shall be AA (or > <326.50-).

~~F.H.~~ For newly issued securities, and absent assigned ratings, “expected ratings” may be used as a proxy for actual ratings for not more than 30 business days after the anticipated settlement date.

~~G.I.~~ No commitments to buy or sell securities may be made more than 14 business days prior to the anticipated settlement date, or receive a fee other than interest for future deliveries.

~~VII.V.~~ Securities Lending for Reinvestment of Securities Lending Cash Collateral

A. Acceptable reinvestment vehicles include securities that may otherwise be purchased outright in accordance with the Portfolio Rules for the Oregon Short Term Fund (Sections VI). Within the securities lending program only, cash collateral may also be reinvested in:

(1) Repurchase agreements collateralized by U.S. Treasury or U.S. Government Agency securities with a maximum original maturity of 30 years. No more than 25% of assets shall be placed with the same counterparty. Repurchase agreements may also be placed with the Federal Reserve Bank’s Repo facility.

B. Net capital of lending counterparties must be over \$100 million.

C. Securities will only be loaned on a fully collateralized basis.

D. Lending counterparties must be a Primary Dealer as recognized by the Federal Reserve Bank, and have a signed master securities lending agreement.

~~E.~~ The market value of the delivered collateral must be maintained at not less than 102% of the market value of the securities loaned.

~~F.E.~~

~~G.F.~~ Notwithstanding Section VI.A.11 hereof, Reverse Repurchase Agreements are prohibited within the securities lending program.

PROCEDURES:

I. Standards of Care

A. Prudence: Investment officers shall use the “prudent investor” standard to guide their OSTF management efforts. Pursuant to ORS Chapter 293.726

(1) The investment funds shall be invested and the investments of those funds managed as a prudent investor would do, under the circumstances then prevailing and in light of the purposes, terms, distribution requirements and laws governing each investment fund; and

(2) The standard in subsection (1) of this section requires the exercise of reasonable care, skill and caution, and is to be applied to investments not in isolation but in the context of each investment fund's investment portfolio and as a part of an overall investment strategy, which should incorporate risk and return objectives reasonably suitable to the particular investment fund.

B. Ethics and Conflicts of Interest: Officer involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions. Officers and employees shall, at all times, comply with the State of Oregon Government Standards and Practices code of ethics set forth in ORS Chapter 244, as well as all policies of the OST.

C. Delegation of Authority: The Senior Investment Officer and Investment Officer(s) (or the Investment Analyst acting under the direction of the Investment Officers) shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with these Portfolio Rules. No person may engage in an investment transaction except as provided under the terms of these Portfolio Rules and the procedures established by OST staff. The Senior Investment Officer and Investment Officer(s) are jointly responsible for all transactions undertaken, and shall establish a reasonable system of controls to regulate the activities of subordinate employees.

II. Compliance

A. Compliance Monitoring: OST shall provide an investment compliance program to accomplish the following objectives: a) monitor and evaluate portfolios, asset classes, and other investment funds to determine compliance with OST policies and contractual obligations; b) identify instances of non-compliance and develop appropriate resolution strategies; c) provide relevant compliance information and reports to OST management and the OIC, as appropriate; and d) verify resolution by the appropriate individual or manager within the appropriate time frame.

B. Correction of Non-compliance: If the OSTF is found to be out of compliance with one or more adopted investment guidelines or is being managed inconsistently with its policy and objectives, investment staff shall bring the OSTF portfolio into compliance as soon as is prudently feasible. Actions to bring the portfolio back into compliance and justification for such actions, including documentation of proposed and actual resolution strategies shall be coordinated with the OST investment compliance program.

III. Safekeeping and Custody

A. Authorized Financial Dealers and Institutions: All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply, as appropriate:

(1) Audited financial statements

(2) Licensing Representation form provided to OST

(3) Understanding and acknowledgment of OSTF Portfolio Rules

B. Internal Controls: The Senior Investment Officer and Investment Officer(s) jointly collaborate to establish and maintain an adequate internal control structure designed to reasonably protect the assets of the OSTF from loss, theft or misuse.

C. Delivery vs. Payment: All trades where applicable will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

D. Safekeeping: Securities will be held by a third-party custodian as evidenced by safekeeping receipts.

ⁱAs part of OST cash management policies, the State Treasurer may establish interfund loans or lines of credit to state agencies experiencing short term, transitory cash imbalances created in the conduct of legislatively approved agency activities. All requests will be in writing with supporting documentation and will be signed by the agency head in addition to governing board or commission approval, where applicable, and subject to final approval by OST management. OST has determined that, at the time of the advance, a maximum of 1.5% of monies held in the OSTF will be available per state agency, with the exception of the General Fund, which will be limited to 10.0% of monies in the OSTF. All state agencies receiving interfund loans provide

compensation to the OSTF at generally the higher of: (1) the spread of the three year average yield of the Merrill Lynch U.S. Corporate & Government, 1-3 Years, AA Rated and Above Index over the U.S. Treasury 2 Year Note plus an illiquidity premium of 50 basis points, or (2) the statutory minimum rate outlined in ORS 293.220.

Unlike S&P, Moody's does not differentiate short term ratings with a plus (+), which indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong. As such, in terms of average credit quality valuation, Moody's short term ratings/valuations will correspond to the lowest S&P short term ratings/valuations.

FUNCTION: Short Term Investments

ACTIVITY: Portfolio Rules

POLICY: The Oregon Investment Council has, with advice from the Treasurer, from OST investment staff, and from the Oregon Short Term Fund Board, adopted specific rules for investing the Oregon Short Term Fund (OSTF).

**Portfolio Rules
For The
Oregon Short Term Fund
Revised October 2015**

I. Scope

These rules apply to the investment of cash from all state and eligible local government participants in the Oregon Short Term Fund (“OSTF”). These rules are established under the authority of, and shall not supersede the requirements established under, ORS Chapter 293.

II. Investment Objectives

The primary objectives of investment activities, in priority order, shall be preservation of principal, liquidity, and yield.

- A. Preservation of Principal: Capital preservation is the OSTF’s foremost objective, and all OSTF investments shall be made in a manner consistent therewith. Credit and interest rate risks will be carefully managed and mitigated (see specific guidelines below).
- B. Liquidity: The OSTF shall remain sufficiently liquid to meet all state, agency and local government operating requirements as may be reasonably anticipated. The OSTF should consist largely of securities with active secondary or resale markets.
- C. Yield: The OSTF shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the aforementioned investment risk constraints and liquidity needs.

III. Maturity Distribution of Portfolio

- A. 50% of the OSTF portfolio must mature within 93 days.
- B. A maximum of 25% of the OSTF portfolio may mature over one year.
- C. No investment may mature later than 3 years from its settlement date.
- D. For purposes of this policy, maturity date will be calculated by using the following proxies, and if a security contains more than one of the following attributes, the shortest attribute will be used as the maturity date proxy:
1. For securities that have been called by the issuer, the effective call date will be used as the maturity date proxy;
 2. For securities with a put option, the date upon which the put option is fully exercisable for a value of at least 100% of the investment's par or face amount will be used as the maturity date proxy;
 3. For variable rate securities, the period remaining to the next reset date will be used as the maturity date proxy; and
 4. For asset-backed securities, the weighted average life (WAL) will be used as the maturity date proxy.

IV. Diversification and Portfolio Limitations

A. Eligible Securities:

Issue Type	Maximum Holdings %	Minimum Ratings S&P/Moody's/Fitch
U.S. Treasury Obligations (1)	100%	None
U.S. Agency Securities (1)	100%	None
Per Issuer	33%	None
Foreign Government & Instrumentalities (1)	25%	AA-/Aa2/AA-
Per Issuer	10%	
Corporate Securities (Total)	50%	
Corporate Bonds	50%	A-/A3/A-
Commercial Paper (2)	50%	A-1/P-1/F-1

Per Issuer	5%	
Asset-Backed Securities	15%	AAA/Aaa/AAA
Per Issuing Trust	5%	A-1+/P-1/F-1+
Negotiable Certificates of Deposit	20%	A-1/P-1/F-1
Per Issuer	5%	
Bankers' Acceptances	20%	A-1/P-1/F-1
Per Issuer	5%	
Time Certificates of Deposit (3)	20%	A-1/P-1/F-1
Per Issuer	5%	
Municipal Debt (Total)	25%	AA-/Aa3/AA-
Municipal Commercial Paper	25%	A-1/P-1/F-1
Short Term Municipal Obligations	25%	SP-1/(V)MIG1/F-1
Per Issuer	10%	
Repurchase Agreements (4)	100%	None
Per Counterparty	5%	
Reverse Repurchase Agreements (5)	100%	None
Per Counterparty	5%	

- (1) Securities guaranteed by the U.S. Treasury, a U.S. Agency or a Foreign Government or its Instrumentality will be considered a U.S. Treasury, a U.S. Agency or a Foreign Government or its Instrumentality for the purposes of this policy.
- (2) Commercial Paper (CP) must have top-tier short term ratings by at least two of the nationally recognized statistical rating organizations (NRSROs) at the time of purchase.
- (3) Permitted Time Certificates of Deposit (TCDs) will be limited to qualified depositories as defined in ORS Chapter 295.005. Maximum TCD exposure per depository must be no more than 5% of the issuing bank's total deposits, or \$250,000, whichever is greater. Maximum credit union exposure per depository shall be \$250,000.
- (4) Repurchase agreements must meet the following criteria:
 - a) Maximum maturity will be 90 days;
 - b) Net capital of counterparties must be greater than \$100 million;
 - c) Repurchase Agreements must equal no more than 2% of a counterparty's liabilities;
 - d) Counterparties must be a Primary Dealer as recognized by the Federal Reserve Bank. The only exception is OST's custodial agent as a non-primary dealer counterparty;
 - e) Counterparties must have a signed repurchase agreement;
 - f) Collateral must be delivered to the OST's account at its custodian or to an account established for the OST pursuant to the terms of the specific Repurchase Agreement in the name of the Office of the State Treasurer; and
 - g) Collateral for repurchase agreements may be U.S. Treasury or U.S. Agency Discount and Coupon securities only. Collateral must have a final maturity of three years or less. The market value of the delivered collateral must be maintained at not less than 102% of the cash invested.
- (5) Reverse Repurchase Agreements must meet the following criteria:
 - a) Maximum maturity will be 90 days;
 - b) Net capital of counterparties must be greater than \$100 million;
 - c) Reverse Repurchase Agreements must equal no more than 2% of a counterparty's liabilities;
 - d) Counterparties must be a Primary Dealer as recognized by the Federal Reserve Bank;
 - e) Counterparties must have a signed repurchase agreement; and
 - f) Acceptable reinvestment vehicles include securities that may otherwise be purchased outright;
 - g) Securities will be reversed on a fully collateralized basis; and
 - h) Reverse repurchase investments for interest rate arbitrage shall only be done on a matched book basis.

B. All OSTF portfolio investments must be denominated in U.S. \$.

- C. Total foreign exposure (government and corporate indebtedness) limited to 25% of OSTF portfolio.
- D. Any one individual issuer of securities or support commitments limited to 10% of OSTF portfolio with the exception of the U.S. Treasury (100% maximum) and U.S. government agency securities (33% per issuer).
- E. Securities that have been downgraded below the minimum ratings will be sold or held at the Senior Investment Officer’s (SIO) or SIO designee’s discretion.
- F. A single rating will be determined for each investment based on the following methodology:
 - i. When three nationally recognized statistical rating organizations (NRSROs) rate an issue, a median rating is used to determine eligibility by dropping the highest and/or lowest rating;
 - ii. When a rating from only two NRSROs is available, the lower (“most conservative”) of the two ratings will be used; and
 - iii. When a rating from only one NRSRO is available, that rating will be used.

To determine average rating for each security, a numeric value will be assigned to each NRSRO rating based on the following scheme:

Value	S&P Rating	Moody’s Rating	Fitch Rating
29	U.S. Treasury & Agency AAA/A-1+(1)	U.S. Treasury & Agency Aaa/P-1(1)	U.S. Treasury & Agency AAA/F-1+(1)
28	AA+	Aa1	AA+
27	AA/A-1+/SP-1+	Aa2	AA/F-1+
26	AA-	Aa3/P-1/MIG1/VMIG1	AA-
25	A+	A1	A+
24	A/A-1/SP-1	A2	A
23	A-	A3	A-
22	BBB+/A-2/SP-2	Baa1/P-2/MIG2/VMIG2	BBB+/F-2
21	BBB	Baa2	BBB
20	BBB-/A-3/SP-3	Baa3/P-3/SP-3	BBB-/F-3

(1) Limited to Asset-Backed Securities rated A-1+, P-1 and F-1+ by Standard & Poor’s, Moody’s and Fitch respectively.

- G. The target weighted average credit quality of the OSTF portfolio shall be AA (or > 26.50).

- H. For newly issued securities, and absent assigned ratings, “expected ratings” may be used as a proxy for actual ratings for not more than 30 business days after the anticipated settlement date.
- I. No commitments to buy or sell securities may be made more than 14 business days prior to the anticipated settlement date, or receive a fee other than interest for future deliveries.

V. Reinvestment of Securities Lending Cash Collateral

- A. Acceptable reinvestment vehicles include securities that may otherwise be purchased outright in accordance with the Portfolio Rules for the Oregon Short Term Fund (Sections VI). Within the securities lending program only, cash collateral may also be reinvested in:
 - (1) Repurchase agreements collateralized by U.S. Treasury or U.S. Government Agency securities with a maximum original maturity of 30 years. No more than 25% of assets shall be placed with the same counterparty. Repurchase agreements may also be placed with the Federal Reserve Bank’s Repo facility.
- B. Net capital of lending counterparties must be over \$100 million.
- C. Securities will only be loaned on a fully collateralized basis.
- D. Lending counterparties must be a Primary Dealer as recognized by the Federal Reserve Bank, and have a signed master securities lending agreement.
- E. The market value of the delivered collateral must be maintained at not less than 102% of the market value of the securities loaned.
- F. Notwithstanding Section VI.A.11 hereof, Reverse Repurchase Agreements are prohibited within the securities lending program.

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- (2) The standard in subsection (1) of this section requires the exercise of reasonable care, skill and caution, and is to be applied to investments not in isolation but in the context of each investment fund's investment portfolio and as a part of an overall investment strategy, which should incorporate risk and return objectives reasonably suitable to the particular investment fund.
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Oregon Short Term Fund Annual Review

October 28, 2015

 As of: **September 30, 2015**

CUSIP Number	Security Name	Interest Rate	Maturity Date	Par Value	Base Unit Cost	Base Price Amount	Base Market Value	Base Unrealized Gain/Loss	DTM/WAM	% Total
'002799AW4	ABBEY NATL TREASURY SERV	1.1791	8/24/2018	25,000,000	100.000	100.142	25,035,600	35,600	55	0.19%
'002799AP9	ABBEY NATL TREASURY SERV	0.846	3/13/2017	25,000,000	100.000	99.811	24,952,700	-47,300	75	0.19%
'002799AM6	ABBEY NATL TREASURY SERV	1.375	3/13/2017	10,000,000	100.079	99.996	9,999,630	-8,220	530	0.08%
'02364WBF1	AMERICA MOVIL SAB DE CV	1.336	9/12/2016	79,500,000	100.014	99.974	79,479,092	-31,844	75	0.61%
'02580EBY8	AMERICAN EXPRESS BK FSB	0.50635	6/12/2017	3,250,000	99.847	99.498	3,233,679	-11,338	43	0.02%
'0258MODW6	AMERICAN EXPRESS CREDIT	0.9068	7/31/2018	30,000,000	100.000	99.943	29,982,780	-17,220	30	0.23%
'0258MODV8	AMERICAN EXPRESS CREDIT	1.8	7/31/2018	12,000,000	99.876	99.968	11,996,184	11,041	1,035	0.09%
'0258MODS5	AMERICAN EXPRESS CREDIT	0.6192	9/22/2017	37,945,000	99.770	99.493	37,752,695	-104,994	83	0.29%
'0258MODN6	AMERICAN EXPRESS CREDIT	0.602	6/5/2017	39,820,000	99.938	99.445	39,598,800	-196,625	68	0.30%
'0258MODC0	AMERICAN EXPRESS CREDIT	2.8	9/19/2016	6,863,000	101.840	101.738	6,982,258	-6,994	355	0.05%
'0258MODH9	AMERICAN EXPRESS CREDIT	0.8041	7/29/2016	20,000,000	100.000	100.093	20,018,660	18,660	29	0.15%
02582JGY0	AMERICAN EXPRESS CREDIT ACCOUN	0.49655	5/15/2020	10,500,000	100.000	99.797	10,478,696	-21,305	47	0.08%
'02587AAE4	AMERICAN EXPRESS CREDIT ACCOUN	0.44655	5/15/2020	10,000,000	99.812	99.845	9,984,480	3,308	47	0.08%
'02582JGU8	AMERICAN EXPRESS CREDIT ACCOUN	1.49	4/15/2020	14,500,000	100.901	100.774	14,612,158	-18,474	709	0.11%
'02582JGS3	AMERICAN EXPRESS CREDIT ACCOUN	1.26	1/15/2020	29,745,000	100.313	100.378	29,857,377	19,214	617	0.23%
'02587HAA7	AMERICAN EXPRESS CREDIT ACCOUN	0.47655	1/15/2020	11,000,000	100.121	100.042	11,004,653	-8,627	47	0.08%
'02582JHA1	AMERICAN EXPRESS CREDIT ACCOUN	0.49655	1/15/2020	20,000,000	100.000	100.000	20,000,000	0	47	0.15%
'02587UAB6	AMERICAN EXPRESS CREDIT ACCOUN	0.59	5/15/2018	33,163,000	100.052	100.000	33,162,967	-17,149	15	0.25%
'02665WAX9	AMERICAN HONDA FINANCE	0.7458	7/13/2018	15,000,000	100.000	99.807	14,971,095	-28,905	105	0.11%
'02665WAW1	AMERICAN HONDA FINANCE	1.6	7/13/2018	7,000,000	99.932	99.914	6,993,994	-1,255	1,017	0.05%
'02665WAR2	AMERICAN HONDA FINANCE	0.643	12/11/2017	40,000,000	100.000	99.594	39,837,400	-162,600	72	0.31%
'02665WAY7	AMERICAN HONDA FINANCE	0.7765	9/20/2017	35,000,000	100.000	100.001	35,000,385	385	81	0.27%
'02665WAF8	AMERICAN HONDA FINANCE	1.2	7/14/2017	15,000,000	99.915	99.933	14,989,875	2,565	653	0.11%
'02665WAG6	AMERICAN HONDA FINANCE	0.4558	7/14/2017	25,000,000	100.000	99.768	24,942,025	-57,975	106	0.19%
'02665WAV3	AMERICAN HONDA FINANCE	0.95	5/5/2017	18,000,000	99.927	99.818	17,967,276	-19,659	583	0.14%
'02665WAA9	AMERICAN HONDA FINANCE	0.7843	10/7/2016	38,760,000	100.070	100.300	38,876,086	88,865	99	0.30%
'02666QMS9	AMERICAN HONDA FINANCE	0.7066	5/26/2016	15,000,000	100.000	100.148	15,022,245	22,245	58	0.12%
'03524BAC0	ANHEUSER BUSCH INBEV FIN	1.125	1/27/2017	10,000,000	99.980	100.257	10,025,650	27,605	485	0.08%
'03524BAD8	ANHEUSER BUSCH INBEV FIN	0.4851	1/27/2017	24,363,000	99.978	99.734	24,298,194	-59,458	27	0.19%
'03523TBN7	ANHEUSER BUSCH INBEV WOR	1.375	7/15/2017	8,510,000	100.110	99.971	8,507,541	-11,779	654	0.07%
'037833AG5	APPLE INC	0.5501	5/3/2018	22,561,000	100.303	100.047	22,571,581	-57,852	34	0.17%
'037833BC3	APPLE INC	0.36435	5/12/2017	7,000,000	100.000	99.946	6,996,241	-3,759	44	0.05%
'037833AN0	APPLE INC	0.3711	5/5/2017	44,250,000	99.991	99.976	44,239,380	-6,757	37	0.34%
'05253JAF8	AUST + NZ BANKING GRP NY	1.25	6/13/2017	20,000,000	99.990	99.849	19,969,820	-28,124	622	0.15%
'05253JAB7	AUST + NZ BANKING GRP NY	0.9	2/12/2016	10,000,000	99.987	100.121	10,012,070	13,391	135	0.08%
'06051GFR5	BANK OF AMERICA CORP	1.95	5/12/2018	15,000,000	99.995	100.268	15,040,260	41,047	955	0.12%
'06051GET2	BANK OF AMERICA CORP	2	1/11/2018	11,652,000	100.280	100.370	11,695,089	10,489	834	0.09%
'06051GFJ3	BANK OF AMERICA CORP	1.7	8/25/2017	15,000,000	99.949	100.263	15,039,420	47,038	695	0.12%
'06051GFK0	BANK OF AMERICA CORP	0.9391	8/25/2017	33,500,000	99.981	99.818	33,439,164	-54,633	56	0.26%
'06051GEZ8	BANK OF AMERICA CORP	1.35	11/21/2016	40,000,000	99.990	100.107	40,042,680	46,676	418	0.31%
'06051GEK1	BANK OF AMERICA CORP	3.75	7/12/2016	21,327,000	101.817	101.992	21,751,919	37,472	286	0.17%
'06051GEV7	BANK OF AMERICA CORP	1.1392	3/22/2016	55,000,000	100.000	100.180	55,099,055	99,055	83	0.42%
'06051GER6	BANK OF AMERICA CORP	1.5	10/9/2015	25,000,000	100.002	100.008	25,002,000	1,452	9	0.19%
'05522RCU0	BANK OF AMERICA CREDIT CARD TR	1.36	9/15/2020	26,000,000	99.989	100.183	26,047,502	50,381	924	0.20%
'05522RCT3	BANK OF AMERICA CREDIT CARD TR	0.53655	6/15/2020	13,000,000	100.000	99.848	12,980,266	-19,734	47	0.10%
'05522RCS5	BANK OF AMERICA CREDIT CARD TR	0.49655	1/15/2020	25,000,000	100.029	99.942	24,985,575	-21,722	47	0.19%
'05522RCR7	BANK OF AMERICA CREDIT CARD TR	0.47655	9/16/2019	30,000,000	99.965	99.942	29,982,600	-6,849	47	0.23%
'06050TLY6	BANK OF AMERICA NA	1.65	3/26/2018	25,000,000	99.886	99.921	24,980,225	8,732	908	0.19%
'06050TLX8	BANK OF AMERICA NA	0.7314	5/8/2017	10,000,000	99.872	99.675	9,967,480	-19,745	40	0.08%
'06050TLT7	BANK OF AMERICA NA	1.25	2/14/2017	10,000,000	99.959	100.069	10,006,890	10,948	503	0.08%
'06050TLU4	BANK OF AMERICA NA	0.7793	2/14/2017	40,000,000	99.978	99.802	39,920,800	-70,500	47	0.31%
'06050TLR1	BANK OF AMERICA NA	1.125	11/14/2016	25,000,000	99.972	99.943	24,985,675	-7,348	411	0.19%
'06050TSL9	BANK OF AMERICA NA	0.7793	11/14/2016	50,000,000	100.000	99.903	49,951,300	-48,700	47	0.38%
'06050TJN3	BANK OF AMERICA NA	0.6172	6/15/2016	23,600,000	99.789	99.719	23,533,708	-16,564	76	0.18%
'06366RU86	BANK OF MONTREAL	0.9068	7/31/2018	20,000,000	100.000	99.887	19,977,420	-22,580	30	0.15%
'06366RU78	BANK OF MONTREAL	1.8	7/31/2018	7,000,000	99.871	100.340	7,023,800	32,864	1,035	0.05%
'06366RE76	BANK OF MONTREAL	1.4	4/10/2018	8,000,000	99.946	99.358	7,948,632	-47,045	923	0.06%
'06366RE84	BANK OF MONTREAL	0.6434	4/10/2018	5,000,000	100.000	99.404	4,970,175	-29,825	103	0.04%
'06366RVD4	BANK OF MONTREAL	1.3	7/14/2017	10,000,000	99.998	100.338	10,033,820	34,000	653	0.08%
'06366RPS8	BANK OF MONTREAL	0.8088	7/15/2016	25,000,000	100.000	100.247	25,061,625	61,625	107	0.19%
'064159GN0	BANK OF NOVA SCOTIA	0.803	6/11/2018	25,000,000	100.000	99.886	24,971,425	-28,575	72	0.19%
'064159GM2	BANK OF NOVA SCOTIA	1.7	6/11/2018	10,000,000	99.958	99.848	9,984,840	-10,929	985	0.08%
'064159FK7	BANK OF NOVA SCOTIA	1.3	7/21/2017	25,000,000	99.958	100.111	25,027,675	38,281	660	0.19%
'064159EK8	BANK OF NOVA SCOTIA	1.25	4/11/2017	10,000,000	99.959	99.962	9,996,200	260	559	0.08%
'064159ED4	BANK OF NOVA SCOTIA	0.8764	3/27/2017	50,000,000	100.000	99.972	49,986,150	-13,850	88	0.38%
'064159DZ6	BANK OF NOVA SCOTIA	0.8	3/17/2017	29,515,000	99.791	99.999	29,514,823	61,404	534	0.23%
'064159DB9	BANK OF NOVA SCOTIA	0.756	12/13/2016	60,000,000	100.000	100.067	60,040,080	40,080	75	0.46%
'064159CQ7	BANK OF NOVA SCOTIA	1.375	7/15/2016	10,000,000	99.976	100.529	10,052,940	55,370	289	0.08%
'064159CR5	BANK OF NOVA SCOTIA	0.8088	7/15/2016	25,000,000	100.000	100.262	25,065,475	65,475	107	0.19%
'064159BW5	BANK OF NOVA SCOTIA	0.7372	3/15/2016	10,000,000	100.000	100.067	10,006,670	6,670	76	0.08%
'06741UCH5	BARCLAYS BANK PLC	0.696	4/13/2017	25,000,000	100.000	99.967	24,991,775	-8,225	105	0.19%
'06741T2K2	BARCLAYS BANK PLC	0.873	12/9/2016	8,680,000	100.075	99.915	8,672,596	-13,903	70	0.07%
'06741T2D8	BARCLAYS BANK PLC	0.907	11/27/2016	50,000,000	100.000	99.770	49,885,200	-114,800	58	0.38%

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CUSIP Number	Security Name	Interest Rate	Maturity Date	Par Value	Base Unit Cost	Base Price Amount	Base Market Value	Base Unrealized Gain/Loss	DTM/WAM	% Total
'06741TX69	BARCLAYS BANK PLC	1.05	11/18/2016	50,000,000	100.000	99.279	49,639,300	-360,700	49	0.38%
'06742LAJ2	BARCLAYS DRYROCK ISSUANCE TRUS	1.56	3/15/2021	12,300,000	99.995	100.456	12,356,113	56,751	953	0.09%
'06742LAF0	BARCLAYS DRYROCK ISSUANCE TRUS	0.59655	9/15/2020	10,500,000	100.000	99.910	10,490,550	-9,450	47	0.08%
'06742LAC7	BARCLAYS DRYROCK ISSUANCE TRUS	0.54655	3/16/2020	10,000,000	99.897	99.852	9,985,200	-4,456	47	0.08%
'06742LAA1	BARCLAYS DRYROCK ISSUANCE TRUS	0.56655	12/16/2019	7,125,000	100.069	99.777	7,109,126	-20,819	47	0.05%
'073928S46	BEAR STEARNS COS LLC	0.72335	11/21/2016	7,208,000	99.853	99.798	7,193,469	-3,908	54	0.06%
'084664CD1	BERKSHIRE HATHAWAY FIN	0.586	1/12/2018	16,284,000	99.994	99.594	16,217,806	-65,287	104	0.12%
'084664CA7	BERKSHIRE HATHAWAY FIN	0.43345	1/10/2017	15,000,000	100.047	99.974	14,996,040	-11,033	103	0.11%
'084670BD9	BERKSHIRE HATHAWAY INC	1.9	1/31/2017	5,000,000	101.291	101.341	5,067,025	2,482	489	0.04%
'05574LZP6	BNP PARIBAS	0.7709	5/7/2017	17,700,000	99.925	99.656	17,639,041	-47,715	40	0.14%
'05574LXG8	BNP PARIBAS	1.375	3/17/2017	10,000,000	99.990	100.039	10,003,860	4,854	534	0.08%
'05574LXF0	BNP PARIBAS	0.81425	3/17/2017	20,000,000	100.025	99.909	19,981,800	-23,152	78	0.15%
'05574LTW8	BNP PARIBAS	1.25	12/12/2016	44,965,000	100.162	100.000	44,964,820	-72,897	439	0.34%
'05574LTV0	BNP PARIBAS	0.926	12/12/2016	35,681,000	100.161	100.104	35,718,073	-20,428	75	0.27%
'91510PK3	BOARD RGTS UNIV TX	0.01	12/10/2015	18,750,000	100.000	100.000	18,750,000	0	71	0.14%
'097023BF1	BOEING CO	0.4218	10/30/2017	11,230,000	99.874	99.634	11,188,898	-26,905	30	0.09%
'05565QCX2	BP CAPITAL MARKETS PLC	1.674	2/13/2018	7,500,000	100.018	100.116	7,508,708	7,323	867	0.06%
'05565QCW6	BP CAPITAL MARKETS PLC	0.73935	2/13/2018	20,000,000	100.000	99.599	19,919,800	-80,200	44	0.15%
'05565QCX8	BP CAPITAL MARKETS PLC	0.6614	2/10/2017	25,000,000	100.000	99.711	24,927,775	-72,225	41	0.19%
'05565QCN6	BP CAPITAL MARKETS PLC	0.7309	11/7/2016	15,000,000	100.000	100.177	15,026,490	26,490	40	0.12%
'05565QBQ0	BP CAPITAL MARKETS PLC	3.2	3/11/2016	20,707,000	101.028	101.173	20,949,976	30,163	163	0.16%
'05565QCA4	BP CAPITAL MARKETS PLC	0.7	11/6/2015	17,630,000	99.995	100.026	17,634,531	5,400	37	0.14%
'05578DAM4	BPCE SA	0.936	6/23/2017	30,000,000	100.000	99.742	29,922,480	-77,520	84	0.23%
'88213M2P3	BRD OF REGENT TX A&M	0.2	12/10/2015	16,500,000	100.000	100.000	16,500,000	0	71	0.13%
'88213M2L2	BRD OF REGENT TX A&M	0.22	10/6/2015	15,000,000	100.000	100.000	15,000,000	0	6	0.11%
'91430PCM3	BRD RGT UNVY SYS CNSDT	0.12	10/13/2015	13,038,000	100.000	100.000	13,038,000	0	13	0.10%
'13078FBJ4	CALIFORNIA STATE UNIV	0.17	10/5/2015	10,000,000	99.999	99.999	9,999,913	0	5	0.08%
'716442AA6	CANADA GOV T	8.25	12/15/2016	5,000,000	108.684	108.926	5,446,296	12,091	442	0.04%
'140420NF3	CAPITAL ONE BANK USA NA	0.88335	11/21/2016	25,000,000	100.000	100.073	25,018,175	18,175	54	0.19%
'14041NEY3	CAPITAL ONE MULTI ASSET EXECUT	1.59	5/17/2021	9,000,000	99.995	100.784	9,070,551	70,778	1,015	0.07%
'14041NEU1	CAPITAL ONE MULTI ASSET EXECUT	1.39	1/15/2021	30,000,000	99.987	100.343	30,102,840	106,783	891	0.23%
'14041NEZ0	CAPITAL ONE MULTI ASSET EXECUT	0.5746	6/15/2020	14,500,000	100.000	100.032	14,504,611	4,611	47	0.11%
'14041NEP2	CAPITAL ONE MULTI ASSET EXECUT	1.26	1/15/2020	18,000,000	100.177	100.404	18,072,738	40,790	526	0.14%
'14041INDL2	CAPITAL ONE MULTI ASSET EXECUT	0.28655	12/16/2019	10,950,000	99.725	99.695	10,916,548	-3,371	47	0.08%
'14041NEN7	CAPITAL ONE MULTI ASSET EXECUT	0.4888	11/15/2019	10,000,000	100.000	99.890	9,989,030	-10,970	107	0.08%
'14041NDB4	CAPITAL ONE MULTI ASSET EXECUT	0.29655	6/17/2019	5,000,000	99.863	99.743	4,987,145	-5,986	47	0.04%
'14041NEL1	CAPITAL ONE MULTI ASSET EXECUT	0.38655	2/15/2019	20,000,000	99.922	99.992	19,998,420	14,100	47	0.15%
'14042E4K3	CAPITAL ONE NA	0.9837	2/5/2018	22,250,000	100.000	99.833	22,212,754	-37,247	36	0.17%
'14042E3Z1	CAPITAL ONE NA	1.5	9/5/2017	10,000,000	99.830	99.534	9,953,350	-29,620	706	0.08%
'14912L6L0	CATERPILLAR FINANCIAL SE	1.7	6/16/2018	10,000,000	99.992	100.387	10,038,710	39,524	990	0.08%
'14912L6D8	CATERPILLAR FINANCIAL SE	1.25	8/18/2017	10,000,000	99.968	100.197	10,019,700	22,860	688	0.08%
'14912L5Y3	CATERPILLAR FINANCIAL SE	0.564	3/3/2017	45,000,000	100.000	99.846	44,930,700	-69,300	64	0.34%
'14912L6H9	CATERPILLAR FINANCIAL SE	0.474	3/3/2017	7,000,000	100.000	99.723	6,980,575	-19,425	64	0.05%
'14912L5W7	CATERPILLAR FINANCIAL SE	1	11/25/2016	20,000,000	99.970	100.310	20,061,900	67,955	422	0.15%
'161571HA5	CHASE ISSUANCE TRUST	1.62	7/15/2020	15,000,000	99.974	101.094	15,164,115	168,071	1,015	0.12%
'161571GY4	CHASE ISSUANCE TRUST	1.36	4/15/2020	5,000,000	99.984	100.306	5,015,310	16,121	924	0.04%
'161571GT5	CHASE ISSUANCE TRUST	1.59	2/18/2020	28,000,000	100.118	100.891	28,249,396	216,385	862	0.22%
'161571GS7	CHASE ISSUANCE TRUST	0.52655	2/18/2020	13,000,000	100.000	99.921	12,989,678	-10,322	47	0.10%
'161571GZ1	CHASE ISSUANCE TRUST	0.45655	5/15/2019	35,000,000	100.000	99.872	34,955,130	-44,870	47	0.27%
'161571BQ6	CHASE ISSUANCE TRUST	0.25655	4/15/2019	18,965,000	99.671	99.681	18,904,578	1,913	47	0.14%
'161571GW8	CHASE ISSUANCE TRUST	0.45655	4/15/2019	28,600,000	100.000	99.921	28,577,377	-22,623	47	0.22%
'161571GR9	CHASE ISSUANCE TRUST	0.45655	11/15/2018	18,000,000	100.000	99.940	17,989,218	-10,782	47	0.14%
'161571GC2	CHASE ISSUANCE TRUST	1.01	10/15/2018	10,000,000	100.168	100.239	10,023,860	7,032	376	0.08%
'161571GL2	CHASE ISSUANCE TRUST	0.40655	5/15/2018	8,500,000	99.984	99.973	8,497,739	-876	47	0.07%
'161571FR0	CHASE ISSUANCE TRUST	0.54	10/16/2017	5,000,000	100.014	100.000	4,999,995	-691	15	0.04%
'166764AW0	CHEVRON CORP	0.499	3/2/2018	26,120,000	99.994	99.393	25,961,556	-156,863	63	0.20%
'166764AK6	CHEVRON CORP	0.4905	11/15/2017	31,515,000	100.003	99.695	31,418,974	-96,960	47	0.24%
'166764AL4	CHEVRON CORP	1.345	11/15/2017	10,000,000	100.000	100.347	10,034,650	34,650	777	0.08%
'166764AC4	CHEVRON CORP	0.889	6/24/2016	10,000,000	100.000	100.359	10,035,870	35,870	268	0.08%
'17275RAU6	CISCO SYSTEMS INC	1.65	6/15/2018	5,000,000	99.985	100.729	5,036,425	37,194	989	0.04%
'17275RAY8	CISCO SYSTEMS INC	0.6472	6/15/2018	30,000,000	100.000	99.565	29,869,470	-130,530	76	0.23%
'17275RAS1	CISCO SYSTEMS INC	0.614	3/3/2017	25,000,000	100.000	99.999	24,999,675	-325	64	0.19%
'17305EDL6	CITIBANK CREDIT CARD ISSUANCE	0.3288	12/17/2018	20,000,000	99.812	99.713	19,942,660	-19,712	107	0.15%
'17305EFE0	CITIBANK CREDIT CARD ISSUANCE	1.32	9/7/2018	21,000,000	100.576	100.488	21,102,564	-18,387	336	0.16%
'17305EFC4	CITIBANK CREDIT CARD ISSUANCE	1.11	7/23/2018	26,370,000	100.373	100.302	26,449,506	-18,952	292	0.20%
'17305EFP5	CITIBANK CREDIT CARD ISSUANCE	0.4027	5/9/2018	15,000,000	100.029	99.980	14,997,015	-7,383	40	0.11%
'17305EDE2	CITIBANK CREDIT CARD ISSUANCE	5.3	3/15/2018	22,512,000	103.691	102.067	22,977,301	-365,637	161	0.18%
'17305EFK6	CITIBANK CREDIT CARD ISSUANCE	0.73	2/7/2018	10,000,000	100.045	100.040	10,003,960	-568	125	0.08%
'17305ECX1	CITIBANK CREDIT CARD ISSUANCE	5.1	11/20/2017	8,450,000	101.593	100.599	8,500,582	-84,041	44	0.07%
'172967JV4	CITIGROUP INC	1.1768	7/30/2018	20,000,000	100.000	99.942	19,988,420	-11,580	30	0.15%
'172967JQ5	CITIGROUP INC	0.9851	4/27/2018	25,000,000	100.000	99.644	24,911,100	-88,900	27	0.19%
'172967JN2	CITIGROUP INC	1.7	4/27/2018	20,000,000	99.727	99.480	19,896,060	-49,403	940	0.15%
'172967JH5	CITIGROUP INC	1.8	2/5/2018	15,000,000	99.882	99.903	14,985,450	3,190	859	0.11%



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'172967JD4	CITIGROUP INC	1.0291	11/24/2017	33,950,000	99.988	100.092	33,981,336	35,443	55	0.26%
'172967JE2	CITIGROUP INC	1.85	11/24/2017	20,000,000	99.986	100.234	20,046,860	49,743	786	0.15%
'172967HY0	CITIGROUP INC	1.55	8/14/2017	30,000,000	99.912	100.112	30,033,480	59,884	684	0.23%
'172967HX2	CITIGROUP INC	0.7993	8/14/2017	15,000,000	100.098	99.550	14,932,455	-82,284	47	0.11%
'172967HL8	CITIGROUP INC	0.872	3/10/2017	56,680,000	100.010	99.829	56,582,850	-102,677	71	0.43%
'172967FW6	CITIGROUP INC	4.45	1/10/2017	11,325,000	103.859	103.984	11,776,199	14,124	468	0.09%
'172967HG9	CITIGROUP INC	1.3	11/15/2016	37,660,000	100.041	100.214	37,740,479	64,993	412	0.29%
'172967HH7	CITIGROUP INC	1.0005	11/15/2016	25,600,000	100.117	100.123	25,631,462	1,434	47	0.20%
'172967DQ1	CITIGROUP INC	5.85	8/2/2016	10,000,000	103.882	103.800	10,380,000	-8,226	307	0.08%
'172967GV7	CITIGROUP INC	1.2551	7/25/2016	35,000,000	100.168	100.293	35,102,550	43,872	26	0.27%
'172967GP0	CITIGROUP INC	1.3	4/1/2016	25,000,000	100.093	100.185	25,046,350	22,993	184	0.19%
'172967GQ8	CITIGROUP INC	1.0737	4/1/2016	19,313,000	100.130	100.117	19,335,500	-2,653	93	0.15%
'172967FH9	CITIGROUP INC	4.587	12/15/2015	498,000	100.766	100.743	501,700	-113	76	0.00%
'12591AAD9	CNH EQUIPMENT TRUST	1.16	6/15/2020	14,922,196	100.285	100.149	14,944,490	-20,177	274	0.11%
'12592WAC2	CNH EQUIPMENT TRUST	1.3	4/15/2020	8,000,000	99.997	99.935	7,994,816	-4,939	698	0.06%
'12591BAC9	CNH EQUIPMENT TRUST	0.84	5/15/2019	15,000,000	99.694	99.911	14,986,650	32,615	263	0.11%
'12593NAC1	CNH EQUIPMENT TRUST	0.6676	12/17/2018	14,000,000	100.000	100.074	14,010,333	10,333	47	0.11%
'12592YAC8	CNH EQUIPMENT TRUST	0.47	8/15/2018	5,500,000	100.000	99.829	5,490,573	-9,427	47	0.04%
'12592WAB4	CNH EQUIPMENT TRUST	0.84	6/15/2018	6,000,000	99.996	99.983	5,998,950	-811	227	0.05%
'12624HAC7	CNH EQUIPMENT TRUST	0.65	4/16/2018	2,628,326	99.982	100.005	2,628,466	606	81	0.02%
'12624FAC1	CNH EQUIPMENT TRUST	0.57	12/15/2017	2,525,450	100.008	99.977	2,524,864	-799	73	0.02%
'12623PAB2	CNH EQUIPMENT TRUST	0.48	8/15/2017	2,874,228	99.909	99.934	2,872,331	720	84	0.02%
'12591BAB1	CNH EQUIPMENT TRUST	0.49	6/15/2017	1,848,462	100.000	99.990	1,848,282	-179	41	0.01%
'12593NAA5	CNH EQUIPMENT TRUST	0.4	9/12/2016	7,418,619	100.000	100.008	7,419,195	576	132	0.06%
'12592YAA2	CNH EQUIPMENT TRUST	0.38	6/3/2016	18,300,074	100.000	100.000	18,300,092	18	88	0.14%
'12625GAA2	CNOOC FINANCE 2013 LTD	1.125	5/9/2016	21,150,000	99.933	99.872	21,122,886	-12,918	222	0.16%
'12591DA9	CNOOC FINANCE 2014 ULC	1.625	4/30/2017	26,646,000	99.905	99.814	26,596,385	-24,385	578	0.20%
'197995004	COLUMBIA COMMUNITY BANK	0.28	11/12/2015	100,000	100.000	100.000	100,000	0	42	0.00%
'197995004	COLUMBIA COMMUNITY BANK	0.27	10/14/2015	100,000	100.000	100.000	100,000	0	14	0.00%
'20271RAJ9	COMMONWEALTH BK AUSTR NY	1.625	3/12/2018	15,000,000	99.898	100.143	15,021,390	36,757	894	0.12%
'20271RAE0	COMMONWEALTH BK AUSTR NY	1.125	3/13/2017	10,000,000	99.916	100.088	10,008,840	17,281	530	0.08%
'22546QAW7	CREDIT SUISSE NEW YORK	0.9751	4/27/2018	10,000,000	100.000	99.544	9,954,350	-45,650	27	0.08%
'22546QAV9	CREDIT SUISSE NEW YORK	1.7	4/27/2018	20,000,000	99.729	99.606	19,921,280	-24,608	940	0.15%
'22546QAT4	CREDIT SUISSE NEW YORK	1.75	1/29/2018	10,000,000	99.955	100.009	10,000,910	5,433	852	0.08%
'22546QAU1	CREDIT SUISSE NEW YORK	0.9841	1/29/2018	30,000,000	99.935	99.698	29,909,460	-71,140	29	0.23%
'22546QAM9	CREDIT SUISSE NEW YORK	0.8216	5/26/2017	36,475,000	99.990	99.661	36,351,277	-120,066	58	0.28%
'22546QAL1	CREDIT SUISSE NEW YORK	1.375	5/26/2017	11,625,000	99.878	99.909	11,614,410	3,580	604	0.09%
'22546QAQ0	CREDIT SUISSE NEW YORK	0.633	3/11/2016	30,000,000	99.989	99.961	29,988,300	-8,486	72	0.23%
'235851AN2	DANAHER CORP	1.65	9/15/2018	7,000,000	99.868	100.542	7,037,912	47,157	1,081	0.05%
'25152RVQ3	DEUTSCHE BANK AG LONDON	0.92435	2/13/2017	75,000,000	100.000	100.138	75,103,575	103,575	44	0.58%
'254683BQ7	DISCOVER CARD EXECUTION NOTE T	1.45	3/15/2021	10,000,000	99.987	99.987	9,998,679	0	1,074	0.08%
'254683BM6	DISCOVER CARD EXECUTION NOTE T	0.55655	8/17/2020	11,000,000	100.000	99.641	10,960,510	-39,490	47	0.08%
'254683BH7	DISCOVER CARD EXECUTION NOTE T	0.5205	8/15/2019	10,000,000	100.046	99.719	9,971,940	-32,648	47	0.08%
'254683BE4	DISCOVER CARD EXECUTION NOTE T	1.04	4/15/2019	10,050,000	100.204	100.208	10,070,874	356	376	0.08%
'254683BA2	DISCOVER CARD EXECUTION NOTE T	0.69	8/15/2018	12,500,000	100.051	99.999	12,499,925	-6,406	132	0.10%
'25484C2G9	DISTRICT COLUMBIA WTR & SWR AU	0.01	12/10/2015	29,200,000	100.000	100.000	29,200,000	0	71	0.22%
'263901AE0	DUKE ENERGY INDIANA INC	0.636	7/11/2016	7,000,000	100.000	99.999	6,999,937	-63	103	0.05%
'26442RAC5	DUKE ENERGY PROGRESS INC	0.53285	11/20/2017	10,000,000	100.000	98.876	9,887,580	-112,420	51	0.08%
'26442RAA9	DUKE ENERGY PROGRESS INC	0.5335	3/6/2017	7,000,000	100.000	99.661	6,976,284	-23,716	67	0.05%
'278642AM5	EBAY INC	0.4936	7/28/2017	45,000,000	100.000	98.562	44,353,080	-646,920	28	0.34%
'302154BL2	EXPORT IMPORT BK KOREA	1.0358	1/14/2017	12,000,000	100.000	100.175	12,021,012	21,012	106	0.09%
'302154AY5	EXPORT IMPORT BK KOREA	3.75	10/20/2016	20,000,000	102.689	102.565	20,512,960	-24,877	386	0.16%
'313588RJ6	FANNIE DISCOUNT NOTE	0	1/4/2016	10,000,000	99.963	99.925	9,996,306	0	96	0.08%
'313588RJ6	FANNIE DISCOUNT NOTE	0.22	1/4/2016	20,000,000	99.942	99.942	19,988,389	0	96	0.15%
'313588NU5	FANNIE DISCOUNT NOTE	0.14	11/3/2015	20,000,000	99.987	99.987	19,997,433	0	34	0.15%
'3136G2GU5	FANNIE MAE	1.125	4/30/2018	20,000,000	99.957	100.075	20,014,960	23,604	943	0.15%
'3135G0C43	FANNIE MAE	1.2	2/27/2018	15,000,000	100.196	100.158	15,023,685	-5,777	881	0.12%
'3135G0TG8	FANNIE MAE	0.875	2/8/2018	20,000,000	99.398	100.153	20,030,560	150,864	862	0.15%
'3135G0PQ0	FANNIE MAE	0.875	10/26/2017	140,000,000	99.650	100.300	140,419,860	909,381	757	1.08%
'3135G0ZV8	FANNIE MAE	2	10/17/2017	10,000,000	101.843	101.542	10,154,190	-30,156	748	0.08%
'3136FTRB7	FANNIE MAE	0.53	11/21/2016	10,000,000	100.380	100.312	10,031,170	-6,873	16	0.08%
'3135G0YG2	FANNIE MAE	0.2039	7/25/2016	50,000,000	99.988	100.019	50,009,500	15,680	25	0.38%
'313384RJ0	FED HOME LN DISCOUNT NT	0	1/4/2016	45,000,000	99.966	99.922	44,984,844	0	96	0.34%
'313384RJ0	FED HOME LN DISCOUNT NT	0.17	1/4/2016	26,500,000	99.954	99.954	26,487,874	0	96	0.20%
'313384RD3	FED HOME LN DISCOUNT NT	0	12/30/2015	20,000,000	99.967	99.973	19,994,500	1,199	91	0.15%
'313384RB7	FED HOME LN DISCOUNT NT	0	12/28/2015	15,000,000	99.965	99.973	14,995,965	1,215	89	0.11%
'313384PY9	FED HOME LN DISCOUNT NT	0.12	12/23/2015	113,925,000	99.973	99.973	113,894,065	0	62	0.87%
'313384QW2	FED HOME LN DISCOUNT NT	0	12/23/2015	25,000,000	99.965	99.975	24,993,650	2,400	84	0.19%
'313384QV4	FED HOME LN DISCOUNT NT	0.14	12/22/2015	15,000,000	99.968	99.968	14,995,217	0	83	0.11%
'313384QP7	FED HOME LN DISCOUNT NT	0.26	12/16/2015	15,000,000	99.945	99.945	14,991,767	0	77	0.11%
'313384QJ1	FED HOME LN DISCOUNT NT	0.225	12/11/2015	15,000,000	99.956	99.956	14,993,344	0	72	0.11%
'313384QG7	FED HOME LN DISCOUNT NT	0.205	12/9/2015	20,000,000	99.961	99.961	19,992,142	0	70	0.15%
'313384QF9	FED HOME LN DISCOUNT NT	0.145	12/8/2015	25,000,000	99.973	99.973	24,993,153	0	69	0.19%

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'313384QE2	FED HOME LN DISCOUNT NT	0.145	12/7/2015	25,000,000	99.973	99.973	24,993,253	0	68	0.19%
'313384QB8	FED HOME LN DISCOUNT NT	0.24	12/4/2015	40,000,000	99.962	99.962	39,984,933	0	65	0.31%
'313384PZ6	FED HOME LN DISCOUNT NT	0	12/2/2015	35,000,000	99.969	99.969	34,989,064	0	63	0.27%
'313384PS2	FED HOME LN DISCOUNT NT	0.189	11/25/2015	10,000,000	99.971	99.971	9,997,113	0	56	0.08%
'313384PQ6	FED HOME LN DISCOUNT NT	0	11/23/2015	15,728,000	99.982	99.990	15,726,490	1,374	54	0.12%
'313384PM5	FED HOME LN DISCOUNT NT	0.187	11/20/2015	15,000,000	99.974	99.974	14,996,104	0	51	0.11%
'313384PD5	FED HOME LN DISCOUNT NT	0.21	11/12/2015	35,000,000	99.977	99.977	34,991,892	0	43	0.27%
'313384NX3	FED HOME LN DISCOUNT NT	0.155	11/6/2015	20,000,000	99.984	99.984	19,996,850	0	37	0.15%
'313384NW5	FED HOME LN DISCOUNT NT	0.17	11/5/2015	5,800,000	99.983	99.983	5,799,021	0	36	0.04%
'313384NV7	FED HOME LN DISCOUNT NT	0.16	11/4/2015	68,650,000	99.986	99.986	68,640,193	0	35	0.53%
'313384NU9	FED HOME LN DISCOUNT NT	0.2	11/3/2015	70,800,000	99.984	99.984	70,788,801	0	34	0.54%
'313384NT2	FED HOME LN DISCOUNT NT	0.07	11/2/2015	127,500,000	99.987	99.987	127,482,958	0	33	0.98%
'313384NQ8	FED HOME LN DISCOUNT NT	0.15	10/30/2015	184,734,000	99.988	99.988	184,711,676	0	30	1.42%
'313384NN5	FED HOME LN DISCOUNT NT	0.15	10/28/2015	15,000,000	99.989	99.989	14,998,313	0	28	0.11%
'313384NL9	FED HOME LN DISCOUNT NT	0.15	10/26/2015	54,000,000	99.990	99.990	53,994,653	0	26	0.41%
'313384NH8	FED HOME LN DISCOUNT NT	0.135	10/23/2015	14,400,000	99.992	99.992	14,398,780	0	23	0.11%
'313384NG0	FED HOME LN DISCOUNT NT	0.145	10/22/2015	43,500,000	99.992	99.992	43,496,554	0	22	0.33%
'313384NF2	FED HOME LN DISCOUNT NT	0.14	10/21/2015	50,000,000	99.992	99.992	49,996,111	0	21	0.38%
'313384NE5	FED HOME LN DISCOUNT NT	0.12	10/20/2015	30,000,000	99.994	99.994	29,998,100	0	20	0.23%
'313384NA3	FED HOME LN DISCOUNT NT	0.15	10/16/2015	46,800,000	99.994	99.994	46,797,283	0	16	0.36%
'313384MY2	FED HOME LN DISCOUNT NT	0.17	10/14/2015	75,650,000	99.994	99.994	75,645,774	0	14	0.58%
'313384MX4	FED HOME LN DISCOUNT NT	0.1	10/13/2015	4,550,000	99.997	99.997	4,549,848	0	13	0.03%
'313384MT3	FED HOME LN DISCOUNT NT	0.12	10/9/2015	15,000,000	99.997	99.997	14,999,600	0	9	0.11%
'313384MS5	FED HOME LN DISCOUNT NT	0.1	10/8/2015	25,000,000	99.998	99.998	24,999,514	0	8	0.19%
'313384MR7	FED HOME LN DISCOUNT NT	0.01	10/7/2015	31,900,000	99.998	99.998	31,899,414	0	7	0.24%
'313384ML0	FED HOME LN DISCOUNT NT	0	10/2/2015	6,700,000	100.000	99.992	6,699,991	0	2	0.05%
'313384ML0	FED HOME LN DISCOUNT NT	0.08	10/2/2015	20,000,000	100.000	100.000	19,999,956	0	2	0.15%
'313384MK2	FED HOME LN DISCOUNT NT	0.075	10/1/2015	65,000,000	100.000	100.000	65,000,000	0	1	0.50%
'3133EFGC5	FEDERAL FARM CREDIT BANK	1	10/1/2018	50,000,000	100.000	100.088	50,044,100	44,100	93	0.38%
'3133EFCT2	FEDERAL FARM CREDIT BANK	0.25425	6/8/2018	25,000,000	100.000	100.030	25,007,500	7,500	39	0.19%
'3133EEZC7	FEDERAL FARM CREDIT BANK	0.259	4/16/2018	25,000,000	99.987	99.972	24,993,050	-3,760	16	0.19%
'3133EEMH0	FEDERAL FARM CREDIT BANK	0.24855	2/2/2018	25,000,000	99.959	100.030	25,007,600	17,825	33	0.19%
'3133EDXA5	FEDERAL FARM CREDIT BANK	1.15	10/10/2017	40,000,000	100.376	100.782	40,312,880	162,315	741	0.31%
'3133EDTT9	FEDERAL FARM CREDIT BANK	0.2343	8/29/2017	20,000,000	99.971	100.026	20,005,100	10,906	29	0.15%
'3133EDQD7	FEDERAL FARM CREDIT BANK	0.23635	7/14/2017	100,000,000	99.973	100.014	100,013,700	40,412	45	0.77%
'3133EDJX1	FEDERAL FARM CREDIT BANK	0.25725	4/17/2017	50,000,000	100.000	100.057	50,028,450	28,450	17	0.38%
'3133EDVP4	FEDERAL FARM CREDIT BANK	0.24	3/22/2017	15,000,000	99.985	99.916	14,987,385	-10,375	16	0.11%
'3133EDUL4	FEDERAL FARM CREDIT BANK	0.2227	3/9/2017	27,500,000	99.986	100.017	27,504,730	8,598	40	0.21%
'3133EDDJ8	FEDERAL FARM CREDIT BANK	0.25655	11/15/2016	30,000,000	100.000	100.060	30,018,000	17,880	46	0.23%
'3133ED3B6	FEDERAL FARM CREDIT BANK	0.2212	10/3/2016	20,000,000	99.980	100.029	20,005,880	9,969	34	0.15%
'3133ECY99	FEDERAL FARM CREDIT BANK	0.2143	8/26/2016	15,000,000	99.982	100.028	15,004,140	6,831	26	0.12%
'3133ECNB6	FEDERAL FARM CREDIT BANK	0.22355	5/2/2016	40,000,000	99.999	100.025	40,009,920	10,311	33	0.31%
'3133ECT95	FEDERAL FARM CREDIT BANK	0.197	10/1/2015	15,000,000	100.000	100.000	15,000,000	0	1	0.11%
'313370TW8	FEDERAL HOME LOAN BANK	2	9/9/2016	15,000,000	101.225	101.473	15,220,980	37,285	345	0.12%
'3130A06V7	FEDERAL HOME LOAN BANKS	0.21	10/1/2015	16,000,000	100.000	100.000	16,000,000	0	1	0.12%
'31677QBE8	FIFTH THIRD BANK	1.24285	8/20/2018	40,000,000	100.000	100.085	40,034,080	34,080	51	0.31%
'31677QA2Z	FIFTH THIRD BANK	0.83445	11/18/2016	50,000,000	100.000	99.904	49,952,100	-47,900	49	0.38%
'31677QAW9	FIFTH THIRD BANK	0.7416	2/26/2016	50,000,000	99.994	99.996	49,998,050	867	58	0.38%
'34530VAD1	FORD CREDIT AUTO OWNER TRUST	1.16	11/15/2019	7,000,000	99.991	99.937	6,995,604	-3,798	614	0.05%
'34530QAD2	FORD CREDIT AUTO OWNER TRUST	1.28	9/15/2019	3,500,000	99.993	100.288	3,510,070	10,316	581	0.03%
'34530YAC7	FORD CREDIT AUTO OWNER TRUST	0.569	8/15/2018	11,500,000	100.000	100.000	11,500,000	0	369	0.09%
'34530GAD4	FORD CREDIT AUTO OWNER TRUST	0.67	4/15/2018	11,002,385	99.922	99.949	10,996,796	3,026	205	0.08%
'34530VAC3	FORD CREDIT AUTO OWNER TRUST	0.4162	3/15/2018	23,800,000	100.000	99.917	23,780,341	-19,659	47	0.18%
'34530QAB6	FORD CREDIT AUTO OWNER TRUST	0.81	1/15/2018	3,227,153	99.999	100.040	3,228,438	1,302	179	0.02%
'34530EAC1	FORD CREDIT AUTO OWNER TRUST	0.57	10/15/2017	16,416,993	100.001	99.978	16,413,364	-3,770	125	0.13%
'34530PAC6	FORD CREDIT AUTO OWNER TRUST	0.61	8/15/2017	15,172,364	99.998	99.995	15,171,529	-481	128	0.12%
'34530YAA1	FORD CREDIT AUTO OWNER TRUST	0.38	9/15/2016	24,500,000	100.000	100.005	24,501,161	1,161	99	0.19%
'3134G6C92	FREDDIE MAC	1.3	5/21/2018	20,000,000	99.956	100.137	20,027,420	36,235	964	0.15%
'3134G6VU4	FREDDIE MAC	0.75	4/28/2017	25,000,000	100.000	99.897	24,974,250	-25,750	576	0.19%
'3137EADC0	FREDDIE MAC	1	3/8/2017	10,000,000	100.337	100.636	10,063,550	29,807	525	0.08%
'313396RK1	FREDDIE MAC DISCOUNT NT	0.24	1/5/2016	15,000,000	99.936	99.936	14,990,400	0	97	0.11%
'313396RJ4	FREDDIE MAC DISCOUNT NT	0	1/4/2016	6,900,000	99.960	99.966	6,897,633	365	96	0.05%
'313396QN6	FREDDIE MAC DISCOUNT NT	0	12/15/2015	25,000,000	99.974	99.977	24,994,275	692	76	0.19%
'313396PZ0	FREDDIE MAC DISCOUNT NT	0.22	12/2/2015	15,000,000	99.962	99.962	14,994,317	0	63	0.11%
'313396MZ3	FREDDIE MAC DISCOUNT NT	0.12	10/15/2015	4,600,000	99.995	99.995	4,599,785	0	15	0.04%
'36159JDQ1	GE CAPITAL CREDIT CARD MASTER	1.35	3/15/2021	15,000,000	99.790	99.550	14,932,485	-36,016	891	0.11%
'36164EAB1	GE EQUIPMENT TRANSPORTATION LL	0.89	11/24/2017	4,500,000	99.991	100.103	4,504,622	5,004	234	0.03%
'36163GAC5	GE EQUIPMENT TRANSPORTATION LL	0.92	9/25/2017	8,378,466	100.113	100.004	8,378,818	-9,078	176	0.06%
'36962GX66	GENERAL ELEC CAP CORP	0.5809	8/7/2018	5,000,000	99.209	99.144	4,957,205	-3,245	40	0.04%
'36962G6X7	GENERAL ELEC CAP CORP	0.9932	4/2/2018	31,150,000	100.909	100.493	31,303,476	-129,737	96	0.24%
'36962G7H1	GENERAL ELEC CAP CORP	0.6005	5/15/2017	58,315,000	100.063	100.101	58,373,607	22,033	47	0.45%
'36962G5W0	GENERAL ELEC CAP CORP	2.3	4/27/2017	10,000,000	101.697	102.046	10,204,600	34,869	575	0.08%
'B1TRFGH7	GENERAL ELEC CAP CORP	0.5151	3/20/2017	5,700,000	99.663	99.595	5,676,921	-3,847	78	0.04%



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36967FAB7	GENERAL ELEC CAP CORP	0.5632	1/9/2017	25,000,000	100.000	100.012	25,002,925	2,925	103	0.19%
36962G6Z2	GENERAL ELEC CAP CORP	1.5	7/12/2016	19,579,000	100.084	100.718	19,719,577	124,218	286	0.15%
36962G7A6	GENERAL ELEC CAP CORP	0.936	7/12/2016	85,000,000	100.007	100.406	85,344,930	338,590	104	0.65%
36962GU69	GENERAL ELEC CAP CORP	5	1/8/2016	27,200,000	101.086	101.193	27,524,550	29,188	100	0.21%
36962G6N9	GENERAL ELEC CAP CORP	0.933	12/11/2015	25,000,000	100.075	100.098	25,024,500	5,855	72	0.19%
38141GVK7	GOLDMAN SACHS GROUP INC	1.4968	4/30/2018	7,950,000	100.927	100.856	8,018,028	-5,633	30	0.06%
38141EC49	GOLDMAN SACHS GROUP INC	1.1372	12/15/2017	75,000,000	100.000	100.135	75,101,175	101,175	76	0.58%
38141EB99	GOLDMAN SACHS GROUP INC	0.9575	6/4/2017	75,000,000	100.000	99.885	74,913,975	-86,025	65	0.57%
38148LAD8	GOLDMAN SACHS GROUP INC	0.9991	5/22/2017	5,000,000	100.000	99.944	4,997,215	-2,785	54	0.04%
38141GER1	GOLDMAN SACHS GROUP INC	5.75	10/1/2016	56,635,000	104.411	104.558	59,216,423	83,445	367	0.45%
38141GRM8	GOLDMAN SACHS GROUP INC	0.9336	4/3/2016	7,785,000	99.967	99.779	7,767,772	-14,626	95	0.06%
38141GEG5	GOLDMAN SACHS GROUP INC	0.7692	3/22/2016	45,000,000	99.921	99.977	44,989,785	25,227	83	0.34%
38143USC6	GOLDMAN SACHS GROUP INC	3.625	2/7/2016	13,034,000	100.950	100.958	13,158,814	967	130	0.10%
43812XAD7	HONDA AUTO RECEIVABLES OWNER T	1.13	9/16/2019	10,000,000	100.166	100.171	10,017,050	448	362	0.08%
43814CAD1	HONDA AUTO RECEIVABLES OWNER T	0.62	3/21/2019	5,270,000	99.979	99.943	5,266,980	-1,915	267	0.04%
43813NAC0	HONDA AUTO RECEIVABLES OWNER T	1.04	2/21/2019	14,750,000	99.986	99.926	14,739,070	-8,849	650	0.11%
43813CAD2	HONDA AUTO RECEIVABLES OWNER T	0.66	12/18/2018	10,000,000	100.059	99.983	9,998,290	-7,590	179	0.08%
43813XAD6	HONDA AUTO RECEIVABLES OWNER T	0.74	10/15/2018	17,397,612	100.113	99.999	17,397,456	-19,776	41	0.13%
43813JAC9	HONDA AUTO RECEIVABLES OWNER T	0.67	11/21/2017	11,650,000	99.928	99.872	11,635,123	-6,486	256	0.09%
43814MAB3	HONDA AUTO RECEIVABLES OWNER T	0.92	11/20/2017	15,000,000	99.999	100.029	15,004,325	4,502	362	0.12%
43813NAB2	HONDA AUTO RECEIVABLES OWNER T	0.69	8/21/2017	18,000,000	99.995	99.952	17,991,378	-7,689	263	0.14%
43814KAB7	HONDA AUTO RECEIVABLES OWNER T	0.7	6/15/2017	9,000,000	99.996	99.988	8,998,929	-727	179	0.07%
43812XAC9	HONDA AUTO RECEIVABLES OWNER T	0.77	5/15/2017	11,124,560	100.080	100.011	11,125,772	-7,712	150	0.09%
43814EAC9	HONDA AUTO RECEIVABLES OWNER T	0.53	2/16/2017	4,986,121	99.970	99.957	4,983,977	-651	117	0.04%
43814JAB0	HONDA AUTO RECEIVABLES OWNER T	0.58	1/17/2017	4,979,287	100.000	99.953	4,976,927	-2,351	117	0.04%
43814HAB4	HONDA AUTO RECEIVABLES OWNER T	0.48	12/15/2016	15,080,272	99.947	99.958	15,073,878	1,548	92	0.12%
43813JAB1	HONDA AUTO RECEIVABLES OWNER T	0.41	9/21/2016	1,427,763	99.966	99.972	1,427,360	86	33	0.01%
43814KAA9	HONDA AUTO RECEIVABLES OWNER T	0.24	2/16/2016	1,004,421	100.000	100.000	1,004,421	0	15	0.01%
40428HPU0	HSBC USA INC	2	8/7/2018	9,000,000	99.837	100.160	9,014,373	29,016	1,042	0.07%
40428HPM8	HSBC USA INC	0.65435	11/13/2017	40,000,000	99.905	99.075	39,630,160	-331,957	44	0.30%
40434CAB1	HSBC USA INC	0.626	6/23/2017	15,000,000	100.000	99.321	14,898,090	-101,910	84	0.11%
448814JB0	HYDRO QUEBEC	2	6/30/2016	25,000,000	101.002	101.117	25,279,200	28,787	274	0.19%
44918LAC6	HYUNDAI AUTO RECEIVABLES TRUST	0.574	11/15/2018	7,000,000	100.000	99.982	6,998,733	-1,267	417	0.05%
44890YAC0	HYUNDAI AUTO RECEIVABLES TRUST	0.6785	4/16/2018	9,000,000	100.000	99.846	8,986,131	-13,869	15	0.07%
44918LAA0	HYUNDAI AUTO RECEIVABLES TRUST	0.39	9/15/2016	15,000,000	100.000	99.998	14,999,655	-345	103	0.11%
44890YAA4	HYUNDAI AUTO RECEIVABLES TRUST	0.33	4/15/2016	1,619,429	100.000	100.000	1,619,429	0	41	0.01%
459200JA0	IBM CORP	0.4911	2/6/2018	64,530,000	99.998	99.716	64,346,412	-182,145	37	0.49%
24422ETA7	JOHN DEERE CAPITAL CORP	1.75	8/10/2018	5,000,000	99.904	100.637	5,031,830	36,637	1,045	0.04%
24422ESX8	JOHN DEERE CAPITAL CORP	1.6	7/13/2018	10,000,000	99.965	100.138	10,013,840	17,373	1,017	0.08%
24422ESQ3	JOHN DEERE CAPITAL CORP	0.5572	12/15/2017	15,000,000	100.077	99.783	14,967,480	-44,116	76	0.11%
24422ESZ3	JOHN DEERE CAPITAL CORP	0.783	7/11/2017	19,000,000	100.000	99.966	18,993,521	-6,479	103	0.15%
24422ESV2	JOHN DEERE CAPITAL CORP	0.4544	3/1/2017	20,000,000	100.000	99.848	19,969,680	-30,320	62	0.15%
47787WAC3	JOHN DEERE OWNER TRUST	1.44	10/15/2019	3,250,000	99.981	100.245	3,257,972	8,583	792	0.02%
47787UAD5	JOHN DEERE OWNER TRUST	1.32	6/17/2019	7,000,000	99.993	100.288	7,020,132	20,617	687	0.05%
47787UAC7	JOHN DEERE OWNER TRUST	0.47655	2/15/2018	6,500,000	100.037	99.890	6,492,850	-9,547	47	0.05%
47787UAB9	JOHN DEERE OWNER TRUST	0.87	2/15/2018	7,500,000	99.995	100.002	7,500,143	536	249	0.06%
477879AC4	JOHN DEERE OWNER TRUST	0.87	8/15/2017	5,600,849	100.110	100.049	5,603,616	-3,409	172	0.04%
477877AB0	JOHN DEERE OWNER TRUST	0.54	7/17/2017	5,643,154	99.985	99.937	5,639,571	-2,729	121	0.04%
47787UAA1	JOHN DEERE OWNER TRUST	0.27	4/1/2016	3,627,118	100.000	99.982	3,626,469	-649	41	0.03%
48125LRD6	JP MORGAN CHASE BANK NA	0.736	6/14/2017	32,000,000	99.938	99.773	31,927,232	-52,848	75	0.24%
48125LRC8	JP MORGAN CHASE BANK NA	0.749	6/2/2017	29,100,000	99.942	99.771	29,033,390	-49,724	63	0.22%
46623EKA6	JPMORGAN CHASE + CO	0.8451	4/25/2018	45,000,000	99.617	99.541	44,793,630	-33,994	26	0.34%
46623EKD0	JPMORGAN CHASE + CO	1.7	3/1/2018	15,000,000	99.979	99.773	14,965,875	-30,967	883	0.11%
46623EKE8	JPMORGAN CHASE + CO	0.8344	3/1/2018	2,225,000	99.500	99.463	2,213,052	-823	62	0.02%
46625HJF8	JPMORGAN CHASE + CO	1.1951	1/25/2018	4,350,000	100.467	100.454	4,369,736	-563	26	0.03%
46623EJZ3	JPMORGAN CHASE + CO	0.8405	2/15/2017	75,000,000	100.000	99.922	74,941,650	-58,550	47	0.57%
46623EJY6	JPMORGAN CHASE + CO	1.35	2/15/2017	10,000,000	99.977	100.130	10,013,000	15,317	504	0.08%
46623EKB4	JPMORGAN CHASE + CO	0.77445	11/18/2016	60,000,000	100.000	99.955	59,973,120	-26,880	49	0.46%
46625HHX1	JPMORGAN CHASE + CO	3.45	3/1/2016	10,000,000	101.117	101.100	10,109,960	-1,744	153	0.08%
46623EJV2	JPMORGAN CHASE + CO	0.9516	2/26/2016	40,000,000	100.075	100.093	40,037,080	7,265	58	0.31%
49327M2L7	KEY BANK NA	0.8444	6/1/2018	10,000,000	100.000	99.836	9,983,570	-16,430	62	0.08%
49327M2H6	KEY BANK NA	1.7	6/1/2018	5,000,000	99.904	99.862	4,993,075	-2,112	975	0.04%
49327M2E3	KEY BANK NA	0.8191	11/25/2016	25,000,000	100.000	100.022	25,005,475	5,475	56	0.19%
548661DF1	LOWE S COS INC	0.9355	9/14/2018	5,000,000	100.000	100.351	5,017,570	17,570	75	0.04%
57582PJ92	MASSACHUSETTS ST	0.45	1/1/2018	5,000,000	99.912	99.968	4,998,400	2,802	22	0.04%
58013MEB6	MCDONALD S CORP	5.8	10/15/2017	14,320,000	108.981	108.874	15,590,757	-15,265	746	0.12%
583887DC5	MECKLENBURG CNTY NC COPS	0.436	2/1/2028	50,000,000	100.000	100.021	50,010,500	10,500	22	0.38%
58933YAH8	MERCK + CO INC	0.68445	5/18/2018	10,000,000	100.349	100.149	10,014,890	-20,009	49	0.08%
61166WAL5	MONSANTO CO	0.5109	11/7/2016	12,000,000	100.000	99.430	11,931,612	-68,388	38	0.09%
6174467V5	MORGAN STANLEY	1.5751	4/25/2018	55,646,000	101.624	101.408	56,429,384	-120,202	26	0.43%
61761JVM8	MORGAN STANLEY	1.875	1/5/2018	24,907,000	100.257	100.258	24,971,285	306	828	0.19%
61761JVN6	MORGAN STANLEY	1.0235	1/5/2018	47,347,000	100.327	99.962	47,329,008	-172,790	97	0.36%
617446V71	MORGAN STANLEY	6.25	8/28/2017	9,945,000	108.322	108.512	10,791,528	18,885	698	0.08%



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CUSIP Number	Security Name	Interest Rate	Maturity Date	Par Value	Base Unit Cost	Base Price Amount	Base Market Value	Base Unrealized Gain/Loss	DTM/WAM	% Total
61746BDC7	MORGAN STANLEY	0.737	10/18/2016	69,500,000	99.952	99.803	69,362,877	-103,429	19	0.53%
61746BDH6	MORGAN STANLEY	1.5791	2/25/2016	79,894,000	100.008	100.235	80,082,070	181,480	56	0.61%
61746BDG8	MORGAN STANLEY	1.75	2/25/2016	3,000,000	100.303	100.320	3,009,606	516	148	0.02%
61747YCT0	MORGAN STANLEY	3.45	11/2/2015	7,892,000	100.221	100.226	7,909,820	405	33	0.06%
54458VAR6	MUNI IMPT CORP OF LA	0.28	11/2/2015	15,000,000	100.000	100.000	15,000,000	0	33	0.11%
6325COBP5	NATIONAL AUSTRALIA BANK	0.78425	10/8/2015	30,000,000	100.001	99.999	29,999,790	-473	8	0.23%
63254AAH1	NATIONAL AUSTRALIA BK LT	0.8451	7/25/2016	75,000,000	100.000	100.253	75,190,050	190,050	26	0.58%
63254AAK4	NATIONAL AUSTRALIA BK/NY	1.875	7/23/2018	7,000,000	99.976	100.422	7,029,554	31,261	1,027	0.05%
63743HEK4	NATIONAL RURAL UTIL COOP	0.5642	5/12/2017	15,000,000	100.000	99.702	14,955,360	-44,640	43	0.11%
63743HEM0	NATIONAL RURAL UTIL COOP	0.95	4/24/2017	6,000,000	99.951	99.856	5,991,360	-5,686	572	0.05%
63743HEH1	NATIONAL RURAL UTIL COOP	0.6291	11/23/2016	15,000,000	100.000	100.066	15,009,840	9,840	54	0.12%
65477PAC5	NISSAN AUTO RECEIVABLES OWNER	0.72	8/15/2018	30,000,000	99.959	99.896	29,968,860	-18,839	278	0.23%
65475UAD4	NISSAN AUTO RECEIVABLES OWNER	1	7/16/2018	2,095,092	100.194	100.102	2,097,221	-1,938	110	0.02%
65475WAC2	NISSAN AUTO RECEIVABLES OWNER	0.48655	7/16/2018	12,000,000	100.000	99.880	11,985,634	-14,366	47	0.09%
65477LAC4	NISSAN AUTO RECEIVABLES OWNER	0.84	11/15/2017	12,149,057	100.101	100.030	12,152,702	-8,630	190	0.09%
65477UAB6	NISSAN AUTO RECEIVABLES OWNER	0.67	9/15/2017	22,500,000	99.996	99.969	22,493,048	-6,032	205	0.17%
65477WAB2	NISSAN AUTO RECEIVABLES OWNER	0.6	6/15/2017	6,025,086	99.996	99.939	6,021,380	-3,484	146	0.05%
65475WAA6	NISSAN AUTO RECEIVABLES OWNER	0.38	8/15/2016	7,875,452	100.000	99.984	7,874,186	-1,266	84	0.06%
65477UAA8	NISSAN AUTO RECEIVABLES OWNER	0.35	4/15/2016	7,414,015	100.000	99.978	7,412,369	-1,646	44	0.06%
927KIT004	NORTHWEST COMMUNITY CREDIT UNI	0.28	11/12/2015	6,000,000	100.000	100.000	6,000,000	0	42	0.05%
68323ACE2	ONTARIO (PROVINCE OF)	1	7/22/2016	135,000,000	100.035	100.372	135,501,660	454,269	296	1.04%
68323AAQ7	ONTARIO (PROVINCE OF)	2.3	5/10/2016	10,000,000	100.852	101.078	10,107,780	22,587	223	0.08%
68389XAN5	ORACLE CORP	1.2	10/15/2017	15,000,000	99.719	100.168	15,025,245	67,388	746	0.12%
68389XAT2	ORACLE CORP	0.4843	7/7/2017	55,000,000	100.000	99.929	54,961,170	-39,030	99	0.42%
69371RM60	PACCAR FINANCIAL CORP	1.75	8/14/2018	20,000,000	99.927	100.492	20,098,480	113,034	1,049	0.15%
69371RM52	PACCAR FINANCIAL CORP	1.4	5/18/2018	8,500,000	99.884	99.750	8,478,767	-11,370	961	0.06%
69371RM45	PACCAR FINANCIAL CORP	1.45	3/9/2018	10,000,000	99.923	100.126	10,012,600	20,275	891	0.08%
69371RL95	PACCAR FINANCIAL CORP	0.522	6/6/2017	12,650,000	100.000	99.868	12,633,264	-16,798	68	0.10%
69371RL61	PACCAR FINANCIAL CORP	1.15	8/16/2016	20,000,000	99.971	100.561	20,112,100	117,828	321	0.15%
69371RL46	PACCAR FINANCIAL CORP	0.75	5/16/2016	5,000,000	99.914	100.145	5,007,265	11,561	229	0.04%
69371RL38	PACCAR FINANCIAL CORP	0.5814	2/8/2016	5,000,000	100.000	100.062	5,003,080	3,080	40	0.04%
69499B009	PACIFIC CONTINENTAL BANK TCD	0.3	12/9/2015	10,000,000	100.000	100.000	10,000,000	0	71	0.08%
69499B009	PACIFIC CONTINENTAL BANK TCD	0.23	10/14/2015	15,000,000	100.000	100.000	15,000,000	0	14	0.11%
702282NB6	PASADENA CA UNIF SCH DIST	0.941	11/1/2016	15,060,000	100.000	100.383	15,117,680	57,680	398	0.12%
713448CU0	PEPSICO INC	0.4668	4/30/2018	12,000,000	100.000	99.633	11,956,008	-43,992	30	0.09%
713448CV8	PEPSICO INC	0.5385	7/17/2017	20,000,000	100.000	99.981	19,996,160	-3,840	19	0.15%
717081DP5	PFIZER INC	0.4705	5/15/2017	50,000,000	100.000	99.924	49,962,100	-37,900	47	0.38%
718172BN8	PHILIP MORRIS INTL INC	1.25	11/9/2017	20,000,000	99.804	100.020	20,004,080	43,339	771	0.15%
69349LAP3	PNC BANK NA	1.15	11/1/2016	5,000,000	100.237	100.154	5,007,685	-4,180	398	0.04%
740189AK1	PRECISION CASTPARTS CORP	1.25	1/15/2018	11,715,000	99.673	99.532	11,660,186	-16,561	838	0.09%
11070KZ26	PROV. BRITISH COLUMBIA	0	12/2/2015	13,000,000	99.972	99.972	12,996,418	0	63	0.10%
74375QAL8	PROVIDENCE HEALTH	0.18	11/2/2015	25,000,000	100.001	100.001	25,000,250	0	33	0.19%
74375QAL8	PROVIDENCE HEALTH	0.01	11/2/2015	20,000,000	100.000	100.000	20,000,000	0	33	0.15%
68323KZ13	PROVINCE OF ONTARIO	0.01	12/1/2015	25,000,000	99.974	99.974	24,993,434	0	62	0.19%
68323KZ13	PROVINCE OF ONTARIO	0	12/1/2015	21,800,000	99.973	99.973	21,794,090	0	62	0.17%
748148RV7	PROVINCE OF QUEBEC	0.5625	9/4/2018	30,000,000	100.012	99.943	29,982,900	-20,700	65	0.23%
747525AH6	QUALCOMM INC	0.60285	5/18/2018	13,000,000	99.995	98.729	12,834,809	-164,538	51	0.10%
91411UZ24	RGTS OF UNIV OF CA	0.2	12/2/2015	25,000,000	99.966	99.966	24,991,389	0	63	0.19%
91411UXP5	RGTS OF UNIV OF CA	0.21	10/23/2015	36,000,000	99.987	99.987	35,995,380	0	23	0.28%
91411UXD2	RGTS OF UNIV OF CA	0.14	10/13/2015	20,000,000	99.992	99.992	19,998,367	0	13	0.15%
91411UX91	RGTS OF UNIV OF CA	0.12	10/9/2015	10,000,000	99.997	99.997	9,999,733	0	9	0.08%
774341AD3	ROCKWELL COLLINS INC	0.6872	12/15/2016	8,000,000	100.000	99.829	7,986,312	-13,688	76	0.06%
78012KFU6	ROYAL BANK OF CANADA	1.8	7/30/2018	10,000,000	99.989	100.423	10,042,270	43,403	1,034	0.08%
78012KFV4	ROYAL BANK OF CANADA	0.8368	7/30/2018	25,000,000	100.000	99.887	24,971,650	-28,350	30	0.19%
78010U4A2	ROYAL BANK OF CANADA	1.4	10/13/2017	10,000,000	99.986	99.950	9,994,980	-3,624	744	0.08%
78010UD20	ROYAL BANK OF CANADA	1.25	6/16/2017	15,000,000	99.978	100.111	15,016,710	19,980	625	0.12%
78010UNY9	ROYAL BANK OF CANADA	0.6241	1/23/2017	50,000,000	100.000	100.060	50,030,200	30,200	23	0.38%
79768G2H2	SAN FRANCISCO CA CITY + CNTY	0.19	10/1/2015	15,538,000	100.000	100.000	15,538,000	0	1	0.12%
79770TBL1	SAN FRANCISCO CALIF CITY	0.28	12/17/2015	25,000,000	100.000	100.000	25,000,000	0	78	0.19%
79770TBK3	SAN FRANCISCO CALIF CITY	0.24	11/5/2015	15,000,000	100.000	100.000	15,000,000	0	36	0.11%
79770VCR2	SAN FRANCISCO CALIF CITY	0.22	10/20/2015	35,000,000	100.000	100.000	35,000,000	0	20	0.27%
822582AZ5	SHELL INTERNATIONAL FIN	0.9	11/15/2016	7,000,000	99.954	100.223	7,015,631	18,879	412	0.05%
822582BC5	SHELL INTERNATIONAL FIN	0.5305	11/15/2016	10,000,000	100.000	100.002	10,000,160	160	47	0.08%
83705DGM1	SOUTH CAROLINA PUB SVC	0.25	10/1/2015	20,000,000	100.000	100.000	20,000,000	0	1	0.15%
83705MJH9	SOUTH CAROLINA PUB SVC AUTH	0.25	10/19/2015	16,791,000	100.000	100.000	16,791,000	0	19	0.13%
13068FBD9	STATE OF CA G.O.	0.25	12/14/2015	20,000,000	100.000	100.000	20,000,000	0	75	0.15%
13068EAB7	STATE OF CA G.O.	0.2	11/16/2015	13,000,000	100.000	100.000	13,000,000	0	47	0.10%
85744NAB7	STATE STREET BANK + TRST	0.532	12/8/2015	15,000,000	99.953	99.964	14,994,645	1,631	69	0.11%
85771PAU6	STATOIL ASA	0.5114	11/9/2017	25,000,000	99.954	99.389	24,847,275	-141,261	40	0.19%
85771PAT9	STATOIL ASA	1.25	11/9/2017	20,000,000	99.814	99.723	19,944,680	-18,039	771	0.15%
865622BK9	SUMITOMO MITSUI BANKING	0.606	7/11/2017	9,000,000	100.000	99.334	8,940,060	-59,940	104	0.07%
865622BL7	SUMITOMO MITSUI BANKING	1.35	7/11/2017	7,000,000	99.925	99.663	6,976,438	-18,294	650	0.05%
87165LAP6	SYNCHRONY CREDIT CARD MASTER N	1.74	9/15/2021	8,000,000	99.987	100.180	8,014,400	15,478	1,074	0.06%

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87165LAK7	SYNCHRONY CREDIT CARD MASTER N	1.6	4/15/2021	5,000,000	99.982	100.358	5,017,910	18,795	924	0.04%
88276SEW6	TEXAS ST PUB FIN AUTH TAXABLE	0.25	11/2/2015	18,000,000	100.000	100.000	18,000,000	0	33	0.14%
89114QB72	TORONTO DOMINION BANK	0.8341	7/23/2018	25,000,000	100.000	99.888	24,971,925	-28,075	23	0.19%
89114QAL2	TORONTO DOMINION BANK	0.793	9/9/2016	70,000,000	100.053	100.238	70,166,600	129,216	70	0.54%
89153UAD3	TOTAL CAPITAL CANADA LTD	0.6688	1/15/2016	5,000,000	100.000	100.066	5,003,285	3,285	107	0.04%
89153VAF6	TOTAL CAPITAL INTL SA	1	8/12/2016	7,000,000	99.921	100.349	7,024,423	29,953	317	0.05%
89152UAE2	TOTAL CAPITAL SA	2.3	3/15/2016	12,672,000	100.625	100.838	12,778,141	26,901	167	0.10%
89190AAD2	TOYOTA AUTO RECEIVABLES OWNER	1.44	4/15/2020	15,000,000	100.368	100.534	15,080,115	24,915	800	0.12%
89231TAD2	TOYOTA AUTO RECEIVABLES OWNER	1.34	6/17/2019	13,000,000	99.986	100.404	13,052,520	54,389	409	0.10%
89236WAC2	TOYOTA AUTO RECEIVABLES OWNER	1.12	2/15/2019	14,500,000	99.987	99.990	14,498,550	429	581	0.11%
89231TAB6	TOYOTA AUTO RECEIVABLES OWNER	0.93	2/15/2018	13,000,000	99.992	100.111	13,014,482	15,487	198	0.10%
89231MAC9	TOYOTA AUTO RECEIVABLES OWNER	0.67	12/15/2017	15,000,000	99.868	99.921	14,988,135	7,897	241	0.11%
89237CAC5	TOYOTA AUTO RECEIVABLES OWNER	0.41655	11/15/2017	8,000,000	100.000	99.830	7,986,408	-13,592	15	0.06%
89236VAC4	TOYOTA AUTO RECEIVABLES OWNER	0.89	7/17/2017	14,959,835	100.147	100.069	14,970,202	-11,680	168	0.11%
89236WAB4	TOYOTA AUTO RECEIVABLES OWNER	0.71	7/17/2017	3,750,000	99.999	100.002	3,750,075	102	183	0.03%
89231RAB0	TOYOTA AUTO RECEIVABLES OWNER	0.4	12/15/2016	2,896,504	99.958	99.962	2,895,415	134	70	0.02%
89236TCP8	TOYOTA MOTOR CREDIT CORP	1.55	7/13/2018	7,000,000	99.921	100.455	7,031,878	37,405	1,017	0.05%
89236TCR4	TOYOTA MOTOR CREDIT CORP	0.746	7/13/2018	15,000,000	100.000	99.862	14,979,315	-20,685	105	0.11%
89236TCA1	TOYOTA MOTOR CREDIT CORP	1.45	1/12/2018	5,000,000	99.895	100.117	5,005,830	11,063	835	0.04%
89236TCB9	TOYOTA MOTOR CREDIT CORP	0.606	1/12/2018	18,000,000	100.000	99.729	17,951,184	-48,816	104	0.14%
89236TBG9	TOYOTA MOTOR CREDIT CORP	0.5205	5/16/2017	16,001,000	100.038	99.780	15,965,718	-41,419	47	0.12%
89236TBD6	TOYOTA MOTOR CREDIT CORP	0.75	3/5/2017	57,625,000	99.984	99.985	57,616,356	853	520	0.44%
89236TCC7	TOYOTA MOTOR CREDIT CORP	0.5105	2/16/2017	25,000,000	100.000	99.938	24,984,400	-15,600	47	0.19%
89236TBV6	TOYOTA MOTOR CREDIT CORP	0.39	9/23/2016	15,000,000	100.000	99.952	14,992,770	-7,230	16	0.11%
89236TAK1	TOYOTA MOTOR CREDIT CORP	0.6105	5/17/2016	15,000,000	100.000	100.091	15,013,680	13,680	48	0.12%
880592MX5	TVA DISCOUNT NOTE	0	10/13/2015	30,000,000	99.999	99.999	29,999,700	50	13	0.23%
880592MQ0	TVA DISCOUNT NOTE	0	10/6/2015	4,000,000	99.999	99.994	3,999,970	0	6	0.03%
880592MX0	TVA DISCOUNT NOTE	0.1	10/6/2015	10,000,000	99.999	99.999	9,999,861	0	6	0.08%
90261XHH8	UBS AG STAMFORD CT	1.8	3/26/2018	15,000,000	99.931	99.949	14,992,380	2,797	908	0.11%
90261XHH4	UBS AG STAMFORD CT	1.0264	3/26/2018	20,000,000	100.000	99.988	19,997,520	-2,480	90	0.15%
90261XHM7	UBS AG STAMFORD CT	0.8844	6/1/2017	35,000,000	100.000	99.927	34,974,555	-25,445	62	0.27%
90261XHL9	UBS AG STAMFORD CT	1.375	6/1/2017	10,000,000	99.922	99.808	9,980,820	-11,330	610	0.08%
90261XHG0	UBS AG STAMFORD CT	0.8264	9/26/2016	25,000,000	100.000	100.133	25,033,325	33,325	90	0.19%
69199J005	UMPQUA BANK	0.3	12/9/2015	15,000,000	100.000	100.000	15,000,000	0	72	0.11%
69199J005	UMPQUA BANK	0.28	11/12/2015	15,000,000	100.000	100.000	15,000,000	0	43	0.11%
69199J005	UMPQUA BANK	0.27	10/14/2015	15,000,000	100.000	100.000	15,000,000	0	14	0.11%
91412GSX4	UNIV OF CALIFORNIA CA REVENUES	0.907	5/15/2016	7,000,000	100.000	100.303	7,021,210	21,210	228	0.05%
91523TAR4	UNIVERSITY OF WA	0.21	10/7/2015	15,000,000	100.000	100.000	15,000,000	0	7	0.11%
91523TAQ6	UNIVERSITY OF WA	0.21	10/6/2015	10,000,000	100.000	100.000	10,000,000	0	6	0.08%
91513VN97	UNIVERSITY TX PERM UNIV FD	0.21	10/30/2015	25,000,000	100.000	100.000	25,000,000	0	30	0.19%
91513VP46	UNIVERSITY TX PERM UNIV FD	0.14	10/6/2015	15,000,000	100.000	100.000	15,000,000	0	6	0.11%
91513VN48	UNIVERSITY TX PERM UNIV FD	0.2	10/2/2015	15,000,000	100.000	100.000	15,000,000	0	2	0.11%
91518REX8	UNIVERSITY UTAH UNIV REVS	0.18	10/5/2015	25,000,000	100.000	100.000	25,000,000	0	5	0.19%
90331HMD2	US BANK NA CINCINNATI	0.5268	1/30/2017	30,000,000	100.000	99.895	29,968,500	-31,500	30	0.23%
912828XN5	US TREASURY FRN	0.082	7/31/2017	300,000,000	99.977	99.897	299,691,000	-241,155	16	2.30%
912828K41	US TREASURY FRN	0.079	4/30/2017	250,000,000	99.992	99.930	249,826,000	-153,941	16	1.92%
912828H60	US TREASURY FRN	0.099	1/31/2017	50,000,000	99.992	99.973	49,986,650	-9,269	16	0.38%
912828F70	US TREASURY FRN	0.058	10/31/2016	275,000,000	99.974	99.970	274,918,325	-11,313	16	2.11%
912828WV8	US TREASURY FRN	0.075	7/31/2016	175,000,000	100.005	100.008	175,014,700	6,208	16	1.34%
912828D31	US TREASURY FRN	0.074	4/30/2016	175,000,000	100.006	100.010	175,016,975	6,667	16	1.34%
912828WK2	US TREASURY FRN	0.05	1/31/2016	105,000,000	99.995	99.999	104,999,160	4,220	16	0.80%
912828XK1	US TREASURY N/B	0.875	7/15/2018	20,000,000	99.497	99.995	19,998,960	99,486	1,019	0.15%
912828XF2	US TREASURY N/B	1.125	6/15/2018	25,000,000	100.252	100.684	25,170,900	107,961	989	0.19%
912828K25	US TREASURY N/B	0.75	4/15/2018	40,000,000	99.324	99.836	39,934,360	204,801	928	0.31%
912828D49	US TREASURY N/B	0.875	8/15/2017	50,000,000	99.753	100.464	50,231,750	355,226	685	0.39%
912828XP0	US TREASURY N/B	0.625	7/31/2017	45,000,000	99.829	100.038	45,017,010	93,811	670	0.35%
912828WP1	US TREASURY N/B	0.875	6/15/2017	50,000,000	99.904	100.486	50,242,850	290,773	624	0.39%
912828WH9	US TREASURY N/B	0.875	5/15/2017	60,000,000	99.944	100.507	60,303,900	337,693	593	0.46%
912828SJ0	US TREASURY N/B	0.875	2/28/2017	65,000,000	100.158	100.518	65,336,830	234,060	517	0.50%
912828RX0	US TREASURY N/B	0.875	12/31/2016	25,000,000	100.504	100.501	25,125,325	-652	458	0.19%
912828H29	US TREASURY N/B	0.625	12/31/2016	75,000,000	100.165	100.197	75,147,450	23,971	458	0.58%
912828WF3	US TREASURY N/B	0.625	11/15/2016	65,000,000	99.884	100.225	65,146,445	221,968	412	0.50%
912828WA4	US TREASURY N/B	0.625	10/15/2016	25,000,000	100.184	100.228	25,056,975	11,077	381	0.19%
912828VW7	US TREASURY N/B	0.875	9/15/2016	55,000,000	100.396	100.466	55,256,355	38,802	351	0.42%
912828QX1	US TREASURY N/B	1.5	7/31/2016	65,000,000	100.902	100.953	65,619,515	33,316	305	0.50%
912828WQ9	US TREASURY N/B	0.5	6/30/2016	65,000,000	100.128	100.172	65,111,735	28,345	274	0.50%
912828A67	US TREASURY N/B	0.25	12/31/2015	70,000,000	100.020	100.033	70,022,820	8,688	92	0.54%
92343VBL7	VERIZON COMMUNICATIONS	1.8672	9/15/2016	15,000,000	100.000	100.949	15,142,395	142,395	76	0.12%
92867MAC4	VOLKSWAGEN AUTO LOAN ENHANCED	0.56	8/21/2017	6,510,390	99.928	99.831	6,499,400	-6,281	168	0.05%
929903CJ9	WACHOVIA CORP	0.6588	10/15/2016	7,097,000	99.940	99.815	7,083,899	-8,868	107	0.05%
929903AR3	WACHOVIA CORP	0.6368	10/28/2015	31,529,000	99.979	100.008	31,531,428	9,103	28	0.24%
94974BFK1	WELLS FARGO + COMPANY	0.9241	4/23/2018	15,000,000	100.280	100.376	15,056,385	14,375	23	0.12%
94974BFG0	WELLS FARGO + COMPANY	1.5	1/16/2018	10,000,000	99.784	99.905	9,990,510	12,072	839	0.08%



Oregon Short Term Fund Annual Review October 28, 2015

As of: **September 30, 2015**

CUSIP Number	Security Name	Interest Rate	Maturity Date	Par Value	Base Unit Cost	Base Price Amount	Base Market Value	Base Unrealized Gain/Loss	DTM/WAM	% Total
'94974BFX3	WELLS FARGO + COMPANY	0.629	6/2/2017	28,350,000	99.931	99.738	28,275,666	-54,702	63	0.22%
'94974BFL9	WELLS FARGO + COMPANY	1.25	7/20/2016	25,000,000	99.974	100.430	25,107,600	114,148	294	0.19%
'94980VAE8	WELLS FARGO BANK NA	5.75	5/16/2016	6,500,000	104.387	103.126	6,703,158	-81,995	229	0.05%
'94980VAF5	WELLS FARGO BANK NA	0.5305	5/16/2016	64,144,000	99.817	99.894	64,076,200	49,653	47	0.49%
'92976GAF8	WELLS FARGO BANK NA	0.6672	3/15/2016	15,434,000	99.934	99.977	15,430,496	6,728	76	0.12%
'961214CN1	WESTPAC BANKING CORP	0.7591	5/25/2018	17,500,000	99.844	99.655	17,439,608	-33,041	56	0.13%
'961214CK7	WESTPAC BANKING CORP	1.5	12/1/2017	20,000,000	99.996	99.925	19,984,960	-14,168	793	0.15%
'961214CL5	WESTPAC BANKING CORP	0.6944	12/1/2017	31,000,000	99.998	99.644	30,889,578	-109,786	62	0.24%
'961214CJ0	WESTPAC BANKING CORP	0.66285	5/19/2017	35,000,000	100.000	99.875	34,956,285	-43,715	50	0.27%
'961214CD3	WESTPAC BANKING CORP	1.05	11/25/2016	20,000,000	99.976	100.205	20,040,920	45,717	422	0.15%
'961214CE1	WESTPAC BANKING CORP	0.7591	11/25/2016	75,000,000	100.000	100.157	75,117,675	117,675	56	0.58%
'977100CN4	WISCONSIN ST GEN FUND ANNUAL A	1.077	5/1/2016	5,000,000	100.203	100.290	5,014,500	4,331	214	0.04%
				13,032,873,734			13,044,454,500	837,654	182	100.00%



State of Oregon

OREGON SHORT TERM FUND

An Investment Pool of the State of Oregon

Financial Statements

For the Year Ended June 30, 2015

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OREGON SHORT TERM FUND
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FINANCIAL SECTION

Office of the Secretary of State

Jeanne P. Atkins
Secretary of State

Robert Taylor
Deputy Secretary of State



Audits Division

Gary Blackmer
Director

255 Capitol St. NE, Suite 500
Salem, OR 97310

(503) 986-2255

Independent Auditor's Report

The Honorable Kate Brown, Governor of Oregon
The Honorable Ted Wheeler, State Treasurer
Oregon Investment Council
Oregon Short Term Fund Board

Report on the Financial Statements

We have audited the accompanying financial statements of the Oregon Short Term Fund, an investment pool of the State of Oregon, as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Oregon Short Term Fund as of June 30, 2015, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Oregon Short Term Fund, an investment pool of the State of Oregon, are intended to present the financial position and the changes in financial position of only the Oregon Short Term Fund. They do not purport to, and do not, present fairly the financial position of the Oregon State Treasury or the State of Oregon as of June 30, 2015, or the changes in their financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2015, on our consideration of the Oregon State Treasury's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Oregon State Treasury's internal control over financial reporting and compliance.

Office of the Secretary of State, Audits Division

State of Oregon
August 27, 2015

State of Oregon
OREGON SHORT TERM FUND

Statement of Net Position

June 30, 2015

(Dollars in Thousands)

Assets:	
Cash and Cash Equivalents	\$ 2,591,761
Investments	10,995,852
Due from Department of Human Services (Note 5)	13,000
Due from Oregon Military Department (Note 5)	3,000
Accrued Interest Receivable	17,239
Securities Lending Collateral (Note 3)	500,384
	<hr/>
Total Assets	14,121,236
	<hr/>
Liabilities:	
Due to Oregon Employment Department (Note 6)	10
Due to Broker on Purchase	41,762
Obligations Under Securities Lending (Note 3)	500,384
	<hr/>
Total Liabilities	542,156
	<hr/>
Net Position:	
Held in Trust for Participants	13,579,080
	<hr/>
Total Net Position	\$ 13,579,080
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

State of Oregon
OREGON SHORT TERM FUND
Statement of Changes in Net Position
For the Year Ended June 30, 2015
(Dollars in Thousands)

Additions:	
Participants' Contributions	\$ 54,823,382
Investment Income, Net of Expenses (Notes 1, 4)	63,768
	<hr/>
Total Additions	54,887,150
	<hr/>
Deductions:	
Participants' Withdrawals	54,208,334
Distributions of Interest to Participants	71,341
Securities Lending Agent Fee Expense	180
Securities Lending Borrowers' Rebate Expense	471
	<hr/>
Total Deductions	54,280,326
	<hr/>
Change in Assets Held in Trust for Participants	606,824
Net Position - Beginning	12,972,256
	<hr/>
Net Position - Ending (Note 7)	\$ 13,579,080
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

OREGON SHORT TERM FUND

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

Reporting Entity The Oregon Short Term Fund (the Fund) is a short-term cash investment vehicle. A number of local governments in Oregon as well as all State agencies participate in the Fund, thus it is an external investment pool as defined in Statement No. 31 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

The Fund is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by Oregon Revised Statutes and the Oregon Investment Council (the Council). The State Treasurer is the investment officer for the Council and is responsible for all funds entrusted to the Oregon State Treasury (OST). These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the Fund are further governed by portfolio guidelines recommended by the Oregon Short Term Fund Board, with Council approval, establishing diversification percentages and specifying the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. Portfolio guidelines are discussed in greater detail in the Investments section of Note 2.

According to ORS 293.265 and 295.002, state agencies must deposit all funds with depositories qualified by the OST. Undesignated funds not required to meet current demands are deposited in the Fund; therefore, state agencies are considered involuntary participants of the Fund. Because the Fund operates as a demand deposit account for state agency participants, the portion of the Fund belonging to state agency (internal) participants is classified as cash and cash equivalents in the State's Comprehensive Annual Financial Report. The portion of the Fund belonging to local government (external) participants is reported in an investment trust fund in the State's Comprehensive Annual Financial Report.

Basis of Accounting These statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Trade date accounting is observed, which means that purchases and sales of securities are recorded on the day the trade takes place with a corresponding payable to, or receivable from, the broker. Changes in the fair value of investments are recognized at the end of each year. The fair value of investments is determined annually and is equal to market price.

Cash and Cash Equivalents Investments with original maturities of three months or less are considered cash equivalents and are reported at amortized cost, which approximates fair value. Cash and Cash Equivalents also include cash in banks.

Investments Investments with remaining maturities of fewer than ninety days are carried at amortized cost, provided that the fair value of these instruments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Amortized cost approximates fair value. Investments with longer maturities are carried at fair value.

Participants' equity; distributions of interest Participants' account balances in the Fund are determined by the amount of participants' deposits, adjusted for withdrawals and distributed interest. The Fund has not provided or received any legally binding guarantees regarding balances in the Fund. Interest is calculated and accrued daily on each participant's account based on the ending account balance and a variable interest rate determined periodically by the OST. When a participant's account is overdrawn, negative interest accrues daily at the determined rate plus a premium. OST accumulates an amount to offset potential losses based on historical default rates, as part of Total Net Position (See Note 7). This balance is reviewed at the end of every month, and is considered in setting the rate paid to participants, exclusive of unrealized gains and losses. Interest is distributed monthly on the last business day of the month. If the last day of the month is a weekend or holiday, interest is accrued through the last calendar day of the month and posted on the last business day.

OREGON SHORT TERM FUND

Notes to Financial Statements

June 30, 2015

(2) Deposits and Investments

Deposits On June 30, 2015 the Fund held a \$57.0 million book balance in deposits with a bank balance of \$13.8 million. Insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Where interest-bearing balances exceed the Federal Deposit Insurance amount of \$250,000, the balances are covered by collateral held in a multiple financial institution collateral pool (ORS 295.015) administered by the OST in the Public Funds Collateralization Program (PFCP). As of June 30, 2015, \$2.1 million of demand deposits were covered by FDIC insurance and \$11.7 million of demand deposits were collateralized under the PFCP.

Investments On June 30, 2015, the Fund had a net position of \$13.6 billion, \$2.6 billion of which is classified as Cash and Cash Equivalents on the Statement of Net Position. The Fund's portfolio rules establish the Fund's permitted investments and provide guidelines for managing the various types of risk associated with these investments (see the current portfolio rules at [http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx)). The different risks are discussed below.

A. Interest rate and credit risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Fund staff manages this risk by limiting the period of the reset date (reset) or maturity of the investments held by the Fund. The portfolio rules require that at least 50 percent of the portfolio mature or reset within 93 days; not more than 25 percent of the portfolio may mature or reset in over a year; and no investments may mature or reset over three years from settlement date. The June 30, 2015 holdings are shown in the schedule below. For variable rate securities, the next interest rate reset date is used instead of the maturity date. For variable rate securities, in a fixed rate period that will switch to variable rate at a later date, the maturity is based on the final maturity of the security, not the next variable reset date. For fixed rate securities with a put option, the date upon which the put option is fully exercisable for at least 100% of the face value is used instead of the maturity date, and for variable rate securities with a put option, the earlier of the next variable reset date or the put date is used instead of the maturity date. For asset-backed securities, the weighted average life will be used as a proxy for the maturity date.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Fund's policies provide for a composite minimum weighted average credit quality rating for the Fund's holdings to be the equivalent of a AA Standard and Poor's (S&P) rating. This composite is calculated based on the median rating if three agencies rate the security, the lower rating if two ratings are available, or the single rating if only one rating is available. On June 30, 2015, the fund's composite weighted average rating was equivalent to S&P's AA based on the method described above. U.S. Treasuries and all unrated federal agency securities were also assumed to be rated AAA for the composite rating, as these securities are backed by the U.S. government.

The minimum ratings for corporate notes at the time of purchase are an S&P rating of A-, a Moody's rating of A3 or a Fitch rating of A-. Commercial paper is required to have a minimum short-term credit rating at the time of purchase from two of three ratings services; minimum ratings are S&P of A-1, Moody's of P-1 and Fitch of F-1. Foreign government securities are required to have a minimum credit rating from S&P of AA-, Moody's of Aa3 or Fitch of AA-. Asset-backed securities are required to have long-term ratings of AAA, Aaa or AAA, or short-term ratings of A-1+, P-1 or F-1+ by S&P, Moody's, and Fitch, respectively.

Fund policies allow securities downgraded below the minimum required ratings at the time of purchase to be retained at the Director of Capital Markets' discretion. Rating groups were determined using the lowest actual rating from S&P, Moody's or Fitch, and are shown below:

OREGON SHORT TERM FUND
Notes to Financial Statements
June 30, 2015

Interest Rate and Credit Risk
(Dollars in Thousands)

Classification	Rating	Term				Par Value
		93 Days or Less	94-366 Days	One to Three Years	Total	
U.S. Treasury	Not Rated	\$ 1,140,080	\$ 25,041	\$ 505,752	\$ 1,670,873	\$ 1,670,000
Agency Securities	Not Rated(3)	776,149	-	370,794	1,146,943	1,145,770
Agency Discount Notes	Not Rated(3)	1,938,100	-	-	1,938,100	1,938,197
Municipal Commercial Paper	A-1+	325,813	-	-	325,813	
	A-1	221,776	-	-	221,776	
		547,589	-	-	547,589	547,629
Municipal Obligations	AA	54,996	12,043	-	67,039	
	A	-	8,500	15,082	23,582	
		54,996	20,543	15,082	90,621	90,560
Non U.S. Government Commercial Paper	A-1+	10,000	-	-	10,000	10,000
Non U.S. Government Obligations	AAA	-	-	5,536	5,536	
	AA	-	10,152	135,615	145,767	
	A	12,049	25,357	20,660	58,066	
		12,049	35,509	161,811	209,369	207,000
Corporate Commercial Paper	A-1	97,000	-	-	97,000	97,000
Corporate Obligations	AA	761,568	54,012	170,847	986,427	
	A	3,526,439	149,184	858,745	4,534,368	
	BBB(1)	533,726	50,623	296,071	880,420	
		4,821,733	253,819	1,325,663	6,401,215	6,388,675
Asset-Backed Securities	AAA	446,224	521,923	304,716	1,272,863	
	A-1+	48,185	22,607	-	70,792	
		494,409	544,530	304,716	1,343,655	1,342,761
Time Certificates of Deposit	Not Rated(2)	75,200	-	-	75,200	75,200
Cash	Not Rated	57,048	-	-	57,048	57,048
Total		\$ 10,024,353	\$ 879,442	\$ 2,683,818	\$ 13,587,613	\$ 13,569,840

¹ Securities rated BBB on this table continue to meet investment quality rules as discussed above, as they have at least one rating of S&P A-, Moody's A3 or Fitch A

² TCD's are considered deposits for purposes of credit quality, and are fully covered by FDIC and state PFCP programs

³ GASB 40 states that U.S. federal debt is considered to be without credit risk. For credit quality rules, federal debt is considered to be highest quality, except when rated differently

B. Custodial credit risk

Custodial credit risk for investments is the risk that, in the event of a transactional counterparty failure, the government will not be able to recover the value of an investment or collateral securities in the possession of an outside party. The Fund's portfolio rules provide that broker/dealers meet certain qualifications and that investments are delivered to and held by a third-party custodian, which holds the Fund's securities in the State of Oregon's name. Time certificates of deposit (TCDs) are not exposed to custodial credit risk, as they are covered by FDIC insurance of \$0.7 million and the balance of \$74.5 million is covered by the PFCP (ORS 295.015) administered by the OST.

OREGON SHORT TERM FUND

Notes to Financial Statements

June 30, 2015

C. Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Fund rules provide that the maximum that may be invested in any one issuer, as a percentage of the fund's total investments, is 33 percent for U.S. Agency securities, 10 percent for foreign governments and instrumentalities, 5 percent for both commercial paper and corporate notes and 10 percent for all securities and support commitments with the exception of U.S. Treasury (100 percent) and Government Agency securities (33 percent per issuer). On June 30, 2015, the Fund did not hold investments with any one issuer that exceeded these limits. The schedule below lists those issuers where holdings are greater than 5 percent.

Schedule of issuers - Holdings Greater Than Five Percent (Dollars in Thousands)

<u>Issuer Name</u>	<u>Reported Amount</u>	<u>Percent of Holding</u>
Federal Home Loan Bank	\$1,877,682	13.90%
U.S Treasury	1,670,873	12.37%

D. Foreign currency risk

The Fund portfolio rules prohibit investments that are not U.S. dollar-denominated; therefore, the Fund is not exposed to this risk.

(3) Securities Lending

The OST has authorized its custodian to act as its agent in lending the Fund's securities pursuant to a form of loan agreement, in accordance with Fund investment policies. There have been no significant violations of the provisions of the securities lending agreement. The State's securities lending agent lent short-term and fixed income securities and received as collateral U.S. dollar-denominated cash and U.S. Treasury securities. Borrowers were required to deliver collateral for each loan equal to not less than 102 percent of the market value of the loaned security. The State may pledge or sell the collateral securities received only in the event of a borrower default. The State has the ability to impose restrictions on the amount of the loans that the securities lending agent made on its behalf. Several such restrictions were made during the year ended June 30, 2015. The State is fully indemnified by its securities lending agent against losses due to borrower default. There were no losses during the year from the failure of borrowers to return loaned securities.

The Fund's lending agent uses a fund to reinvest cash collateral received on behalf of the Fund and other Oregon state agencies managed by the OST, exclusive of the Oregon Public Employees Retirement Fund. At June 30, 2015 the Fund's allocated portion of the market value of repurchase agreements held by the fund was approximately \$247,000,000. Effective January 2014, the guidelines for the reinvestment of cash collateral were revised with further constraints to reduce overall risk. As permitted under the fund's Declaration of Trust (Declaration), participant purchases and redemptions are transacted at \$1.00 per unit ("constant value") based on the amortized cost of the fund's investments. Accordingly, the securities lending collateral held and the obligation to the lending agent are both stated at constant value on the Statement of Net Position. The balances of securities on loan, collateral received and invested collateral at market value are presented in the schedule below.

OREGON SHORT TERM FUND
Notes to Financial Statements
June 30, 2015

Schedule of Securities Lending Balances

(Dollars in Thousands)

	Securities on Loan at		Invested Cash Collateral at
	Fair Value	Collateral Received	Fair Value
U.S. Agency Securities	\$ 83,541	\$ 85,215	\$ 85,220
U.S. Treasury	650,110	663,830 ¹	357,113
Corporate Notes	75,134	76,735 ²	58,077
Total	\$ 808,785	\$ 825,780	\$ 500,410

¹ Cash Collateral \$357,095, US Treasury \$306,735

² Cash Collateral \$58,074, Corporate Notes \$18,661

The State and borrowers maintained the right to terminate all securities lending transactions on demand. As a consequence, the maturities of investments made with cash collateral generally do not match the maturities of the securities loans. As of June 30, 2015, the State had no credit risk exposure to borrowers related to securities on loan.

(4) Management Fees

In accordance with ORS 293.718, the OST may deduct monthly 0.435 basis points of the most recent market value of assets under management for administration and portfolio management. For the year ended June 30, 2015 the OST charged the Fund a monthly rate of 0.30 basis points based on average daily balances in the Fund. The fee is deducted from investment income before distributions to participants. Fees charged to the Fund totaled \$5.4 million for the year ended June 30, 2015.

(5) Receivables from the Oregon Department of Health and Human Services and Oregon Military Department

The Oregon Department of Human Services entered into an agreement in April of 2015 to borrow up to \$15 million for the purpose of interim financing until revenues from provider tax and other funds become available. Interest is charged at a fixed rate equal to two (2) percent per annum. The loan will mature on the earlier of December 31, 2015 or on the date OST determines the Fund requires repayment to meet current Fund requirements.

The Oregon Military Department entered into an agreement in April of 2015 to borrow up to \$3 million for the purpose of interim financing until revenues from federal reimbursement funds become available. Interest is charged at a fixed rate equal to two (2) percent per annum. The loan will mature on the earlier of September 30, 2015 or on the date OST determines the Fund requires repayment to meet current Fund requirements.

OREGON SHORT TERM FUND

Notes to Financial Statements

June 30, 2015

(6) Payable to the Oregon Employment Department

The OST maintains accounts separate from the Fund which contains employment benefit and trust funds in the name of the Oregon Employment Department (Employment), which is also a participant in the Fund. The OST processes transfers of employment taxes and benefit payments between state agencies and Employment. Occasionally a transfer will be recorded between participants' accounts on one day, but the transfer of cash between the Fund and the employment benefit and trust funds does not take place until the following day, creating either a receivable from or payable to Employment.

(7) Equity of Internal and External Participants

The following table describes the equity of internal and external participants in the Fund's net position, and shows that net position is composed of participants' account balances less undistributed and unrealized losses:

Net position held in trust for participants (in thousands):	
Equity of internal participants	\$ 8,128,541
Equity of external participants	<u>5,450,539</u>
	<u>\$ 13,579,080</u>
Net position consist of (in thousands):	
Participants' Account Balances	\$ 13,483,936
Undistributed and Unrealized Gains	47,497
Allowance for Potential Defaults	<u>47,647</u>
	<u>\$ 13,579,080</u>
Participants' Fair Value (Net Position divided by Participants' Account Balances)	<u>100.71%</u>

OTHER REPORTS

Office of the Secretary of State

Jeanne P. Atkins
Secretary of State

Robert Taylor
Deputy Secretary of State



Audits Division

Gary Blackmer
Director

255 Capitol St. NE, Suite 500
Salem, OR 97310

(503) 986-2255

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Kate Brown, Governor of Oregon
The Honorable Ted Wheeler, State Treasurer
Oregon Short Term Fund Board
Oregon Investment Council

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Oregon Short Term Fund, an external investment pool of the State of Oregon, as of and for the year ended June 30, 2015, and the related notes to the financial statements and have issued our report thereon dated August 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Oregon State Treasury's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Oregon State Treasury's internal control. Accordingly, we do not express an opinion on the effectiveness of Oregon State Treasury's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Oregon Short Term Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Office of the Secretary of State, Audits Division

State of Oregon
August 27, 2015

OIC Policy Updates

October 28, 2015

Purpose

To update several OIC Policies to conform with Treasury's new PolicyStat application.

Background

This is a continuation of the policy updates brought by staff at the September 2015 meeting. As noted in September:

In April 2015, Kim Olson informed the OIC of a new online application, PolicyStat, acquired by Treasury (OST) to facilitate the management of policies and procedures for the OIC and the rest of OST. As the current OIC Policies and Procedures have been migrated to this new application, staff is now engaged in a staged project to reformat existing documents to fit the new rubric approved by Treasury management. Of particular significance is the segregation of Policy and Procedure sections, a recommendation made by Cortex Applied Research during a review completed in August 2012. As staff moves to implement these recommendations going forward, revised policies will come before the OIC for approval, while operating procedures will be approved by the Chief Investment Officer.

Discussion

The following is a brief summary of the attached Policies:

1. INV 402: Internal Fixed Income Portfolio Investments. Moved document into the new policy format and made some linguistic adjustments for clarity.

Two substantive edits are proposed:

- 1) A. Eligibility

- b. The minimum projected balance for candidate funds must be at least \$10 million for investment in U.S. Treasury and Government-Sponsored Enterprise securities and at least \$50 million for inclusion of corporate bonds. (This was previously \$40 million).

- 2) In three of the four attachments (402A, 402B, 402D), the following change under 4. *Diversification* is proposed:

Previous language: "Limit corporate issuer exposure to 3% of total portfolio market value unless approved by the agency."

New language: "Limit the market value of any one issuer to 3 percent of the portfolio, excluding investments in OSTF, OITP, U.S. Treasury and agency securities unless approved by the agency."

In the fourth attachment (402C), similar language is proposed, however, OITP was excluded since OITP is not an approved investment for DAS.

INV 402 also previously included attachment INV 402E – Department of Veterans Affairs IPS. This attachment will require some additional editing and will come before the OIC for approval next year.

2. INV 404: Intermediate Term Pool Investments. Moved document into the new policy format and made some linguistic adjustments for clarity. This policy was originally a "short" policy with an attachment titled "Portfolio Rules for Intermediate Term Pool Investments." The entirety of that document was policy and was therefore added into the new, single policy document. Deleted the paragraph on compliance application and procedures. Compliance topics are addressed in a separate policy series.
3. INV 405: Oregon Public University Fund Investments. This policy was approved by the OIC in September 2015. Following are some additional proposed changes. These changes were made primarily because INV 405 needs to conform to the overarching policy INV 402. (Note that INV 405 policy is already in the new PolicyStat format and this is what policies will look like going forward).

In section 5. *Diversification*, deleted the first bullet point which said: "No more than 3% of portfolio par value may be invested in a single security with the notable exception of obligations issued or guaranteed by the U.S. Treasury or by U.S. federal agencies and instrumentalities; and"

Revised the second bullet point to 3% from 5%: "No more than 3% of portfolio par value may be invested in the securities of a single issuer with the notable exception of obligations issued or guaranteed by the U.S. Treasury or by U.S. federal agencies and instrumentalities."

4. INV 601: Public Equity Investments: Strategic Role of Public Equity Securities within OPERF. Moved document into the new policy format and made some linguistic adjustments for clarity. Regarding attachment INV 601B: Investment Manager Benchmarks, OST staff may amend this document to delete terminated managers without OIC approval, but will continue to seek OIC approval for new managers.
5. INV 603: Internal Equity—Portfolio Objectives and Strategies. Moved document into the new policy format and made some linguistic adjustments for clarity. References to the TEMs strategy have been removed, with the termination of the

strategy. Deleted the paragraph on compliance application and procedures. Compliance topics are addressed in a separate policy series.

6. INV 604: Internal Equity—Approved Broker List. Moved document into the new policy format and made some linguistic adjustments for clarity. Only the policy needs OIC approval; the approved broker list can be changed with the approval of the CIO.
7. INV 704: Private Partnership Principles. No substantive changes; document was moved into the new OST-wide policy format.
8. INV 801: Deferred Compensation Investment Program: Statement of Objectives. Changes frequency of staff comprehensive review of program options and managers from “once every four years” to “no less frequently than once every four years.”
9. INV 802: Deferred Compensation Investment Program: Selecting, Managing, and Terminating Program Firms. Moved document into the new policy format and made some linguistic adjustments for clarity.

Two substantive edits are being proposed:

1) 7. Compensation of Firms

Previous language: “Where applicable, investment management or performance-based fees may be negotiated by Staff. Typically, such fees will be calculated using an inverse, sliding percentage of assets managed. Fees for additional services also may be negotiated by Staff. Mutual fund and commingled trusts generally have imbedded fees not subject to negotiation. Staff will pursue revenue sharing opportunities where appropriate. To the extent possible, revenue sharing rebates will be credited to the net asset value of the applicable Program option.”

New language: “Where applicable, Staff may negotiate investment management or performance-based fees. Staff may also negotiate fees for any additional services. Although Staff will otherwise avoid funds with revenue sharing provisions, revenue sharing rebates (if necessary) will be credited to the net asset value of the applicable Program option.”

2) 9. Program Monitoring

INV 803: Deferred Compensation Investment Program: Quarterly Reporting was eliminated as a stand-alone policy and its language was incorporated into INV 802 as shown in section 9 through 11 of the proposed policy.

Recommendation: Approve policy language in the attached documents.



**OREGON INVESTMENT COUNCIL
POLICY DIRECTIVE**

POLICY No.:	INV 402
DATE:	OCTOBER 19, 2015
TITLE:	INTERNAL FIXED INCOME PORTFOLIO INVESTMENTS
OWNER:	TOM LOFTON
REFERENCES:	OST POLICY 4.03.02

INTRODUCTION & OVERVIEW

Summary Policy Statement

Only State Agency funds meeting certain minimum requirements will be considered eligible for discreet (i.e., separate account) investment management. All internal fixed income investments shall be authorized by a fixed income investment officer, and this authorization shall be documented in accordance with portfolio guidelines established by the Oregon Investment Council (OIC).

Purpose and Goals

The purpose of this Fixed Income Investment Policy comprises the following objectives: (1) determine what funds are eligible for discreet investment management; (2) define the role of fixed income within the OIC's general investment policies for internally-managed funds; 3) establish specific short- and long-term policy objectives for these funds; and 4) outline strategies for implementing the OIC's fixed income investment policies.

Applicability

Classified represented, management service, unclassified executive service

POLICY PROVISIONS

Definitions

None.

Policy Statements

A. ELIGIBILITY

1. Funds eligible for discreet investment management must meet the following requirements:
 - a. Funds' enabling statutes must evidence legislative contemplation of discreet investment activity. Language containing the word "invest" in some form will suffice as evidence; and

- b. The minimum projected balance for candidate funds must be at least \$10 million for investment in U.S. Treasury and Government-Sponsored Enterprise securities and at least \$50 million for inclusion of corporate bonds.
2. Agency must meet the following requirements:
 - a. Agency Head makes a written request for discreet investment management which includes an affirmative statement of the agency's ability to comply with the requirements of the Interagency Agreement for Fixed Income Investments; and
 - b. Agency will enter into an Interagency Investment Agreement with Oregon State Treasury (OST).
3. Final determination on the eligibility of any funds for discreet investing will be made solely by OST.
4. Exceptions to eligibility must be approved by the Deputy State Treasurer.

B. OVERALL POLICY OBJECTIVES & STRATEGIES

1. Achieve a stable and predictable yield with principal preservation while providing sufficient liquidity to meet agency-related cash flow requirements.
2. Maintain a well-diversified portfolio, managed to maximize yield, ***not total return***.
3. Conduct periodic meetings with agencies to review and document each agency's specific portfolio objectives and liquidity needs.
 - a. The investment objectives, constraints, compliance and reporting requirements for individual agencies are attached to this policy.
4. Invest opportunistically, using innovative investment approaches within a controlled and defined portfolio allocation.
5. Maintain average credit quality of A/A.
6. Maintain communication with agencies during periods of unique market environments (e.g., volatile credit cycles, low interest rate scenarios, etc.), and discuss possible impacts/constraints relative to portfolio objectives and liquidity needs.

C. PERMITTED HOLDINGS

1. Obligations issued or guaranteed by the U.S. government, U.S. government agencies or U.S. government-sponsored corporations and agencies.
2. Obligations of U.S. and non-U.S. corporations, commercial paper, certificates of deposit and bankers acceptances issued by industrial, utility, finance, commercial banking or bank holding company organizations.
3. Mortgage-backed, asset-backed and structured securities.
 - a. U.S. agency mortgage-backed securities (MBS) including collateralized mortgage obligations (CMOs).

- b. Senior tranches of commercial mortgage-backed securities (CMBS).
 - c. Senior tranches of asset-backed securities (ABS) collateralized by:
 - i. Autos;
 - ii. Equipment;
 - iii. Credit card debt; or
 - iv. Student loans.
 - d. Senior tranches of enhanced equipment trust certificates (EETCs).
4. Obligations issued or guaranteed by U.S. local, city and state governments and agencies.
 5. Yankee Bonds (U.S. dollar denominated sovereign and corporate debt).
 6. The Oregon Short Term Fund (OSTF) and securities eligible for OSTF.
 7. The Oregon Intermediate Term Pool (OITP) and securities eligible for OITP.

D. DIVERSIFICATION

The portfolio should be adequately diversified to minimize various risks. The following specific limitations reflect, in part, the OIC's current investment philosophy regarding diversification:

1. Obligations issued or guaranteed by the U.S. government, U.S. agencies or government-sponsored enterprises are eligible, without limit;
2. Private mortgage-backed and asset-backed securities are limited to 10% per issuer, unless the collateral is credit-independent of the issuer and the security's credit enhancement is generated internally, in which case the limit is 25% per issuer; and
3. Obligations of other issuers are subject to a 3% per issuer limit.

E. ABSOLUTE RESTRICTIONS

For internally-managed mandates, Investment Staff may not purchase the following investments or types of investments without the specific, advance approval of both the CIO **and** OIC:

1. Short sales of securities;
2. Margin purchases or other use of lending or borrowing money or leverage to create positions greater than 100% of the market value of assets under management;
3. Commodities or common stocks;
4. Non-U.S. dollar denominated fixed income securities issued by entities incorporated or chartered outside of the United States;
5. Fixed income securities which may be converted into equity securities;
6. Investments categorized as equity real estate or within the equity asset class (investments categorized within the short-term asset class are specifically permitted, however);
7. Other securities which may not be categorized as fixed income securities; and

8. Other securities as stipulated in specific agency documents.

The OIC may add or remove investments from this list.

Exceptions

None.

Failure to Comply

Failure to comply with this policy may be cause for disciplinary action up to and including dismissal.

PROCEDURES and FORMS

- A. OIC Policy: Department of Consumer and Business Services Consumer and Business Services Fund Investment Policy Statement
- B. OIC Policy: Department of Consumer and Business Services Workers' Benefit Fund Investment Policy Statement
- C. OIC Policy: Department of Administrative Services Fund Investment Policy Statement
- D. OIC Policy: Oregon Department of Transportation Fund Investment Policy Statement

ADMINISTRATION

Review:

Annually.

Feedback:

Your comments are extremely important to improving the effectiveness of this policy. If you would like to comment on the provisions of this policy, you may do so by e-mailing the Policy Analyst. To ensure your comments are received without delay, *please list the policy number and name in your e-mail's subject*. Your comments will be reviewed during the policy revisions process and may result in changes to the policy.

INV 402A
OREGON INVESTMENT COUNCIL POLICY
Department of Consumer and Business Services
Consumer and Business Services Fund Investment Policy Statement

A. Investment Objectives

The primary objectives, in priority order, of investment activities shall be:

1. Preservation of Invested Capital

Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The goal is to mitigate credit and interest rate risks.

2. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated cash needs of the fund. The portfolio should consist of securities with active secondary or resale markets.

3. Return

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into consideration the safety and liquidity needs of the portfolio. Although return consists of both principal return (gains and losses due to market value fluctuations) and income return (yield), this policy discourages active trading and turnover of investments. Investments should generally be held to maturity.

B. Investment Constraints

1. Permitted Investments

- i.** The Oregon Short Term Fund (OSTF).
- ii.** Oregon Intermediate Term Pool (OITP).
- iii.** U.S. Treasury debt.
- iv.** Government agency debt.
- v.** Municipal debt with long term ratings of A3 or A-, or better, or rated in the two highest categories for short-term debt by Standard & Poor's, Moody's Investors Services, or Fitch Ratings, respectively, at the time of purchase.
- vi.** Corporate debt with long-term investment grade ratings or rated in the two highest categories for short-term debt by Standard & Poor's, Moody's Investors Services, or Fitch Ratings, respectively, at the time of purchase.
- vii.** U.S. agency mortgage-backed securities (MBS) which include both pass-through securities and collateralized mortgage obligations (CMOs).
- viii.** Senior tranches of commercial mortgage-backed securities (CMBS) rated AAA.
- ix.** Senior tranches of asset-backed securities (ABS) rated AAA and collateralized by:
 1. Autos;
 2. Equipment; or
 3. Credit card debt.

2. Credit Quality

- i.** Maintain an average portfolio investment quality of AA/Aa2.

3. Maturity

- i.** Limit the average maturity of the portfolio to 5 years or less.

- ii. Use weighted average life (WAL) to measure maturity for MBS, CMBS and ABS.
- iii. The maximum maturity of any U.S. Treasury, agency, municipal, or corporate bond investment should be 10 years or less based upon stated maturity.
- iv. The maximum WAL of any MBS, CMBS, or ABS should be 5 years or less.

4. Diversification

- i. Limit the market value of any one issuer to 3 percent of the portfolio, excluding investments in OSTF, OITP, U.S. Treasury and agency securities.
- ii. Limit the market value of all MBS investments to 20% of the portfolio.
- iii. Limit the market value of all ABS investment to 15% of the portfolio.
- iv. Limit the market value of all CMBS investments to 15% of the portfolio.

5. Exclude the following types of investments from the portfolio:

- i. Zero coupons;
- ii. Interest only securities;
- iii. Principal only securities;
- iv. Structured notes such as index-amortizing notes, dual-index notes, deleveraged bonds, range bonds and inverse floaters;
- v. Securities tied to foreign currencies or indices based on foreign currencies;
- vi. Alt-A, non-agency, sub-prime, limited documentation, or other “sub-prime” residential mortgage pools or related securities; and
- vii. Collateralized Debt Obligations (CDOs), Collateralized Loan Obligations (CLOs), and Z-tranche ABS investments.

6. Currency

- i. Investments should be restricted to U.S. dollar denominated securities only.

C. Investment Compliance and Reporting

- i. Securities that are downgraded below the minimum credit rating do not have to be liquidated unless warranted by OST staff credit research analysis.
- ii. Exposure limitations should be enforced at the time of purchase. Investment exposures that go over maximum limits as a result of maturities or sales should not be liquidated.
- iii. The agency will communicate the desired minimum cash balance at least annually.
- iv. OST investment staff will present an update on the portfolio at least annually.

INV 402B
OREGON INVESTMENT COUNCIL POLICY
Department of Consumer and Business Services
Workers' Benefit Fund Investment Policy Statement

A. Investment Objectives

The primary objectives, in priority order, of investment activities shall be:

1. Preservation of Invested Capital

Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The goal is to mitigate credit and interest rate risks.

2. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated cash needs of the fund. The portfolio should consist of securities with active secondary or resale markets.

3. Return

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into consideration the safety and liquidity needs of the portfolio. Although return consists of both principal return (gains and losses due to market value fluctuations) and income return (yield), this policy discourages active trading and turnover of investments. Investments should generally be held to maturity.

B. Investment Constraints

1. Permitted Investments

- i.** The Oregon Short Term Fund (OSTF).
- ii.** Oregon Intermediate Term Pool (OITP).
- iii.** U.S. Treasury debt.
- iv.** Government agency debt.
- v.** Municipal debt with long term ratings of A3 or A-, or better, or rated in the two highest categories for short-term debt by Standard & Poor's, Moody's Investors Services, or Fitch Ratings, respectively, at the time of purchase.
- vi.** Corporate debt with long term investment grade ratings or rated in the two highest categories for short-term debt by Standard & Poor's, Moody's Investors Services, or Fitch Ratings, respectively, at the time of purchase.
- vii.** U.S. agency mortgage-backed securities (MBS) which include both pass-through securities and collateralized mortgage obligations (CMOs).
- viii.** Senior tranches of commercial mortgage-backed securities (CMBS) rated AAA.
- ix.** Senior tranches of asset-backed securities (ABS) rated AAA and collateralized by:
 1. Autos;
 2. Equipment; or
 3. Credit card debt.

2. Credit Quality

- i.** Maintain an average portfolio investment quality of A/A2.

3. Maturity

- i. Limit the average maturity of the portfolio to 5 years or less.
- ii. Use weighted average life (WAL) to measure maturity for MBS, CMBS and ABS.
- iii. The maximum maturity of any U.S. Treasury, agency, municipal, or corporate bond investment should be 10 years or less based upon stated maturity.
- iv. The maximum WAL of any MBS, CMBS, or ABS should be 5 years or less.

4. Diversification

- i. Limit the market value of any one issuer to 3 percent of the portfolio, excluding investments in OSTF, OITP, U.S. Treasury and agency securities.
- ii. Limit the market value of all MBS investments to 20% of the portfolio.
- iii. Limit the market value of all ABS investment to 15% of the portfolio.
- iv. Limit the market value of all CMBS investments to 15% of the portfolio.

5. Exclude the following types of investments:

- i. Zero coupons;
- ii. Interest only securities;
- iii. Principal only securities;
- iv. Structured notes such as index-amortizing notes, dual-index notes, deleveraged bonds, range bonds and inverse floaters;
- v. Securities tied to foreign currencies or indices based on foreign currencies;
- vi. Alt-A, non-agency, sub-prime, limited documentation, or other “sub-prime” residential mortgage pools or related securities; and
- vii. Collateralized Debt Obligations (CDOs), Collateralized Loan Obligations (CLOs), and Z-tranche ABS investments.

6. Currency

- i. Investments should be restricted to U.S. dollar denominated securities only.

C. Investment Compliance and Reporting

- i. Securities that are downgraded below the minimum credit rating do not have to be liquidated unless warranted by OST staff credit research analysis.
- ii. Exposure limitations should be enforced at the time of purchase. Investment exposures that go over maximum limits as a result of maturities or sales should not be liquidated.
- iii. The agency will communicate the desired minimum cash balance at least annually.
- iv. OST investment staff will present an update on the portfolio at least annually.

INV 402C
OREGON INVESTMENT COUNCIL POLICY
Department of Administrative Services Insurance Fund
Investment Policy Statement

A. Investment Objectives

The primary objectives, in priority order, of investment activities shall be:

1. Preservation of Invested Capital

Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The goal is to mitigate credit and interest rate risks.

2. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated cash needs of the fund. The portfolio should consist of securities with active secondary or resale markets.

3. Return

The investment portfolio shall be designed with the objective of maximizing yield based on amortized cost (“book yield”) and not total return, taking into consideration the safety and liquidity needs of the portfolio. Investments should generally be held to maturity.

B. Investment Constraints

1. Permitted Investments

- i.** The Oregon Short Term Fund (OSTF).
- ii.** U.S. Treasury debt.
- iii.** Government agency debt.
- iv.** Municipal debt with long term ratings of A3 or A-, or better, or rated in the two highest categories for short-term debt by Standard & Poor’s, Moody’s Investors Services, or Fitch Ratings, respectively, at the time of purchase.
- v.** Corporate debt with long term investment grade ratings or rated in the two highest categories for short-term debt by Standard & Poor’s, Moody’s Investors Services, or Fitch Ratings, respectively, at the time of purchase.
- vi.** U.S. agency mortgage-backed securities (MBS) which include both pass-through securities and collateralized mortgage obligations (CMOs).
- vii.** Senior tranches of commercial mortgage-backed securities (CMBS) rated AAA.
- viii.** Senior tranches of asset-backed securities (ABS) rated AAA and collateralized by:
 1. Autos;
 2. Equipment; or
 3. Credit card debt.

2. Credit Quality

- i. Maintain average credit quality of AA/Aa2.

3. Maturity

- i. Limit the average maturity of the portfolio to 5 years or less.
- ii. Use weighted average life (WAL) to measure maturity for MBS, CMBS and ABS.
- iii. The maximum maturity of any U.S. Treasury, agency, municipal, or corporate bond investment should be 10 years or less based upon stated maturity.
- iv. The maximum WAL of any MBS, CMBS, or ABS should be 5 years or less.

4. Diversification

- i. Limit the market value of any one issuer to 3 percent of the portfolio, excluding investments in OSTF, U.S. Treasury and agency securities unless approved by the agency.
- ii. Limit the market value of all MBS investments to 20% of the portfolio.
- iii. Limit the market value of all ABS investment to 15% of the portfolio.
- iv. Limit the market value of all CMBS investments to 15% of the portfolio.

5. Exclude the following types of investments:

- i. Zero coupons;
- ii. Interest-only securities;
- iii. Principal-only securities;
- iv. Structured notes such as index-amortizing notes, dual-index notes, deleveraged bonds, range bonds and inverse floaters;
- v. Securities tied to foreign currencies or indices based on foreign currencies;
- vi. Alt-A, non-agency, sub-prime, limited documentation, or other “sub-prime” residential mortgage pools or related securities; and
- vii. Collateralized Debt Obligations (CDOs), Collateralized Loan Obligations (CLOs), and Z-tranche ABS investments.

6. Currency

- i. Investments should be restricted to U.S. dollar denominated securities only.

C. Investment Compliance and Reporting

- i. Notify the department at any time that an investment has a market value < 10% of its amortized accounting value.
- ii. Securities that are downgraded below the minimum credit rating do not have to be liquidated unless warranted by OST staff credit research analysis.
- iii. Exposure limitations should be enforced at the time of purchase. Investment exposures that go over maximum limits as a result of maturities or sales should not be liquidated.
- iv. OST investment staff will present an update on the portfolio at least annually.

INV 402D
OREGON INVESTMENT COUNCIL POLICY
Oregon Department of Transportation Fund
Investment Policy Statement

A. Investment Objectives

The primary objectives, in priority order, of investment activities shall be:

1. Preservation of Invested Capital

Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The goal is to mitigate credit and interest rate risks.

2. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated cash needs of the fund. The portfolio should consist of securities with active secondary or resale markets.

3. Return

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into consideration the safety and liquidity needs of the portfolio. Although return consists of both principal return (gains and losses due to market value fluctuations) and income return (yield), this policy discourages active trading and turnover of investments. Investments should generally be held to maturity.

B. Investment Constraints

1. Permitted Investments

- i.** The Oregon Short Term Fund (OSTF).
- ii.** Oregon Intermediate Term Pool (OITP).
- iii.** U.S. Treasury debt.
- iv.** Government agency debt.
- v.** Municipal debt with long term ratings of A3 or A-, or better, or rated in the two highest categories for short-term debt by Standard & Poor's, Moody's Investors Services, or Fitch Ratings, respectively, at the time of purchase.
- vi.** Corporate debt with long term investment grade ratings or rated in the two highest categories for short-term debt by Standard & Poor's, Moody's Investors Services, or Fitch Ratings, respectively, at the time of purchase.
- vii.** U.S. agency mortgage-backed securities (MBS) which include both pass-through securities and collateralized mortgage obligations (CMOs).
- viii.** Senior tranches of commercial mortgage-backed securities (CMBS) rated AAA.
- ix.** Senior tranches of asset-backed securities (ABS) rated AAA and collateralized by:

1. Autos;
2. Equipment; or
3. Credit card debt.

2. Credit Quality

- i. Maintain an average portfolio investment quality of A/A2.

3. Maturity

- i. Limit the average maturity of the portfolio to 2 years or less.
- ii. Use weighted average life (WAL) to measure maturity for MBS, CMBS and ABS.
- iii. The maximum maturity of any U.S. Treasury, agency, municipal, or corporate bond investment should be 5 years or less based upon stated maturity.
- iv. The maximum WAL of any MBS, CMBS, or ABS should be 3 years or less.

4. Diversification

- i. Limit the market value of any one issuer to 3 percent of the portfolio, excluding investments in OSTF, OITP, U.S. Treasury and agency securities.
- ii. Limit the market value of MBS investments to 20% of the portfolio.
- iii. Limit the market value of ABS investment to 15% of the portfolio.
- iv. Limit the market value of CMBS investments to 15% of the portfolio.

5. Exclude the following types of investments from the portfolio:

- i. Zero coupons;
- ii. Interest-only securities;
- iii. Principal-only securities;
- iv. Structured notes such as index-amortizing notes, dual-index notes, deleveraged bonds, range bonds and inverse floaters;
- v. Securities tied to foreign currencies or indices based on foreign currencies;
- vi. Alt-A, non-agency, sub-prime, limited documentation, or other “sub-prime” residential mortgage pools or related securities; and
- vii. Collateralized debt obligations (CDOs), collateralized loan obligations (CLOs), and Z-tranche ABS investments.

6. Currency

- i. Investments should be restricted to U.S. dollar denominated securities only.

C. Investment Compliance and Reporting

- i.** Securities that are downgraded below the minimum credit rating do not have to be liquidated unless warranted by Oregon State Treasury (OST) investment staff credit research analysis.
- ii.** Exposure limitations should be enforced at the time of purchase. Investment exposures that go over maximum limits as a result of maturities or sales should not be liquidated.
- iii.** The agency will communicate the desired minimum cash balance at least annually.
- iv.** OST investment staff will present an update on the portfolio at least annually.



OREGON INVESTMENT COUNCIL POLICY DIRECTIVE

POLICY No.:	INV 404
DATE:	OCTOBER 19, 2015
TITLE:	INTERMEDIATE TERM POOL INVESTMENTS
OWNER:	TOM LOFTON
REFERENCES:	OST POLICY 4.03.04

INTRODUCTION & OVERVIEW

Summary Policy Statement

The Oregon Investment Council (OIC) has, with advice from the State Treasurer and Oregon State Treasury (OST) investment staff, adopted this policy for investing the Oregon Intermediate Term Pool ("OITP" or the "Pool").

OITP is expected to provide a total return consistent with an investment grade quality, short duration diversified fixed income portfolio. Based upon historical market performance, expected returns in OITP are anticipated to be greater over time than the returns provided by shorter maturity alternatives such as the Oregon Short Term Fund portfolio.

OITP is not structured to either maintain or ultimately deliver 100% net asset value (NAV) on each participant's initial investment therein. Accordingly, OITP participants may experience gains or losses on their OITP investments due to changes in market conditions. For consistency with the OITP's total return objective (described below), the value of each participant's individual investment will be determined proportional to the NAV of the entire OITP portfolio.

Purpose and Goals

The objective of OITP is to maximize total return (i.e., principal *and* income) within the stipulated risk parameters and subject to the approved securities holdings prescribed in the OITP investment guidelines.

Applicability

Classified represented, management service, unclassified executive service

Authority

Subject to the terms and conditions of this policy and under the authority of ORS Chapter 293, the designated OST Fixed Income Investment Officer(s) ("investment staff") shall have full discretionary power to direct the investment, exchange, liquidation and reinvestment of OITP assets. The OIC and OST expect that investment staff will recommend guideline changes any

time these guidelines are inconsistent with the Pool's investment objectives, market conditions or other economic or financial considerations.

POLICY PROVISIONS

Definitions

None.

Policy Statements

I. Standards of Care

- A. Prudence: The Investment Staff shall use the “prudent investor” standard in the context of managing the aggregate OITP portfolio. Pursuant to ORS Chapter 293.726:
 - (1) The investment funds shall be invested and the investments of those funds managed as a prudent investor would do, under the circumstances then prevailing and in light of the purposes, terms, distribution requirements and laws governing the Pool; and
 - (2) The standard stated in subsection (1) of this section requires the exercise of reasonable care, skill and caution, and is to be applied to investments not in isolation but in the context of the Pool's investment portfolio and as a part of an overall investment strategy, which should incorporate risk and return objectives reasonably suitable to the investment Pool.

- B. Ethics and Conflicts of Interest: Staff involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Investment staff shall, at all times, comply with the State of Oregon Government Standards and Practices code of ethics set forth in ORS 244, as well as all policies of the OST.

- C. Delegation of Authority: Investment staff shall act in accordance with established written procedures and internal controls while managing the Pool consistent with this policy. No person may engage in an investment transaction except as provided under this policy and the procedures established by OST staff. Senior Fixed Income Investment Officers are jointly responsible for all transactions undertaken, and shall establish a reasonable system of controls to regulate the activities of subordinate employees.

II. Safekeeping and Custody

- A. Authorized Financial Dealers and Institutions: All financial institutions and broker/dealers who seek authorized standing for investment transactions must supply, as appropriate:

- (1) Audited financial statements;
 - (2) Licensing Representation form provided by OST; and
 - (3) Understanding and acknowledgement of OITP Portfolio Rules located on the Oregon State Treasury's website.
- B. Internal Controls: Fixed Income Investment Officer(s) and designated Fixed Income Investment staff should collaborate to establish and maintain an adequate internal control framework designed to reasonably protect the assets of the OITP from loss, theft or misuse.
- C. Delivery vs. Payment: Investment Staff will execute all trades, where applicable, by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.
- D. Safekeeping: A third-party custodian will hold all Pool securities, as evidenced by safekeeping receipts.

III. Investment Guidelines

1. Eligible Investments
Investments shall be limited to the following:
 - (1) The Oregon Short Term Fund (the "OSTF");
 - (2) Obligations issued or guaranteed by the United States (U.S.) Treasury or by U.S. federal agencies and instrumentalities, including inflation-indexed obligations;
 - (3) Non-U.S. Government Securities and their Instrumentalities;
 - i. Non-U.S. government securities and instrumentalities must have minimum long-term ratings of AA-, Aa3 or better at the time of purchase, and must be rated by at least two Nationally Recognized Statistical Rating Organizations (NRSRO).
 - (4) Certificates of deposit;
 - (5) Bankers acceptances that are eligible for discount at a U.S. Federal Reserve Bank;
 - (6) Corporate debt obligations (e.g., commercial paper, term debt, etc.);
 - (7) Taxable and non-taxable municipal debt securities issued by U.S. states or local governments and their agencies, authorities and sponsored enterprises;
 - (8) U.S. Agency Mortgage-backed Securities (MBS) which include both pass-through securities and Collateralized Mortgage Obligations (CMOs). The weighted average life at purchase shall be 5 years or less;
 - (9) Commercial Mortgage-backed Securities (CMBS) which must be rated triple-A at the time of purchase and have a weighted average life of 5 years or less;
 - (10) Asset-backed securities (ABS) which must be rated triple-A at the time

of purchase and have a weighted average life of 5 years or less;

- (11) Repurchase Agreements;
 - ii. Maximum maturity will be 180 days.
 - iii. Counterparties must have a minimum Standard & Poor's or Moody's Investor Services credit rating of "AA" or "Aa2" for maturities one year or longer or "A-1" or "P-1" for maturities less than one year.
 - iv. Repurchase Agreements must equal no more than 5% of liabilities of the counterparty.
 - v. No more than 10% of OITP assets shall be placed with the same counterparty for repurchases.
 - vi. Counterparty must be either a Primary Dealer as recognized by the Federal Reserve Bank or OST's custodial agent as non-primary dealer counterparty.
 - vii. The counterparty must have a signed repurchase agreement.
 - viii. Collateral must be delivered to OST's account at its custodian or to an account established for OST pursuant to the terms of the specific Repurchase Agreement in the name of the Oregon State Treasury.
 - ix. Collateral for repurchase agreements may be U.S. Treasury or U.S. Agency senior unsubordinated securities only.
 - x. The market value of the delivered collateral must be maintained at not less than 102% of the cash invested.
- (12) Reverse Repurchase Agreements;
 - i. Maximum maturity will be 180 days.
 - ii. Counterparties must have a minimum Standard & Poor's or Moody's Investor Services credit rating at least equivalent to "AA" or "Aa2" for maturities one year or longer or "A-1" or "P-1" for maturities less than one year.
 - iii. Reverse Repurchase Agreements must equal no more than 5% of liabilities of the counterparty.
 - iv. No more than 10% of OITP assets shall be placed with the same counterparty for reverse repurchase agreements.
 - v. Counterparty must be a Primary Dealer as recognized by the Federal Reserve Bank.
 - vi. The counterparty must have a signed reverse repurchase agreement.
 - vii. Acceptable reinvestment vehicles include securities that may otherwise be purchased outright.
 - viii. Securities will be reversed on a fully collateralized basis.
 - ix. Reverse repurchase investments for interest rate arbitrage shall only be made on a matched book basis.

2. Denomination: All securities will be denominated in U.S. dollars only.

3. Form: All securities will be non-convertible to equity.

4. Benchmark: The benchmark for OITP is the Barclays U.S. Aggregate 3-5 Year index.
5. Risk Parameters
 - (1) Credit Risk
 - i. Investment Rating
Unless noted otherwise, securities must be rated investment grade or higher by a NRSRO at the time of purchase. If a security is rated by more than one NRSRO, the lowest rating is used to determine eligibility.
 - ii. For newly issued securities, and absent assigned ratings, “expected ratings” may be used as a proxy for actual ratings for not more than 30 business days after the anticipated settlement date.
 - (2) Diversification
 - i. Assets in the account shall be sufficiently diversified by type and maturity to allow for anticipated withdrawals.
 - ii. No more than 3% of the Pool’s par value shall be invested in one security. This restriction does not apply to obligations issued or guaranteed by the U.S. Treasury or by U.S. federal agencies and instrumentalities.
 - iii. No more than 3% of the Pool’s par value shall be invested in the securities of one issuer. This restriction does not apply to obligations issued or guaranteed by the U.S. Treasury or by U.S. federal agencies and instrumentalities.
 - iv. No more than 25% of the Pool’s par value shall be invested in the securities of one sector as defined by the Bloomberg Industry Sector Classification. This restriction does not apply to obligations issued or guaranteed by the U.S. Treasury or by U.S. federal agencies and instrumentalities or to MBS, ABS and CMBS.
 - v. No more than 25% of the Pool’s par value may be invested in MBS.
 - vi. No more than 25% of the Pool’s par value may be invested in ABS.
 - vii. No more than 25% of the Pool’s par value may be invested in CMBS.
 - (3) Interest-rate Risk
 - i. The OITP portfolio’s duration shall not exceed 3.0 years; and
 - ii. The maximum maturity on any allowed investment is constrained as follows:
 1. The maximum stated maturity should not be greater than 10.25 years from the date of settlement unless otherwise noted.
 2. For ABS, MBS and CMBS, weighted average life will be used to measure maturity limitations.
 - (4) Liquidity
 - i. To ensure the flexibility necessary to take defensive action when appropriate, positions should be in issues with sufficient float to

facilitate, under most market conditions, prompt sale without adverse transaction costs or market impacts.

(5) Prohibited Investments:

- i. Alt-A, non-agency, sub-prime, limited documentation or other “sub-prime” residential mortgage pools or related securities;
- ii. Collateralized Debt Obligations (CDOs); and
- iii. Collateralized Loan Obligations (CLOs).

IV. Securities Lending for Reinvestment of Cash Collateral

A. Acceptable reinvestment securities include those that may otherwise be purchased outright in accordance with OITP’s portfolio rules. Within the securities lending program only, cash collateral may also be reinvested as follows:

- (1) Maximum of 15% in ABS rated AAA/Aaa, limited to auto loan and credit card issues with an average life of three years or less; and
- (2) Repurchase agreements collateralized by U.S. Treasury or U.S. Government agency securities with a maximum original maturity of 30 years. No more than 25% of securities lending assets shall be placed with the same counterparty. Repurchase agreements may also be placed with the Federal Reserve Bank’s repo facility.

B. Net capital of any securities lending counterparty must be over \$100 million.

C. Securities will only be loaned on a fully collateralized basis.

D. Lending counterparty must be a Primary Dealer as recognized by the Federal Reserve Bank, and have a signed master securities lending agreement.

E. The market value of the delivered collateral must be maintained at not less than 102% of the market value of the securities loaned.

F. Notwithstanding Section III.1.12 hereof, Reverse Repurchase Agreements are prohibited within the securities lending program.

V. Correction of Non-Compliance

If OITP is found to be out of compliance with one or more adopted investment guidelines or is being managed inconsistently with its policy and objectives, investment staff shall bring the OITP portfolio into compliance as soon as is prudently feasible. Actions to bring the portfolio back into compliance and justification for such actions, including documentation of proposed and actual resolution strategies shall be coordinated with the OST investment compliance program.

Exceptions

None.

Failure to Comply

Failure to comply with this policy may be cause for disciplinary action up to and including dismissal.

PROCEDURES and FORMS

None.

ADMINISTRATION

Review:

Annually.

Feedback:

Your comments are extremely important to improving the effectiveness of this policy. If you would like to comment on the provisions of this policy, you may do so by e-mailing the Policy Analyst. To ensure your comments are received without delay, *please list the policy number and name in your e-mail's subject*. Your comments will be reviewed during the policy revisions process and may result in changes to the policy.



Origination: 07/2014
Last Approved: 09/2015
Last Revised: 09/2015
Next Review: 09/2016
Owner: *Tom Lofton: Investment Officer*
Policy Area: *Investments*
References: *OST Policy 04.03.05*

INV 405: Oregon Public University Fund Investments

OREGON INVESTMENT COUNCIL POLICY

INTRODUCTION AND OVERVIEW

Summary Policy Statement

The Oregon Investment Council (OIC or Council) approves the investment policy for the Oregon Public University Fund (PUF).

Purpose and Goals

The goal of this policy is to provide guidance to Oregon State Treasury (OST) staff regarding the investment of PUF.

Applicability

Classified represented, management service, unclassified executive service

Authority

293.726 Standard of judgment and care in investments; investment in corporate stock.

1. The investment funds shall be invested and the investments of those funds managed as a prudent investor would do, under the circumstances then prevailing and in light of the purposes, terms, distribution requirements and laws governing each investment fund.
2. The standard stated in subsection (1) of this section requires the exercise of reasonable care, skill and caution, and is to be applied to investments not in isolation but in the context of each investment fund's investment portfolio and as a part of an overall investment strategy, which should incorporate risk and

return objectives reasonably suitable to the particular investment fund.

3. In making and implementing investment decisions, the Oregon Investment Council and the investment officer have a duty to diversify the investments of the investment funds unless, under the circumstances, it is not prudent to do so.
4. In addition to the duties stated in subsection (3) of this section, the council and the investment officer must:
 - a. Conform to the fundamental fiduciary duties of loyalty and impartiality;
 - b. Act with prudence in deciding whether and how to delegate authority and in the selection and supervision of agents; and
 - c. Incur only costs that are reasonable in amount and appropriate to the investment responsibilities imposed by law.
5. The duties of the council and the investment officer under this section are subject to contrary provisions of privately created public trusts the assets of which by law are made investment funds. Within the limitations of the standard stated in subsection (1) of this section and subject to subsection (6) of this section, there may be acquired, retained, managed and disposed of as investments of the investment funds every kind of investment which persons of prudence, discretion and intelligence acquire, retain, manage and dispose of for their own account.
6. Notwithstanding subsection (1) of this section, not more than 50 percent of the moneys contributed to the Public Employees Retirement Fund or the Industrial Accident Fund may be invested in common stock, and not more than 65 percent of the moneys contributed to the other trust and endowment funds managed by the Oregon Investment Council or the State Treasurer may be invested in common stock.
7. Subject to the standards set forth in this section, moneys held in the Deferred Compensation Fund may be invested in the stock of any company, association or corporation, including but not limited to shares of a mutual fund. Investment of moneys in the Deferred Compensation Fund is not subject to the limitation imposed by subsection (6) of this section. [1967 c.335 §7; 1971 c.53 §1; 1973 c.385 §1; 1981 c.880 §12; 1983 c.456 §1; 1983 c.466 §1; 1987 c.759 §1; 1993 c.18 §59; 1993 c.75 §1; 1997 c.129 §2; 1997 c.179 §22; 1997 c.804 §5; 2005 c.294 §1]

293.731 Council to formulate and review investment policies; exception. Subject to the objective set forth in ORS 293.721 and the standards set forth in ORS 293.726, the Oregon Investment Council shall formulate policies for the investment and reinvestment of moneys in the investment funds and the acquisition, retention, management and disposition of investments of the investment funds. The council, from time to time, shall review those policies and make changes therein as it considers necessary or desirable. The council may formulate separate policies for any fund included in the investment funds. This section does not apply to the Oregon Growth Account, the Oregon Growth Fund, the Oregon Growth Board, the Oregon Commercialized Research Fund, the Oregon Innovation Fund or the Oregon Innovation Council. [1967 c.335 §8; 1993 c.210 §20; 1999 c.42 §1; 1999 c.274 §18; 2001 c.835 §9; 2001 c.922 §§15a,15b; 2005 c.748 §§15,16; 2012 c.90 §§22,32; 2013 c.732 §8]

POLICY PROVISIONS

Definitions

None.

Policy Statements

A. General Policy Statements

1. Funds meeting OST requirements are eligible for segregated investment management by the OST Investment Division and its investment officers according to and within the guidelines established and approved by the OIC. Investments shall be authorized by an OST investment officer and documented in accordance with OST policies and procedures.
2. Funds shall be invested in accordance with the policies and procedures outlined in this policy and in accordance with statute established by HB 4018, section 7.

B. Compliance Application and Procedures

1. OST shall provide an investment compliance program to accomplish the following objectives: a) monitor and evaluate portfolios, asset classes, and other investment funds to determine compliance with OST policies and contractual obligations; b) identify instances of non-compliance and develop appropriate resolution strategies; c) provide relevant compliance information and reports to OST management and the OIC, as appropriate; and d) verify resolution by the appropriate individual or manager within the appropriate time frame.
2. **Resolution of Non-Compliance.** If PUF investments are found to be a) out of compliance with one or more adopted investment guidelines or b) managed inconsistently with governing policy and objectives, OST investment staff shall bring the investments into compliance as soon as is prudently feasible. Actions to bring the portfolio back into compliance and justification for such actions, including documentation of proposed and actual resolution strategies shall be coordinated with the OST investment compliance program.

C. Portfolio Rules for the Public University Fund

1. **Scope:** These rules apply to the investment of funds from all eligible and approved participants in the Public University Fund ("PUF"), and are established under the authority of, and shall not supersede, the requirements established under ORS Chapter 293 and HB 4018 of Oregon Laws 2014
2. **Objective:** Provide adequate liquidity for PUF participant cash flow requirements. Manage the portfolio to maximize total return over a long-term horizon within the desired risk parameters.
3. **Portfolio Allocation and Risk Profile:** Allocation parameters listed in the table below are intended to be general guidelines, not hard limits subject to OST Compliance monitoring.

Strategy Type	Name	Allocation	Objective
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Liquidity	Short-Term	The purpose of the short-term portfolio is to assure adequate cash for operations. Investment management efforts shall be conducted to maintain an allocation to the short-term portfolio equivalent to not less than approximately six (6) months of average monthly operating expenses. This short-term portfolio allocation may also be determined using the results of a cash flow analysis.	Principal preservation
Core	Intermediate-Term	Investment management efforts shall be conducted to allocate to the intermediate-term portfolio any cash balances in excess of those necessary to meet the requirements for the short-term portfolio. Funds allocated to the intermediate-term portfolio should not exceed \$300 million.	Exceed the Oregon Intermediate Term Pool benchmark's total return over a 3-year trailing period.
	Long-Term	Investment management efforts shall be conducted to allocate to the long-term portfolio any cash balances in excess of those necessary to meet the requirements for the short-term portfolio. Funds allocated to the long-term portfolio should not exceed \$120 million.	Exceed the benchmark's total return over a 5-year trailing period.

D. Portfolio Rules Continued

4. Permitted Holdings

- Short-Term Portfolio:
 - The Oregon Short Term Fund (OSTF); and
 - Any securities eligible for purchase in the OSTF. The OSTF is governed by the OIC and OST-adopted policies and guidelines as documented in OIC Policy INV 303.
- Intermediate-Term Portfolio:
 - Any holdings eligible for the Short-Term Portfolio;
 - The Oregon Intermediate-Term Pool (OITP); and
 - Any securities eligible for purchase in OITP which is governed by the OIC and OST-adopted policies and guidelines as documented in OIC Policy INV 404.
- Long-Term Portfolio:
 - Any holdings eligible for the Intermediate-Term Portfolio;
 - Obligations issued or guaranteed by the U.S. Treasury or by U.S. federal agencies and instrumentalities, including inflation-indexed obligations with stated maturities less than 15.25 years;
 - Non-U.S. Government Securities and their Instrumentalities;

- Non-U.S. government securities and Instrumentalities with a minimum rating of one or more of Aa2/AA/AA by Moody's Investors Services, Standard & Poor's or Fitch, respectively, and with a stated maturity less than 15.25 years at the time of purchase.
- Municipal debt with a minimum rating of one or more of A3/A-/A- by Moody's Investors Services, Standard & Poor's or Fitch, respectively, and with a final maturity less than 15.25 years at the time of purchase;
- Corporate indebtedness with minimum investment grade ratings by one or more of Moody's Investors Services, Standard & Poor's or Fitch, respectively, and with a stated maturity less than 15.25 years at the time of purchase;
- Asset-backed securities rated AAA at the time of purchase with a weighted average life of less than 5.25 years;
- Commercial mortgage-backed securities (CMBS) rated AAA at the time of purchase with a weighted average life of less than 5.25 years; and
- U.S. agency residential mortgage-backed securities (MBS) and residential mortgage related securities with a weighted average life of less than 5.25 years.

5. Diversification

The portfolio should be adequately diversified consistent with the following parameters:

- No more than 3% of portfolio par value may be invested in the securities of a single issuer with the notable exception of obligations issued or guaranteed by the U.S. Treasury or by U.S. federal agencies and instrumentalities.
- Issuer and security level restrictions shall not apply to OSTF or OITP holdings.

6. Counterparties

A list of all broker/dealer and custodian counterparties shall be provided annually to the Designated University.

7. Strategy

- Maintain an average (measured by market value) credit rating of at least A-, excluding OSTF and OITP holdings. If a security is rated by more than one rating agency, the lowest rating is used to determine the average rating;
- In the Long-Term Portfolio, maintain an average modified duration level of +/-20% of the custom fixed income benchmark up to a maximum of 7.5 years; and
- Structure maturities to provide reinvestment opportunities that are staggered. No more than 15% of the long-term portfolio should mature in a single, 3-month time period. This stipulation is intended to be a general guideline, not a hard limit subject to OST Compliance monitoring.

8. Investment Restrictions

- All investments will be in U.S. dollar denominated securities;
- All investments will be non-convertible to equity;

- Collateralized debt obligations (CDO), Collateralized Loan obligations (CLO) and Z-tranche investments are not permitted;
- Investments in Alt-A, sub-prime, limited documentation or other "sub-prime" residential mortgage pools are not permitted. There shall be no use of leverage in any investments (excluding use of securities in a securities lending program). Structured securities such as ABS, MBS and CMBS shall not be considered as using leverage;
- For newly issued securities with unassigned ratings, "expected ratings" may be used as a proxy for assigned ratings up to 30 business days after settlement date; and
- Maximum market value exposures (excluding underlying holdings in OSTF and OITP) shall be limited as follows:

U.S. Treasury Obligations	100%
U.S. Agency Obligations	50%
U.S. Corporate Indebtedness	50%
Municipal Indebtedness	30%
Asset-backed Securities (ABS)	20%
Mortgage-backed Securities (MBS)	30%
Commercial Mortgage-backed Securities (CMBS)	10%
Structured Securities (Combined ABS, MBS and CMBS)	50%

9. Policy Compliance

- OST Investment Staff will submit a written action plan to the Designated University regarding any investment downgraded by at least one rating agency to below investment grade within 10 days of the downgrade. The plan may indicate why the investment should continue to be held and/or outline an exit strategy; and
- OST Staff will consult with the Designated University, on a pre-trade basis, if an investment trade or trades will result in a cumulative net loss greater than 1% over 3 months prior to trade settlement date.

10. Performance Expectations/Reviews:

- Over a 5-year trailing period, the Long-Term portfolio is expected to outperform the Barclay U.S. Aggregate 5-7 Year Index;
- OST will provide the Designated University with a monthly report of all non-passive compliance violations of this policy's guidelines; and
- Investment reviews between OST investment staff and the Designated University will occur quarterly and focus on:
 - Performance relative to objectives

- Adherence to this policy; and
- Trading activity.

Exceptions

None.

Failure to Comply

Failure to comply with this policy may be cause for disciplinary action up to and including dismissal.

PROCEDURES and FORMS

None.

ADMINISTRATION

Feedback

Your comments are extremely important to improving the effectiveness of this policy. If you would like to comment on the provisions of this policy, you may do so by e-mailing the Policy Analyst. To ensure your comments are received without delay, *please list the policy number and name in your e-mail's subject*. Your comments will be reviewed during the policy revisions process and may result in changes to the policy.

Attachments:

No Attachments

	Committee	Approver	Date
		Tom Lofton: Investment Officer	09/2015
		Kim Olson: Policy Analyst	09/2015
		Perrin Lim	09/2015
	OIC	John Skjervem: Chief Investment Officer	09/2015



**OREGON INVESTMENT COUNCIL
POLICY DIRECTIVE**

POLICY No.:	INV 601
DATE:	OCTOBER 5, 2015
TITLE:	PUBLIC EQUITY INVESTMENTS: STRATEGIC ROLE OF PUBLIC EQUITY SECURITIES WITHIN OPERF
OWNER:	MIKE VITERI
REFERENCES:	OST POLICY 4.05.01

INTRODUCTION & OVERVIEW

Summary Policy Statement

The strategic role of publicly-traded equity securities is to provide enhanced return and diversification. The public equity securities portfolio within the Oregon Public Employees Retirement Fund (OPERF) also provides liquidity for OPERF relative to its cash flow requirements. Public equity securities are subject to the specific, strategic allocation targets established by OIC Policy INV 215: OPERF Asset Allocation and Rebalancing Policy.

Purpose and Goals

The purpose of these Public Equity Investment Policies & Strategies is to define the objectives of public equities as an asset class within the general investment policies of the Oregon Investment Council ("OIC" or the "Council"), and to outline the strategies used to implement the Council's public equity investment policies.

Applicability

Classified represented, management service, unclassified executive service

POLICY PROVISIONS

Definitions

None.

Policy Statements

1. To provide one of the highest expected returns among approved OPERF asset classes. Over the long-term, public equity returns are expected to exceed inflation by approximately 5 percent on an average, annual basis.
2. To achieve a public equities portfolio return of 0.75 percent or more above the MSCI All Country World Index Investable Market Index (ACWI IMI) (net) over a market cycle of

three to five years on a net-of-fees basis.

3. To manage active risk to a targeted annualized tracking error of 0.75 to 2.0 percent, relative to the MSCI ACWI IMI (net).

Strategies

1. The OPERF public equity portfolio shall be structured on a global basis, seeking to loosely replicate the country and market capitalization characteristics of the investable universe of public equity securities which can be further categorized as U.S., non-U.S. developed countries and emerging market countries.
2. Unless tax, regulatory or liquidity constraints suggest otherwise, diversify public equity allocations across the stock markets of all investable countries to ensure exposure to a wide range of investment opportunities, and participate broadly in those markets in an attempt to capture the full market rate of equity return therein. The size of any commitment to an individual investment strategy will be based on that strategy's expected portfolio impact, the Staff's confidence in the strategy's manager, the manager's investment style, and the capacity available in/with a particular strategy/manager.
3. Maintain an overall equity portfolio capitalization that broadly reflects the MSCI ACWI IMI, but with deliberate and systematic overweights to small capitalization and value stocks. These strategic overweights or "tilts" are based on and supported by robust empirical research that historically links persistent and pervasive evidence of excess returns to systematic small cap and value "factor" exposures. Implementation of other such "factor" tilts may be considered at the manager, strategy or mandate level upon approval of both the Chief Investment Officer (CIO) and OIC.
4. Invest opportunistically, using unique investment approaches, within a controlled and defined portfolio allocation. Specifically, "130/30" strategies may be implemented with any existing OPERF public equity mandate conditional upon consultant and CIO concurrence and provided such implementation does not change the mandate's role within the public equity portfolio. Staff will report any such 130/30 implementations to the Council in the quarter immediately following the implementation.
5. Enhance returns through selective active management provided such actively-managed strategies demonstrate empirical efficacy relative to factor exposures and net of all fees and transactions costs.
6. Actively-managed strategies are expected to outperform stated benchmarks on an after-fee and risk-adjusted basis. Comparisons against a representative peer group universe will also be considered in evaluating the performance and risk characteristics of these strategies.
7. Benchmarks assigned to all non-U.S. strategies should be unhedged. Managers may be permitted to hedge currency exposures, and in cases where currency represents an explicit element of a manager's stated investment approach, may take active currency positions; however, all managers will be measured against an unhedged benchmark.

8. The Council's selection of active managers will be based on those managers' demonstrated ability to add value on a "triple net" basis (i.e., net of all fees, transactions costs and factor exposures) relative to a passive management alternative. Additional considerations include managers' stated style and volatility parameters relative to the strategic allocation targets set forth in Appendix A. Finally, the management guidelines described in Appendix C will be attached to and incorporated into the Council's contract with each investment manager.

Exceptions

None.

Failure to Comply

Failure to comply with this policy may be cause for disciplinary action up to and including dismissal.

PROCEDURES and FORMS

- A. OIC Policy: Public Equity Strategic Allocation Targets (Appendix A)
- B. OST Procedure: Investment Manager Benchmarks (Appendix B)
- C. OIC Policy: Management Guidelines (Appendix C)

ADMINISTRATION

Review:

Annually.

Feedback:

Your comments are extremely important to improving the effectiveness of this policy. If you would like to comment on the provisions of this policy, you may do so by e-mailing the Policy Analyst. To ensure your comments are received without delay, *please list the policy number and name in your e-mail's subject*. Your comments will be reviewed during the policy revisions process and may result in changes to the policy.

**OREGON INVESTMENT COUNCIL POLICY
APPENDIX A**

**PUBLIC EQUITY
STRATEGIC ALLOCATION TARGETS**

Subject to periodic review and revision, the Council adopts the following strategic allocation targets¹:

- a. Capitalization exposure similar to stated benchmark with the exception of strategic overweights to small cap and value factors;
- b. The Council's strategic allocation targets represent percentages of the total OPERF public equity portfolio. Each such target has an accompanying percentage range. The strategic allocation targets and ranges are summarized as follows:

	<u>Targets</u>	<u>Ranges</u>
U.S.	ACWI IMI weight	+/- 10%
Non-U.S.	ACWI IMI weight	+/- 10%
Emerging Markets	ACWI IMI weight	+/- 4%
U.S. Small Cap Overweight	70%	0% - 140%
U.S. Value	60%	+/- 10%

Note: The U.S. small cap overweight is based on the Russell 2000 index weight relative to the Russell 3000 index weight, the latter of which approximates 8%. The U.S. value overweight is determined and calculated using a Russell 3000 baseline.

- c. On a quarterly basis, staff will prepare and deliver to the Council a report that includes public equity portfolio performance relative to return and risk objectives as outlined in this policy including the portfolio's style (growth/value) and construction (active/passive) weightings as well as its geographic allocation relative to the MSCI ACWI IMI benchmark. With CIO approval and subsequent quarterly reporting to the OIC, staff will also have discretion to rebalance between and among managers within the public equity portfolio. The aggregate structural characteristics of the public equity portfolio will be considered during such rebalancings, while re-allocations between asset classes shall remain governed by Policy **INV 215: OPERF Asset Allocation and Rebalancing Policy**.

¹ All targets measured relative to the MSCI ACWI IMI index.

**OREGON INVESTMENT COUNCIL POLICY
APPENDIX A**

**PUBLIC EQUITY
STRATEGIC ALLOCATION TARGETS**

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¹ All targets measured relative to the MSCI ACWI IMI index.

**OREGON STATE TREASURY PROCEDURE
APPENDIX B**

INVESTMENT MANAGER BENCHMARKS

<u>Manager</u>	<u>Benchmark</u>	<u>Peer Group</u>	<u>Return Objective Over Benchmark Net-of-Fees</u>
U.S. Large Cap:			
DFA	Russell 1000	U.S. Large Core	1.5%
Aronson + Johnson + Ortiz	Russell 1000 Value	U.S. Large Value	1.0%
Russell/RAFI Fund Index	Russell 1000	U.S. Large Core	1.5%
Risk Premia Strategy	MSCI USA	U.S. Large Core	1.5%
BGI Russell 1000 Value Index	Russell 1000 Value	U.S. Large Value	N/A
BGI Russell 1000 Growth Index	Russell 1000 Growth	U.S. Large Growth	N/A
S&P 500 Index	S&P 500	U.S. Large Passive	N/A
S&P 400 Index	S&P 400	U.S. Mid Passive	N/A
U.S. Small and SMID Cap			
EAM	Russell Microcap Growth	U.S. Micro Growth	2.5%
DFA	Russell Microcap Value	U.S. Micro Value	1.5%
Callan	Russell Microcap Value	U.S. Micro Value	1.5%
Next Century	Russell 2000 Growth	U.S. Small Growth	2.0%
AQR 130/30 Fund	Russell 2000 Value	U.S. Small Value	1.0%
Boston Company	Russell 2000 Value	U.S. Small Value	1.0%
Wellington	Russell 2000	U.S. Small Core	1.0%
Wanger	Russell 2500	U.S. SMID Core	1.0%
Russell 2000 Synthetic Index	Russell 2000	U.S. Small	0.3%
Non-U.S. Large Cap			
TT International	World x U.S. Std Growth	Non-U.S. Growth	2.0%
Wells Capital CEF	ACWI x U.S. IMI	Non-U.S. Core	2.0%
Lazard CEF	ACWI x U.S. IMI	Non-U.S. Core	2.0%
Walter Scott	World x U.S. Std	Non-U.S. Growth	2.0%
Acadian	ACWI x U.S. IMI Value	Non-U.S. Value	1.7%
Brandes	ACWI x U.S. Std Value	Non-U.S. Value	2.0%
AQR	World x U.S. Std	Non-U.S. Core	2.0%
Arrowstreet 130/30 Fund	ACWI x U.S. IMI	Non-U.S. Core	2.0%
Lazard	ACWI x U.S. Std	Non-U.S. Core	1.5%
Pyramis Select	ACWI x U.S. Std	Non-U.S. Core	1.0%

<u>Manager</u>	<u>Benchmark</u>	<u>Peer Group</u>	<u>Return Objective Over Benchmark Net-of-Fees</u>
Non-U.S. Large Cap (cont.)			
SSgA World ex-US Index	World x U.S. Std	Non-U.S. Passive	N/A
Non-U.S. Small Cap			
DFA	World x U.S. SC Value	Non-U.S. Small Value	1.5%
Harris Associates	ACWI x U.S. SC Value	Non-U.S. Small Value	2.0%
Pyramis Select	World x U.S. SC	Non-U.S. Small Core	2.0%
Victory International	World x U.S. SC	Non-U.S. Small Growth	2.0%
DFA	Global x U.S. Micro Value	Non-U.S. Small Value	2.0%
EAM Investors	Global x U.S. Micro Growth	Non-U.S. Small Growth	2.0%
Emerging Markets			
Arrowstreet	EM IMI	Emerging Markets	2.0%
DFA	EM Small Cap	Emerging Markets	1.5%
William Blair	EM Small Cap	Emerging Markets	2.0%
Genesis	EM IMI	Emerging Markets	2.0%
William Blair	EM Std	Emerging Markets	2.0%
Westwood Global	EM Std	Emerging Markets	2.5%
Global			
AllianceBernstein Value	ACWI Value Std	Global Value	2.0%

ACWI – MSCI All-Country World Index (U.S. + Non-U.S. Developed + Emerging Markets)

IMI – MSCI IMI Index (Large Cap + Mid Cap + Small Cap)

Std – MSCI Standard Index (Large Cap + Mid Cap)

SC – MSCI Index (Small Cap)

EM – MSCI Emerging Markets Index

**OREGON INVESTMENT COUNCIL POLICY
APPENDIX C**

MANAGEMENT GUIDELINES

Management guidelines shall be attached to and incorporated into every separate account contract entered into between the Council and an investment manager. These guidelines may be modified from time to time as considered necessary by the CIO; however, the assigned benchmark may not be changed without OIC approval, and each contract must specify the following:

1. The specific category to which a manager's strategy is assigned;
2. A description of the manager's investment style;
3. The manager's specific performance objective relative to an index or passively managed alternative;
4. The strategy's expected risk (tracking error) relative to its assigned benchmark;
5. Portfolio characteristics which the OIC expects the manager's strategy to exhibit on average throughout a market cycle; and
6. A list of permissible equity securities in which the manager may invest.



**OREGON INVESTMENT COUNCIL
POLICY DIRECTIVE**

POLICY No.:	INV 603
DATE:	OCTOBER 19, 2015
TITLE:	INTERNAL EQUITY – PORTFOLIO OBJECTIVES AND STRATEGIES
OWNER:	MIKE VITERI
REFERENCES:	OST POLICY 4.05.03

INTRODUCTION & OVERVIEW

Summary Policy Statement

All internal equity investments shall be authorized by a public equity investment officer, and such authorization shall be documented in accordance with portfolio guidelines established by the Oregon Investment Council (OIC). Subject to prior notification of the OIC, the Chief Investment Officer (CIO) has the authority to approve changes to the "Permitted Holdings" section of this policy.

Purpose and Goals

The purpose of this policy is to specify the portfolio strategies Staff is authorized to manage internally and to define governing risk, performance and permitted investments parameters.

POLICY PROVISIONS

Definitions

None.

Policy Statements

POLICY STATEMENTS AND STRATEGIES

S&P 500 Index Strategy

1. The objective of the S&P 500 Index portfolio is to closely match the S&P 500 Total Return Index performance using a full replication strategy.
2. The S&P 500 Index Portfolio is expected to outperform the S&P 500 Total Return Index by 5 basis points annualized over a market cycle with an expected tracking error of 10 basis points or less.

S&P 400 Index Strategy

1. The objective of the S&P 400 Index portfolio is to closely match the S&P 400 Total Return Index performance using a full replication strategy.
2. The S&P 400 Index Portfolio is expected to outperform the S&P 400 Total Return Index by 10 basis points annualized over a market cycle with an expected tracking error of 30 basis points or less.

Russell 2000 Synthetic Index Strategy

1. The objective of the Russell 2000 Index portfolio is to closely match the Russell 2000 Total Return Index performance using a synthetic replication strategy.
2. The Russell 2000 Index Portfolio is expected to outperform the Russell 2000 Index Total Return Index by 30 basis points annualized over a market cycle with an expected tracking of 50 basis points or less.

Russell/RAFI Fundamental Large Cap Index Strategy

The objective of the RAFI/Russell 1000 portfolio is to outperform the Russell 1000 Total Return Index by 200 basis points annualized over a market cycle with an expected tracking error of 450 basis points or less. This portfolio is managed using fundamental factors, and its security weights are derived from non-price metrics such as sales, earnings, book value, and dividends. A key tenet behind the fundamental strategy is that underlying accounting valuation metrics are objective and less volatile measures of a company's importance in the economy, as opposed to the company's listed shares market value.

U.S. Risk Premia Strategy

The objective of the U.S. Risk Premia Strategy is to outperform the MSCI USA Index by 150 basis points annualized over a market cycle with an expected tracking of 400 basis points or less. This portfolio invests in a blend of risk premia or "factors" such as momentum, value and quality. A key tenet supporting the risk premia strategy is that systematic tilts toward these factors are rewarded in the form of excess returns over long-term investment horizons.

Permitted Holdings

S&P 500 Index Strategy

1. Securities contained in the S&P 500 Index.
2. Securities reasonably expected to be part of the S&P 500 Index at some future date.

3. Securities that have recently been a member of the S&P 500 Index.
4. Exchange Traded Funds (ETFs) which replicate the S&P 500 Index such as iShares S&P 500 Index Fund (Ticker: IVV) or SPDR S&P 500 (Ticker: SPY).
5. S&P 500 Index Futures (Large Contracts and Minis).
6. U.S. Treasury Bills or other acceptable cash equivalents utilized for equity futures collateral.

S&P 400 Index Strategy

1. Securities contained in the S&P 400 Index.
2. Securities reasonably expected to be part of the S&P 400 Index at some future date.
3. Securities that have recently been a member of the S&P 400 Index.
4. Exchange Traded Funds (ETFs) which replicate the S&P 400 Index such as iShares S&P 400 Index Fund (Ticker: IJH).
5. S&P 400 Index Futures (Large Contracts and Minis).
6. U.S. Treasury Bills or other acceptable cash equivalents utilized for equity futures collateral.

Russell 2000 Synthetic Index Strategy

1. Russell 2000 Index and S&P 600 futures contracts.
2. iShares Russell 2000 Index (Ticker: IWM)
3. U.S. Treasury Bills or other acceptable cash equivalents used for equity futures collateral.
4. Oregon Short Term Fund.
5. PIMCO Enhanced Short Maturity ETF (Ticker: MINT).
6. DFA – One-Year Fixed Income Portfolio I (Ticker: DFIHX).
7. DFA – Two-Year Global Fixed Income Portfolio I (Ticker: DFGFX).

Russell/RAFI Fundamental Large Cap Index Strategy

1. Securities contained in the Russell 1000 Index.
2. Securities reasonably expected to be part of the Russell 1000 Index at some future date.
3. Securities that have recently been a member of the Russell 1000 Index.
4. Exchange Traded Funds (ETFs) which replicate the RAFI/Russell 1000.
5. Russell 1000, Russell 2000, S&P 500, S&P 400, S&P 400 and S&P 600 futures contracts.
6. U.S. Treasury Bills or other acceptable cash equivalents utilized for equity futures collateral.

U.S. Risk Premia Strategy

1. Securities contained in the MSCI USA Index.
2. Securities reasonably expected to be part of the MSCI USA Index at some future date.
3. Securities that have recently been a member of the MSCI USA Index.
4. Exchange Traded Funds (ETFs) which closely track either the MSCI USA or other U.S. Large Cap style/risk premia index.
5. Russell 1000, Russell 2000, S&P 500, S&P 400 and S&P 600 futures contracts.
6. U.S. Treasury Bills or other acceptable cash equivalents utilized for equity futures collateral.

Absolute Restrictions

The Internal Public Equity Portfolios may not purchase the following investments or types of investments without the specific advanced approval of both the CIO **and** OIC:

1. Short sales of securities;
2. Notional equity exposure in excess of a portfolio's Net Asset Value;
3. Commodities; and
4. Non-U.S. dollar denominated fixed income securities issued by entities incorporated or chartered outside of the United States.

Correction of Non-Compliance

If an internally-managed equity fund is found to be out of compliance with one or more adopted investment guidelines or is being managed inconsistently with its policy and objectives, Staff shall bring the internally managed equity fund into compliance as soon as is prudently feasible. Actions to bring the fund back into compliance and justification for such actions, including documentation of proposed and actual resolution strategies shall be coordinated with the OST investment compliance program.

Investment Transaction Authorization

All trades shall be entered into the Order Management System (OMS) of record (e.g., Aladdin), and are authorized electronically by a Public Equity Investment Officer. The Public Equity Investment Officer shall act in accordance with established procedures and internal controls for the operation of the investment program consistent with this policy.

Exceptions

None.

Failure to Comply

Failure to comply with this policy may be cause for disciplinary action up to and including dismissal.

PROCEDURES and FORMS

None.

ADMINISTRATION

Review:

Annually.

Feedback:

Your comments are extremely important to improving the effectiveness of this policy. If you would like to comment on the provisions of this policy, you may do so by e-mailing the Policy Analyst. To ensure your comments are received without delay, *please list the policy number and name in your e-mail's subject*. Your comments will be reviewed during the policy revisions process and may result in changes to the policy.



**OREGON INVESTMENT COUNCIL
POLICY DIRECTIVE**

POLICY No.:	INV 604
DATE:	OCTOBER 19, 2015
TITLE:	INTERNAL EQUITY APPROVED BROKER LIST
OWNER:	MIKE VITERI
REFERENCES:	OST POLICY 4.05.04

INTRODUCTION & OVERVIEW

Summary Policy Statement

OST staff shall maintain a list of acceptable brokers with whom equity security trades may be executed for the internally managed portfolios. Only brokers with adequate financial resources that exhibit the ability to provide "best execution" shall be eligible for the Approved Broker list. All trades for the internally managed equity portfolios shall be executed through brokers on the Approved Broker list. Additions to the Approved Broker List shall be approved by the Chief Investment Officer.

Purpose and Goals

To establish the criteria for the selection and retention of brokers to act as authorized agents or principals in executing trades on behalf of the Oregon Public Employees Retirement Fund (OPERF).

POLICY PROVISIONS

Definitions

None.

Policy Statements

Acceptable Broker Criteria

1. Brokers on the approved list must be registered with the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA).
2. Brokers must not be under review for serious wrongdoing (penalties for which the brokerage firm faces severe impairment of its abilities to conduct future business) nor under suspension by the Securities and Exchange Commission (SEC), Financial Industry Regulatory Authority (FINRA- Created in July 2007 through the consolidation of NASD and the member regulation, enforcement and arbitration

functions of the New York Stock Exchange), U.S. Commodity Futures Trading Commission (CFTC), or any other U.S. securities regulatory body.

3. Brokerage firms shall not have conflicts of interests due to direct familial relationships between a supervisory or contact/executing broker and any direct relative of any OST Investment Division staff member.
4. The contact broker must have serviced an institutional client with over \$1 billion of equity assets and supply at least one reference to that relationship.
5. OST staff must be satisfied that the broker has the capability to execute trades in a competent manner.

Exceptions

None.

Failure to Comply

Failure to comply with this policy may be cause for disciplinary action up to and including dismissal.

PROCEDURES and FORMS

1. Staff shall maintain the Approved Broker List including a history of all changes to the list.
2. Attachment: OST-Authorized Broker List

ADMINISTRATION

Review:

Annually.

Feedback:

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**OREGON INVESTMENT COUNCIL
POLICY DIRECTIVE**

POLICY No.:	INV 704
DATE:	OCTOBER 5, 2015
TITLE:	PRIVATE PARTNERSHIP PRINCIPLES
OWNER:	JOHN HERSHEY
REFERENCES:	OST POLICY 4.06.04

INTRODUCTION & OVERVIEW

Summary Policy Statement

Private partnerships entered into by the Oregon Public Employees Retirement Fund (OPERF) on behalf of the Oregon Investment Council (OIC) shall seek to comply, subject to negotiations evaluated in their entirety, to the private partnership principles enumerated below.

Purpose and Goals

The purpose of this document is to formulate a general view that institutional investors should apply when considering private market investments which include, but are not limited to, private equity, real estate and other alternative asset investment partnerships (“private market partnerships”). Private market partnership terms and conditions have evolved historically, but should receive renewed and regular attention in order to meet the following objectives: 1) ensure the best possible alignment of interests between general partners and limited partners; 2) refine and enhance investment fund governance; and 3) provide greater transparency to and among investors.

Summarized below are certain, key principles upon which increased focus and fidelity can improve the terms and conditions governing new private market partnership commitments. While no panacea for optimizing partnership agreements exists, these principles provide a useful guide for improving related contract negotiations. Moreover, these principles should not be considered in isolation or as absolute imperatives, but rather applied and evaluated as a whole thereby recognizing that partnership terms and conditions are often complex and can vary widely across asset classes and investment strategies.

Applicability

Classified represented, management service, unclassified executive service

POLICY PROVISIONS

Definitions

None.

Policy Statements

Principles

Areas for Improvement in Private Partnerships

Alignment of Interests

- The 80/20 profit split in commingled funds works well to align interests, but tighter distribution provisions should become the norm to avoid clawback situations or other forms of "leakage" that allow general partners to earn more than 20% of profits due to distribution timing or creative partnership agreement drafting.
- Carry should be calculated on net profits generated after taxes, management fees, transaction costs and all other ancillary expenses, rather than on gross profits.
- A European-style waterfall is preferable. Ideally, carry should only be in effect after 100% of capital, net of all fees and expenses, has been returned to the investors providing the vast majority of risk capital; however, interim tax distributions can be paid to cover the general partner's tax liabilities, although these distributions should be considered advances to the general partner.
- If clawbacks are required, they should be fully and timely repaid. The risk of clawback non-payment should be mitigated by placing in escrow a portion of the carry distributions, interim look-backs and/or personal guarantees of carry-receiving partners.
- Clawback non-payment should be mitigated through joint-and-several coverage by all members of the general partner.
- Carried interest to the general partner should not exceed 20%, unless there are overriding economic considerations deemed favorable to the LP.
- Management fees are intended to cover reasonable operating costs and should not be a material profit-center or funding source for staff bonuses or business expansion plans. Fees should be reduced for all but the most modest funds, with larger funds acknowledging economies of scale by taking larger reductions in "standard" fees.
- Larger investors in a fund should receive fee or carry concessions, particularly when the general partner has multiple funds or follow-on funds in the market at the same time.
- Ideally, the general partner should avoid charging transaction, monitoring and other fees to a deal, portfolio company or fund investment entity. If such fees are earned by the general partner, 100 percent of such fees should offset management fees and partnership expenses during the life of the fund.

- Transaction, monitoring, and other fees, if charged, should be 100 percent offset against future management fees.
- In no event shall the partnership be required to bear, directly or indirectly, expenses of the general partner or manager for entertainment, publicity, fund raising, office space, information technology, employment, personnel, or items otherwise considered corporate overhead. All partnership expenses shall be limited to those third party out-of-pocket expenses reasonably incurred directly in connection with the partnership business.
- General partner capital commitments should reflect a substantial amount of the corresponding principals' net worth, and a high percentage of these commitment amounts should be contributed in cash.
- Changes in tax law that personally impact members of a general partner should not be passed on to fund investors.

Governance

- Recent scandals have again highlighted the need for and the importance of an independent auditor firmly focused on the best interests of the limited partners, rather than the interests of the general partner.
- The auditor should be an independent, nationally recognized firm and should provide no other services to the general partner, unless explicitly approved by the fund Advisory Board.
- Because the duration of private market partnership investments is generally long (10-12 years) and withdrawal rights are virtually nonexistent, a super-majority of outstanding limited partner ownership interests should be able to effectuate the following, without cause:
 - Suspend the commitment period;
 - Terminate the commitment period;
 - Remove the general partner; and/or
 - Dissolve the fund.
- General partners should reinforce their duty of care. The "gross negligence, fraud and willful misconduct" indemnification and exculpation standard should be a minimum in terms of what is agreed to by limited partners. Recent efforts by the general partner to (1) reduce all duties to the fullest extent of the law, (2) demand the waiver of broad categories of conflicts of interests and (3) allow it to act in its sole discretion, even where a conflict exists, should be strongly resisted.
- General partners should be required to seek approval of the limited partners to change the investment strategy proposed when the fund was promoted.
- Advisory Board meeting processes and procedures should be adopted and standardized across the industry to allow this sub-body of limited partners to more effectively serve its role.

- All limited partners should receive a list of Advisory Board members' names and contact details.
- The Advisory Board should be able to call a meeting with the general partner at any time.
- The Advisory Board should be allowed "private time" with the auditor, on at least an annual basis, if requested.
- The Advisory Board should not be asked to approve specific investments, and will serve the limited partner ownership interests best by reviewing audit results and updated portfolio holdings (including valuation methods) and addressing issues relating to potential conflicts-of-interest.
- Any significant transaction between multiple funds of the same general partner should be subject to Advisory Board approval. The Advisory Board shall have the right to put particular matters to a vote of all limited partners.

Transparency

- Fee, carry, and all other ancillary fee calculations should be transparent and subject to limited partner and independent auditor review in a standardized form.
- All placement agent and fundraising fees should be fully disclosed. The scope of work provided by placement agents should be disclosed. Campaign contributions or other payments made to individuals that may influence the decision-making process should be disclosed.
- Accurate disclosure around uses of leverage at both the fund and the investment entity levels should be provided.
- All limited partners should be notified when/if the general partner receives any SEC inquiries or meaningful legal actions.

Exceptions

None.

PROCEDURES and FORMS

None.

ADMINISTRATION

Review:

Annually.

Feedback:

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Policy Analyst. To ensure your comments are received without delay, *please list the policy number and name in your e-mail's subject*. Your comments will be reviewed during the policy revisions process and may result in changes to the policy.



**OREGON INVESTMENT COUNCIL
POLICY DIRECTIVE**

POLICY No.:	INV 801
DATE:	OCTOBER 12, 2015
TITLE:	DEFERRED COMPENSATION INVESTMENT PROGRAM: STATEMENT OF OBJECTIVES
OWNER:	KARL CHENG
REFERENCES:	OST POLICY 4.07.01

INTRODUCTION & OVERVIEW

Summary Policy Statement

The Oregon Investment Council (OIC) will maintain a program for the investment of moneys in the Deferred Compensation Fund (the "Deferred Compensation Investment Program" or "Program") providing an array of investment options with varying levels of risk and return for eligible participating employees.

Purpose and Goals

The goal of this policy is to describe in greater detail the manner of implementing and reporting applicable investment options for eligible participating employees.

Applicability

Classified represented, management service, unclassified executive service

Authority

The Deferred Compensation Fund maintained by the State Treasurer and the OIC's obligation to maintain a Deferred Compensation Investment Program for investment of Fund assets is set forth in ORS chapter 243. The statutory standards by which the OIC guides Program investment are set forth in ORS chapter 293.

POLICY PROVISIONS

Definitions

None.

Policy Statements

GENERAL POLICY STATEMENTS

1. **Investment Option Approval.** The OIC approves Program investment options consistent with ORS 293.721, "to make the moneys as productive as possible" consistent with the "standard of prudence" requirement in ORS 293.726 and other applicable fiduciary standards.
2. **Program Description and Review.** The OIC will provide a description of Program investment options to the Public Employees Retirement Board ("PERB"), including the applicable benchmark for each option and a description of the characteristics of each benchmark. The OIC will undertake a comprehensive review of Program options and managers at the recommendation of OST investment staff and no less frequently than once every four years.
3. **Changing Program Options.** The OIC may change Program investment options, including applicable benchmarks and investment managers at any time. Any change in Program options or investment managers will be reported to PERB in advance, whenever practicable.
4. **Program Participation.** The Program is open to qualified public employees on a voluntary basis, and is offered as a means by which eligible participating employees may augment their retirement savings. Eligible employees choose their own level of participation based, *inter alia*, on their assessment of future retirement needs. The level of assets a participating employee accumulates through Program investment is a direct function of that participant's level of earnings deferral and the investment performance of the Program options he or she selects.
5. **Selection of Program Options.** In selecting Program investment options and Program investment managers, the OIC may consider factors including, but not limited to, the population of potential participants and their varying needs, available investment products and strategies, and the qualifications, experience, performance, and cost of actual and potential investment managers. The OIC intends to provide a range of investment options responsive to participant interests and appropriate for this type of retirement savings program. The Council expects participants to make their own assessment of Program investment options relative to their unique risk tolerance and return objectives, as well as their other sources of retirement funding. There is no guarantee of principal or earnings in the Program, and eligible employees participate at their own risk.
6. **Program Management.** The Program will be managed and monitored

consistent with the OIC's policies and procedures regarding selecting, managing and terminating Program managers as found in **INV 802: Selecting, Managing, Reporting, and Terminating Program Firms**.

7. **Participant Disclosure Requirements.** Staff will work with the Public Employees Retirement System ("PERS") Plan Administrator to provide necessary information for compliance with participant disclosure requirements as described in ORS 243.450.
8. **Program Information Requests.** Staff will work with the PERS Plan Administrator to provide any other requested Program information.
9. **Program Population Characteristics.** Staff will periodically provide the OIC with Program population characteristics for use in their evaluation of Program options and investment managers. Staff will request such information from the PERS Plan Administrator.
10. **Communication with PERB.** Staff will periodically present the OIC with information for consideration from PERB regarding the expressed desires of participants related to Program investment options. The duties and powers of PERB and the OIC concerning the Program, while separate and distinct, are also complementary. This dynamic creates a need for coordination and cooperation between the two bodies. At the OIC's request, OST investment staff will facilitate information flow between the OIC and PERB. Moreover, OST investment staff will also report in advance, whenever practicable, any change in Program investment options or investment managers to PERB in a timely manner.
11. **Program Review.** OST investment staff will periodically bring current and potential investment options to the OIC for review and consideration, including as requested by the OIC.

INVESTMENT PROGRAM

The Program currently offers the following investments options:

- a. **Short Term Fixed Income**
 - i. **Objective:** Preservation of capital with a moderate level of earnings by investing primarily in fixed income instruments issued by the U.S. Government and its agencies. Risk, as measured by volatility of returns, is expected to be very low. However, particularly for long-term investors, participants in this option need to consider the possibility of value erosion due to inflation, as well as possible (if

historically remote) liquidity and credit risks. Net of management fees, investment performance is expected to generally meet or exceed benchmark returns.

- ii. **Benchmark:** 91-day U.S. Treasury Bills

b. Stable Value

- i. **Objective:** Stability of capital while maintaining a stream of income by investing in contracts issued by insurance companies, banks, and other short-term liquidity vehicles. Risk, as measured by volatility of returns, is expected to be very low. However, particularly for long-term investors, participants in this option need to consider the possibility of value erosion due to inflation, as well as possible liquidity and credit risks. Net of management fees, investment performance is expected to generally meet or exceed benchmark returns
- ii. **Benchmark:** Five-year Constant Maturity U.S. Treasury

c. Active Fixed Income

- i. **Objective:** Higher levels of current income are expected in this option relative to the Short Term Fixed Income option by investing in a broader range of fixed income securities, including U.S. Treasury notes and bonds, investment-grade corporate bonds, high-yield and foreign fixed-income securities. Risk, as measured by volatility of returns, is expected to be higher in this option than the Short Term Fixed Income option, and negative returns may be realized during periods of rising interest rates. Participants in this option, particularly long-term participants, should also consider the possibility of value erosion due to inflation, as well as possible liquidity and credit risks. Net of management fees, investment performance is expected to generally meet or exceed benchmark returns.
- ii. **Benchmark:** Barclays Capital U.S. Aggregate Bond Index

d. Large Cap Value Equity

- i. **Objective:** Long-term growth of capital through investment in common stocks, with a focus on buying securities at low valuations either on an absolute or market-relative basis. Large Cap Value Equity portfolios tend to be defensive in nature and typically exhibit below-average price/earnings ratios, below-average price/book ratios, and/or above average dividend yields. Risk, as measured by volatility of returns, is expected to be moderate to high. Net of management

fees, investment performance is expected to generally meet or exceed benchmark returns.

ii. **Benchmark:** Russell 1000 Value Index

e. **Total Market Equity Index**

i. **Objective:** Long-term growth of capital through investment in common stocks with capitalization and valuation characteristics in line with broad market averages. Risk, as measured by volatility of returns, is expected to be moderate to high, and current income is not a primary objective. Net of management fees, investment performance is expected to generally meet benchmark returns.

ii. **Benchmark:** Russell 3000 Index

f. **Environmental Social Governance (ESG) Option**

i. **Objective:** Long-term growth of capital through investment in common stocks with capitalization and valuation characteristics in line with broad market averages, and strategy implementation guided by additional Environmental Social Governance (ESG) considerations. Risk, as measured by volatility of returns, is expected to be moderate to high, and current income is not a primary objective. Net of management fees, investment performance is expected to generally meet benchmark returns.

ii. **Benchmark:** Russell 3000 Index

g. **Large Cap Growth Equity**

i. **Objective:** Long-term growth of capital through investment in common stocks with above-average growth and profitability prospects. In contrast to the Large Cap Value Equity option, typical characteristics of the Large Cap Growth Equity option are below-market dividend yields and above-average risk, as measured by price volatility relative to the benchmark. Current income is not a primary objective, and risk, as measured by volatility of returns, is expected to be high. Net of management fees, investment performance is expected to generally meet or exceed benchmark returns.

ii. **Benchmark:** Russell 1000 Growth Index

h. **International Equity**

i. **Objective:** Long-term growth of capital through investment, primarily, in common stocks of non-U.S. companies. These funds will experience factors unique to investing in international markets, such as exchange rate volatility and less correlated business cycle effects. Risk, as

measured by volatility of returns, is expected to be high. Net of management fees, investment performance is expected to generally meet or exceed benchmark returns.

ii. **Benchmark:** MSCI ACWI ex-U.S. Index

i. **Small Cap Equity**

i. **Objective:** Long-term growth of capital through investment in common stocks of small-capitalization companies with capitalization and valuation characteristics in line with corresponding broad, small capitalization market averages. A typical characteristic of these funds is below-market dividend yields. Risk, as measured by volatility of returns, is expected to be high, and current income is not a primary objective. Net of management fees, investment performance is expected to generally meet or exceed benchmark returns.

ii. **Benchmark:** Russell 2000 Index

j. **Target Date Retirement Funds**

i. **Objective:** Provide participants with an asset allocation that changes dynamically over time. Specifically, a target date fund has a more aggressive asset allocation earlier in its life that becomes more conservative as the target date approaches. Target date funds will be highly diversified and include several asset classes selected by the fund manager. Performance and volatility expectations will vary based on the asset allocation and risk profile of each fund.

ii. **Benchmark:** Each target date fund will have a separate, custom benchmark based on its asset allocation.

iii. **Rebalancing:** The fund manager is responsible for rebalancing each target date fund's asset allocation.

k. **Self-Directed Brokerage Account (SDBA)**

i. **Objective:** Provide participants self-directed access to investments that may not be included in other Program options, but may be appropriate for a participant based on his or her individual financial situation, risk tolerance, or investment beliefs and preferences. Since this option is self-directed, performance and volatility may vary widely based on each participant's individual investment selections. Only participants with a minimum Oregon Savings Growth Plan (OSGP) balance of \$10,000 will be allowed access to the SDBA option, and participants will only be allowed to allocate a maximum of 50 percent of their total OSGP balance to the SDBA Option.

l. Real Return Option

- i. **Objective:** Provide participants access to a mix of assets that will provide a return that meets or exceeds inflation over a full market cycle. Underlying assets could include real assets, such as direct and indirect commodities or real estate exposure, as well as inflation-linked bonds. A secondary purpose of this option is to provide a return stream potentially less correlated to typical stock or bond funds. Risk, as measured by volatility of returns, is expected to be moderate.
- ii. **Benchmark:** Consumer Price Index (CPI-U) + 3%

Exceptions

None.

Failure to Comply

Failure to comply with this policy may be cause for disciplinary action up to and including dismissal.

PROCEDURES and FORMS

None.

ADMINISTRATION

Review:

Annually.

Feedback:

Your comments are extremely important to improving the effectiveness of this policy. If you would like to comment on the provisions of this policy, you may do so by e-mailing the Policy Analyst. To ensure your comments are received without delay, *please list the policy number and name in your e-mail's subject*. Your comments will be reviewed during the policy revisions process and may result in changes to the policy.



**OREGON INVESTMENT COUNCIL
POLICY DIRECTIVE**

POLICY No.:	INV 802
DATE:	OCTOBER 19, 2015
TITLE:	DEFERRED COMPENSATION INVESTMENT PROGRAM: SELECTING, MANAGING, REPORTING, AND TERMINATING PROGRAM FIRMS
OWNER:	KARL CHENG
REFERENCES:	OST POLICY 4.07.02 AND 4.07.03

INTRODUCTION & OVERVIEW

Summary Policy Statement

The Oregon Investment Council (OIC) may appoint and terminate investment managers in the Deferred Compensation Investment Program (the "Program") at its discretion. Accordingly, participating managers are retained by the OIC on an "at will" basis. Members of the Oregon State Treasury's Investment Division will provide Program reports to the OIC on a quarterly basis.

Purpose and Goals

The goal of this policy is to describe the process of selecting, managing, reporting on and terminating managers in the Deferred Compensation Investment Program.

Applicability

Classified represented, management service, unclassified executive service

Authority

The Deferred Compensation Fund maintained by the State Treasurer and the OIC's obligation to maintain a Deferred Compensation Investment Program for investment of Fund assets is set forth in ORS chapter 243. The statutory standards by which the OIC guides Program investment are set forth in ORS chapter 293.

POLICY PROVISIONS

Definitions

None.

Policy Statements

GENERAL POLICY STATEMENTS

1. **Program Investments.** In order to accommodate daily cash movements and participant option transfers, Program investments will generally be comprised of mutual funds and commingled trusts with daily pricing and liquidity features.
2. Program options will be comprised of one or more investment funds, and the OIC will establish the percentage of each option that individual mutual funds and commingled trusts may comprise.
3. Over time, the percentages of various Program options comprised by individual mutual funds and commingled trust funds may vary due to investment return differences. At least annually, and by direction to his or her staff ("Staff"), the State Treasurer (as the State's designated Investment Officer), will rebalance the individual mutual funds and commingled trusts back to Program targets as specified by the OIC or as otherwise allowed under the Program.
4. **Deferred Compensation Investment Committee.** The State Treasurer has established the Deferred Compensation Investment Committee ("Committee") and delegated to it the operational responsibility of implementing investments consistent with this Program. The Committee normally consists of the Chief Investment Officer and two senior-level Investment Officers. The State Treasurer may appoint other Staff members to the Committee on an "as needed" basis.
5. The Committee may, by unanimous vote, add, eliminate, or change both Program investment funds and the target ranges for those funds. Staff will notify the OIC and State Treasurer of any proposed Committee action(s) at least two weeks prior to implementing such action(s). The Committee will not implement such action(s) if it receives an objection to the Committee's proposal from either the State Treasurer or any other OIC member.
6. **Selection of Investment Managers.** The selection of Program investment managers is reserved for the OIC, and will be based, *inter alia*, on the findings of appropriate due diligence as performed by Staff and related, qualified consultants. Staff, on behalf of the State Treasurer, will implement OIC selection decisions.
7. **Compensation of Firms.** Where applicable, Staff may negotiate investment management or performance-based fees. Staff may also negotiate fees for any additional services. Although Staff will otherwise avoid funds with revenue sharing provisions, revenue sharing rebates (if necessary) will be credited to the net asset value of the applicable Program option.

8. **General Oversight of Investment Managers and Investment Performance.** Staff will evaluate investment manager status, activity and performance. The OIC or State Treasurer may engage independent consultants to assist in the manager oversight process.
9. **Program Monitoring.** Staff will monitor plan participant activity in each Program investment option. Staff will prepare quarterly reports concerning the Program that will include the following information:
 - a. **Program Profile** reports will list the value of assets held and the number of participants selecting each Program investment option. These reports will be based on information provided by the Plan Administrator; and
 - b. **Investment Performance** reports will list, relative to corresponding benchmark returns and net of all fees, costs, and administrative charges, performance for each Program investment option.
10. Staff may delegate some or all of the reporting duties in this policy to a consultant or other, qualified contractor.
11. These reports will be distributed to OIC members and to the Chief Investment Officer.
12. If, after eight (8) consecutive quarters, a Program investment option comprises less than three (3) percent of total plan assets, Staff will evaluate that option for possible termination. For purposes of a termination evaluation, Staff may rely upon Plan Administrator research, and will share its recommendations with the State Treasurer and OIC.
13. **Delegation.** Where Staff delegates to or otherwise engages subcontractors or other service providers to perform or assist with some or all of the foregoing Program monitoring responsibilities, such subcontractors or other service providers will act in a manner consistent with Program standards, including, but not limited to, the ability of Staff to terminate such delegation or engagement at its discretion.
14. **Appointment and Termination of Investment Managers.** Staff will act promptly and prudently to effect decisions by the OIC to appoint or terminate Program investment managers.

Exceptions

None.

Failure to Comply

Failure to comply with this policy may be cause for disciplinary action up to and including dismissal.

PROCEDURES and FORMS

None.

ADMINISTRATION

Review:

Annually.

Feedback:

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Applicability

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3. Over time, the percentages of various Program options comprised by individual mutual funds and commingled trust funds may vary due to investment return differences. At least annually, and by direction to his or her staff ("Staff"), the State Treasurer (as the State's designated Investment Officer), will rebalance the individual mutual funds and commingled trusts back to Program targets as specified by the OIC or as otherwise allowed under the Program.
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ADMINISTRATION

Review:

Annually.

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PERS Employer Town Halls

**Steven Patrick Rodeman
Executive Director**

October – November 2015



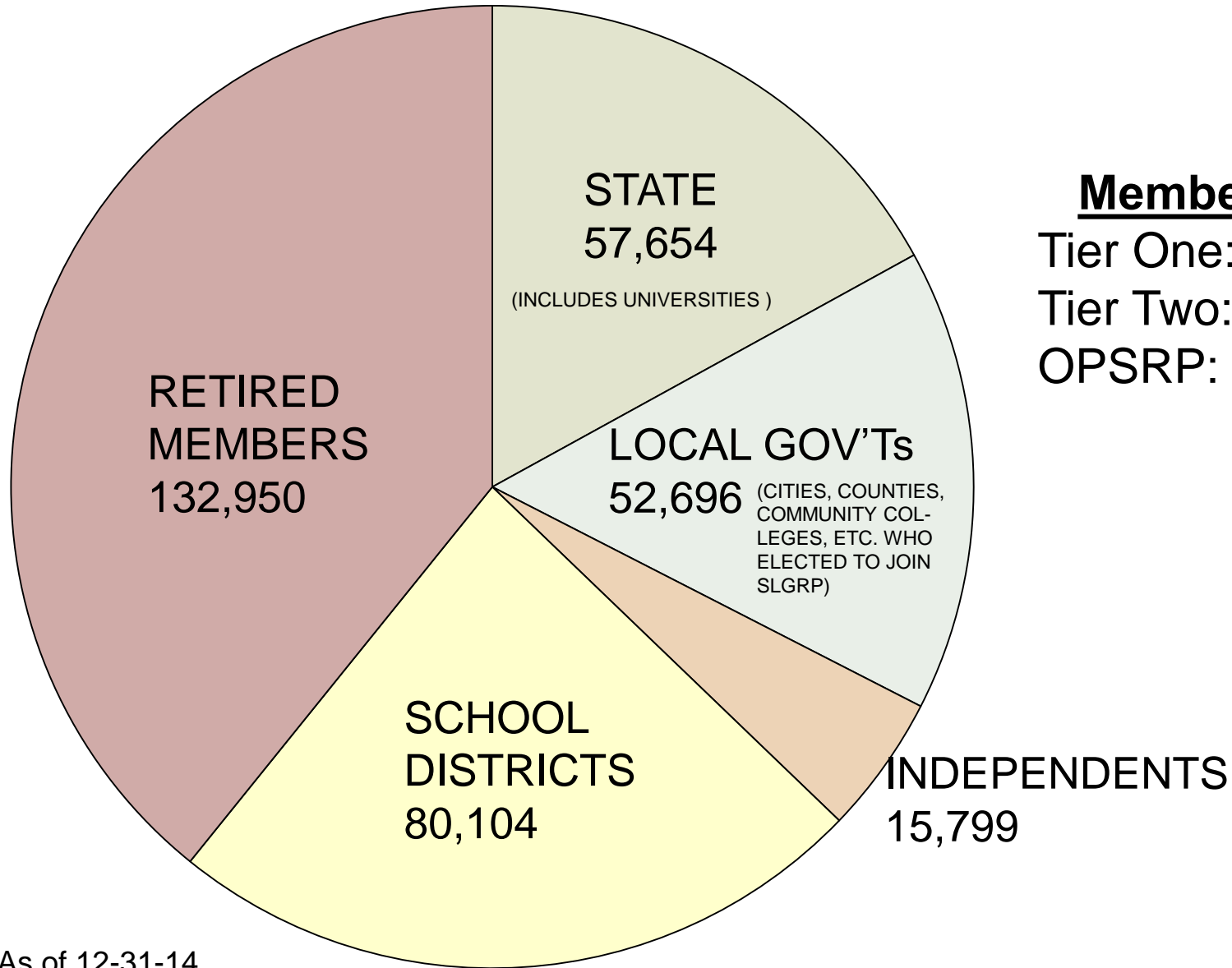
Welcome – Thank you for participating

- PERS serves 900+ Oregon public employers by administering the retirement plan for approximately 330,000 current and retired members
- Each year, PERS receives \$2 billion in contributions and pays almost \$4 billion to benefit recipients in Oregon
- Your employees may change public employers during their careers, but PERS maintains a relationship with them for their lifetime and beyond

This presentation will:

- Review the PERS funding equation and its dynamics, including the main drivers of the system's funded status and unfunded actuarial liability (UAL); and
- Review 2017-2019 advisory employer contribution rates and projections for future employer rates.

Who is PERS?



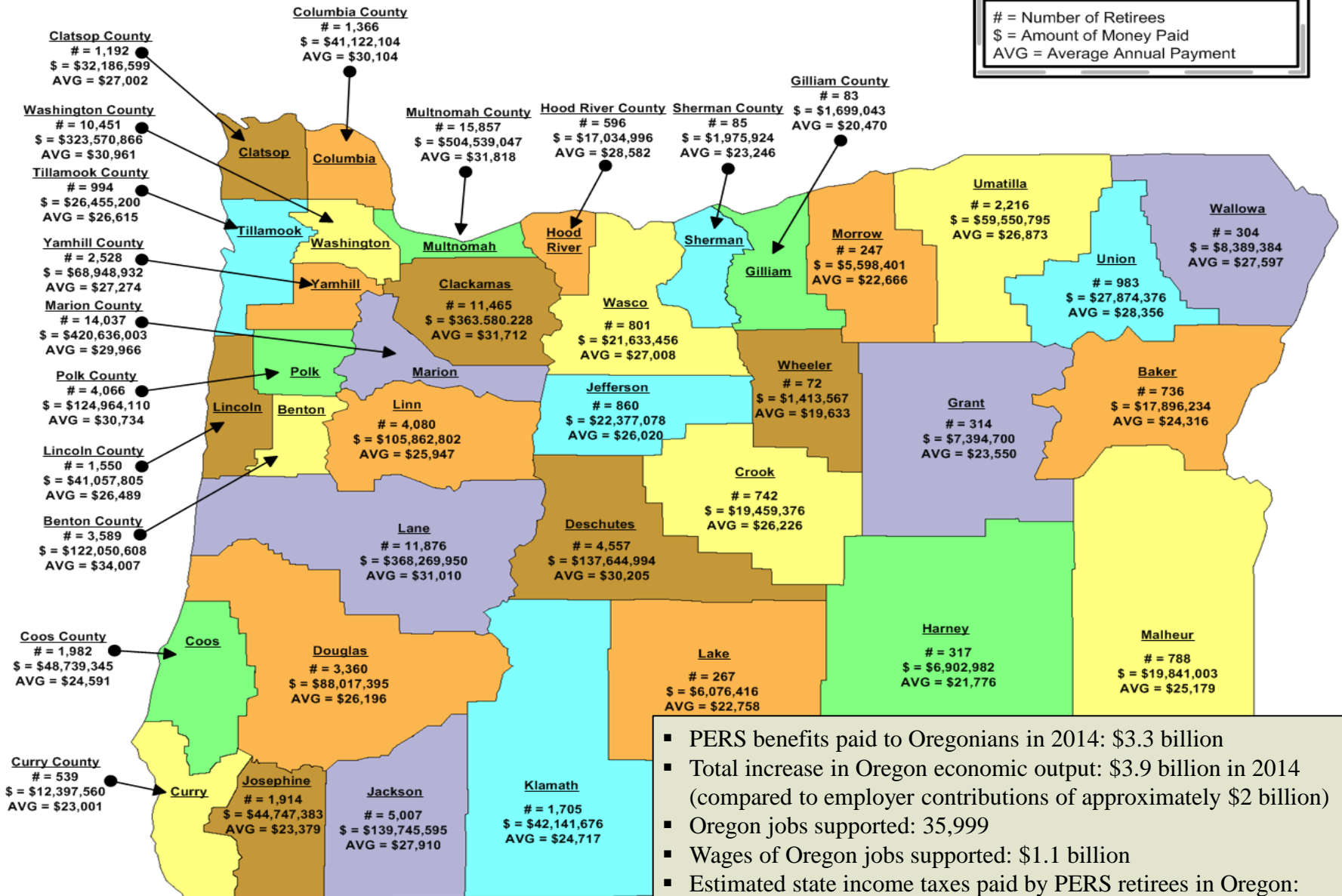
Membership
Tier One: 49,687
Tier Two: 57,945
OPSRP: 98,612

As of 12-31-14

Total PERS Benefit Payments by County in 2014

LEGEND

= Number of Retirees
 \$ = Amount of Money Paid
 AVG = Average Annual Payment



- PERS benefits paid to Oregonians in 2014: \$3.3 billion
- Total increase in Oregon economic output: \$3.9 billion in 2014 (compared to employer contributions of approximately \$2 billion)
- Oregon jobs supported: 35,999
- Wages of Oregon jobs supported: \$1.1 billion
- Estimated state income taxes paid by PERS retirees in Oregon: \$171.7 million

The PERS Funding Equation

At the end of each calendar year, the PERS actuaries calculate the system's funded status using the following basic equation:

$$B = C + E$$

BENEFITS = CONTRIBUTIONS + EARNINGS

present value of
earned benefits

employer funds to pay
pension benefits

future returns on
invested funds

Set by:

Oregon Legislature

Set by:

PERS Board

Managed by:

Oregon Investment Council

Every two years, the PERS Board adjusts contributions so that, over time, those contributions will be sufficient to fund the benefits earned, if earnings follow assumptions.

Employer Contribution Rate Setting Cycle

Actuarial valuations are conducted annually, but alternate between “advisory” and “rate setting” valuations: e.g., the December 31, 2014, valuation results project what employer rates might become, and the December 31, 2015, valuation will be used to set actual rates.

Once employer rates are adopted by the PERS Board (in the fall of the even-numbered year), they become effective the following July 1 of the odd-numbered year (18 months after the valuation date).

Valuation Date	Employer Contribution Rates
December 31, 2013 →	July 2015 - June 2017
December 31, 2015 →	July 2017 - June 2019
December 31, 2017 →	July 2019 - June 2021

Solving the Equation . . .

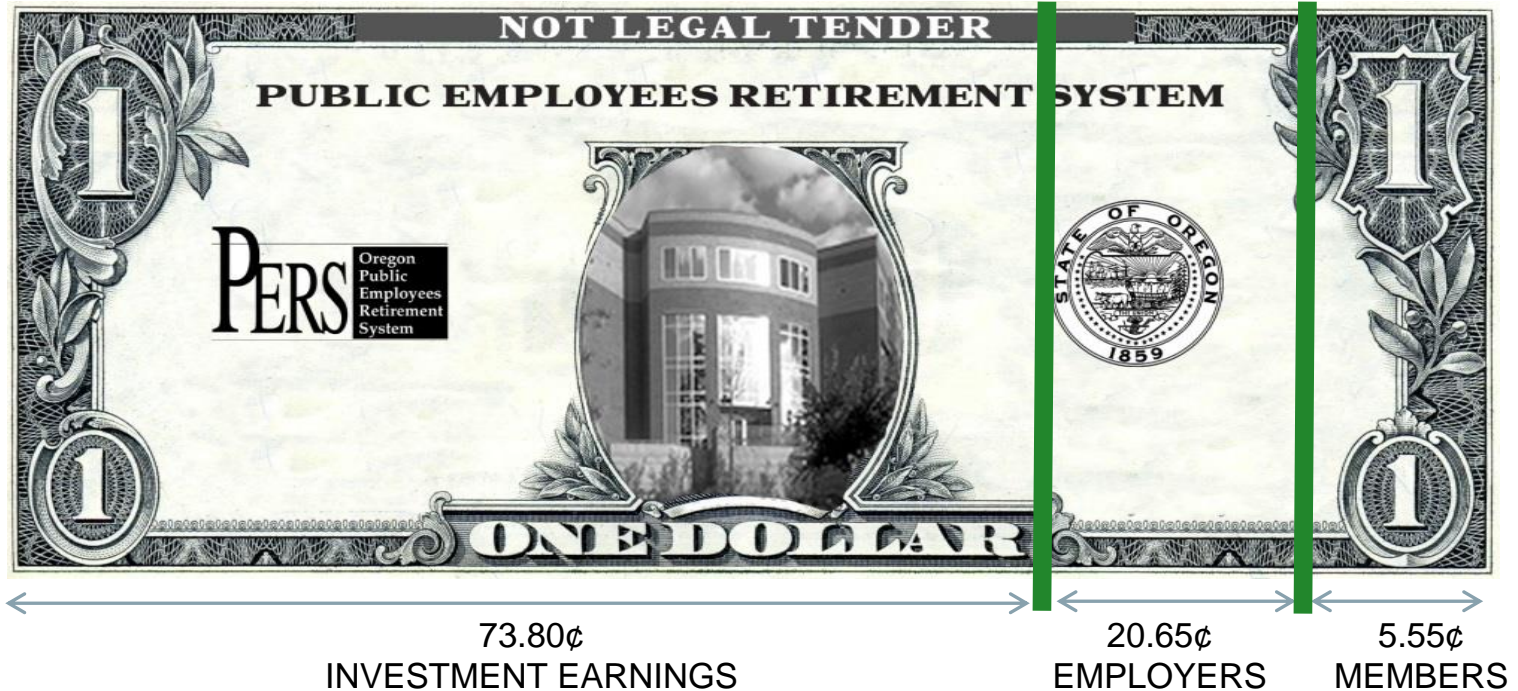
When setting employer contribution rates, the PERS Board has the following objectives:

- Transparent process and inputs
- Predictable and stable employer contribution rates
- Protect funded status to secure future benefit payments
- Equitable across generations of taxpayers funding the system
- Actuarially sound – fully fund the system if assumptions are met
- GASB compliant

Some of the objectives can conflict, particularly in periods with significant volatility in investment return or projected benefit levels. Overall system funding policies should seek an appropriate balance between conflicting objectives.

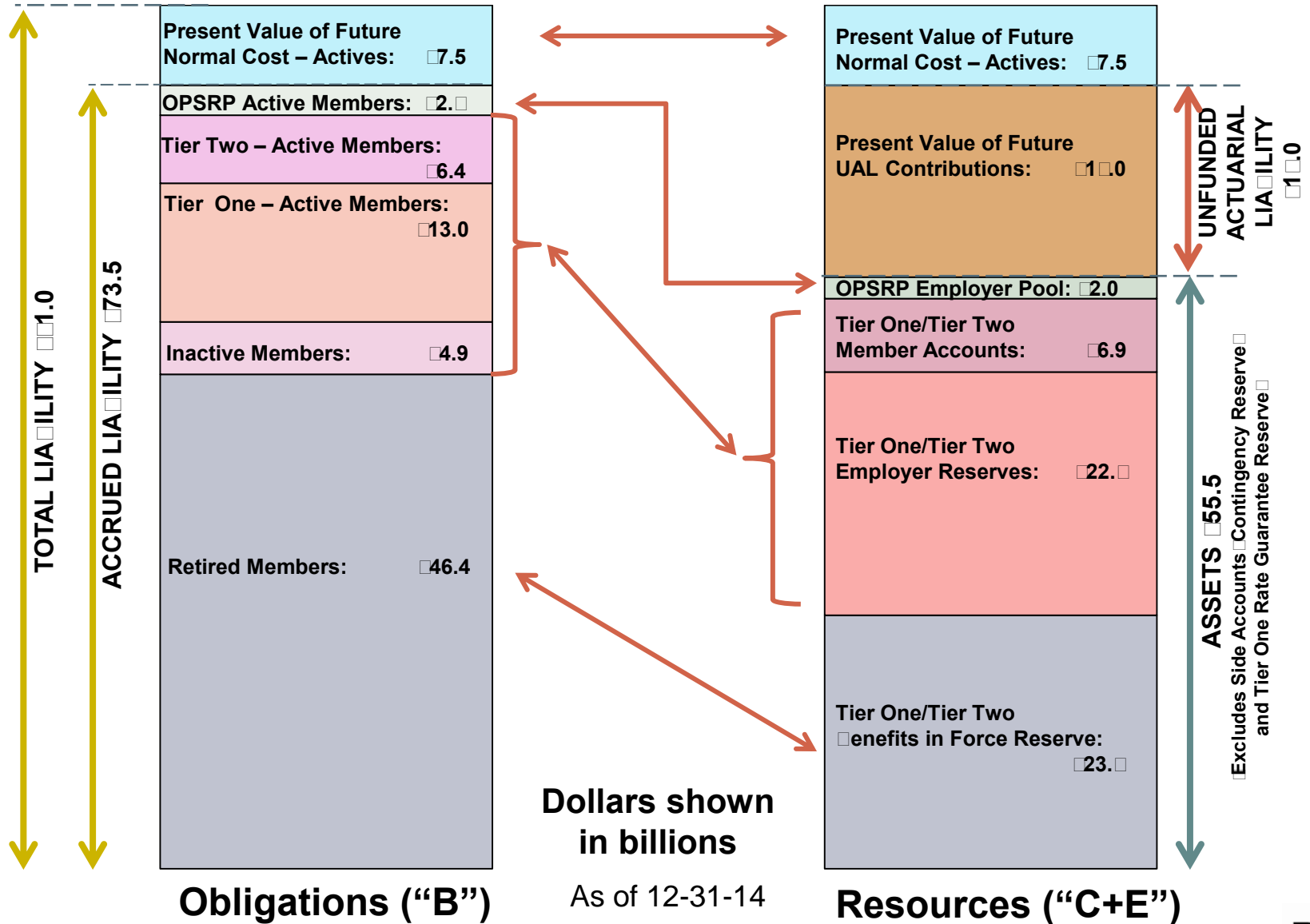
Balancing the “B”, “C”, and “E”

PENSION BENEFIT FUNDING SOURCES (1970-2014)

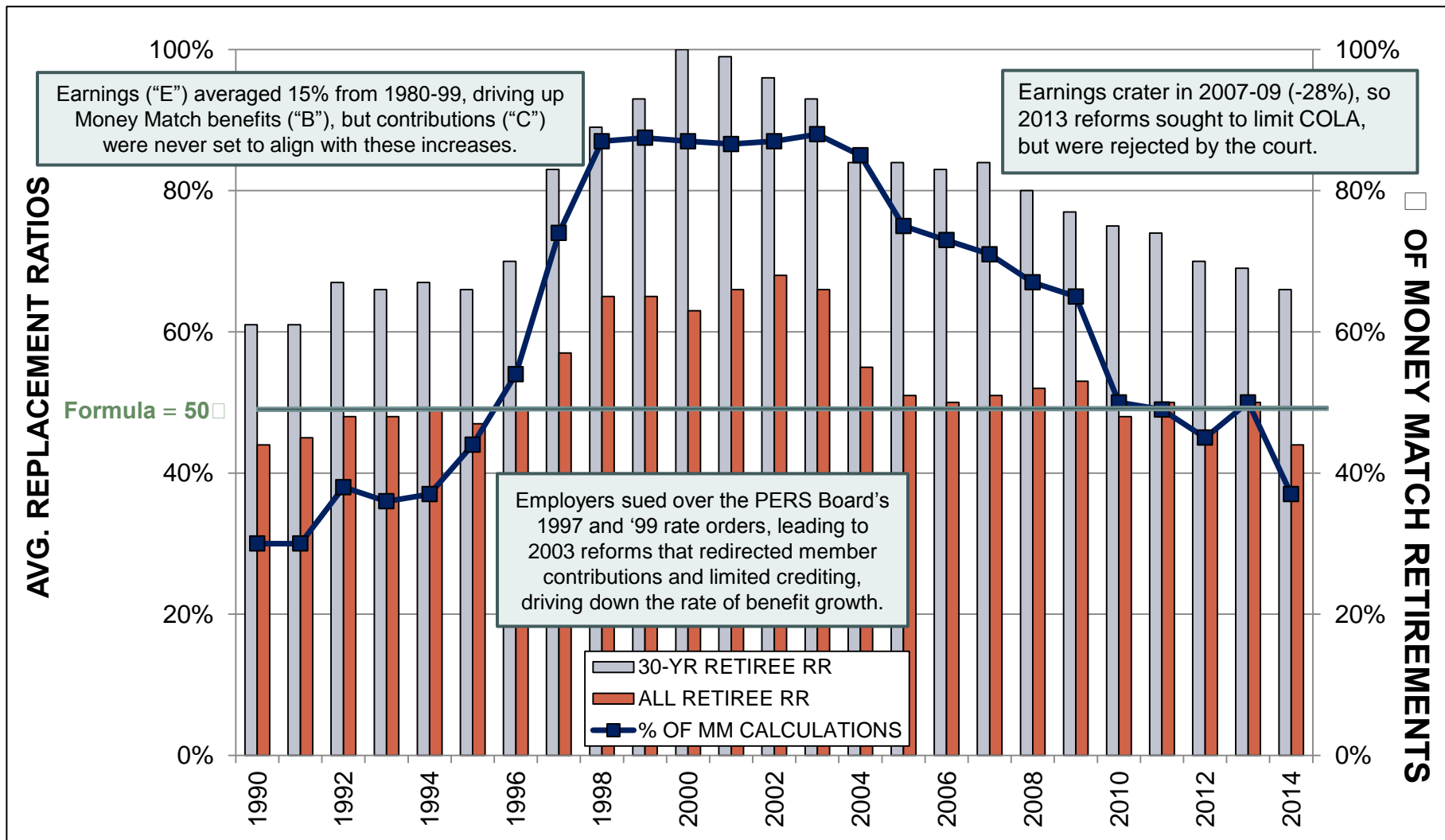


Since 1970, the total revenues into PERS to pay for Tier One and Tier Two benefits have come from these three sources. Member contributions were diverted to the Individual Account Program starting in 2004, so their share of revenue will diminish over time.

Problem: the “B” and “C+E” Don’t Align



Where the Funding Balance Got Away – Avg. Replacement Ratios (% of “final salary” to monthly benefit)



System Funded Status and UAL (\$ in billions)

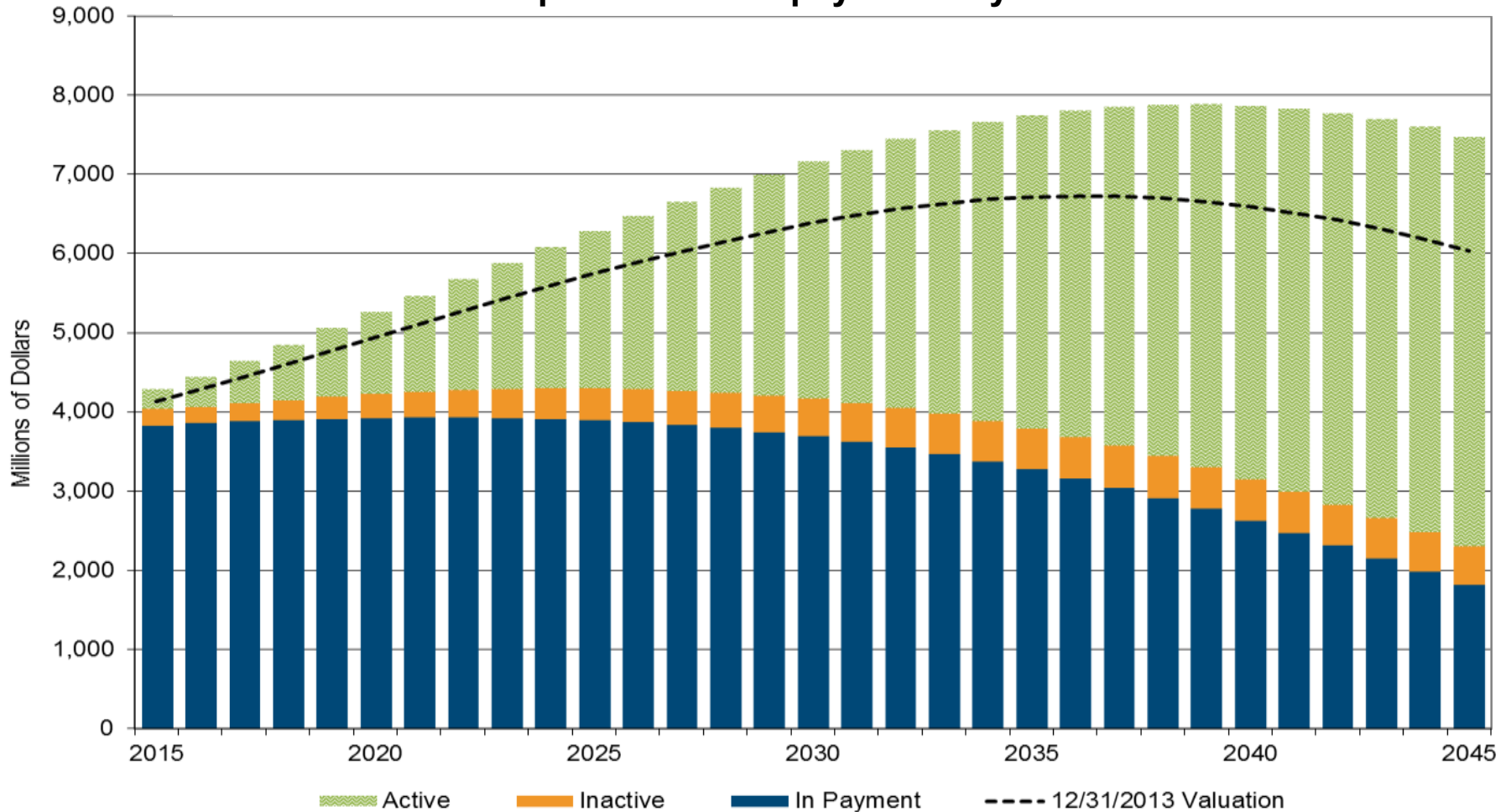
	12/31/2013	12/31/2014
Actuarial liability	\$62.6	\$73.5
Assets (excluding side accounts)	<u>\$54.1</u>	<u>\$55.5</u>
UAL (excluding side accounts)	\$ 8.5	\$18.0
Funded status (excluding side accounts)	86%	76%

Side account assets	<u>\$ 5.9</u>	<u>\$ 5.9</u>
UAL (including side accounts)	\$ 2.6	\$12.1
Funded status (including side accounts)	96%	84%

Sources of 2014 UAL Increase	UAL Increase
Expected UAL increase during 2014	\$0.2 B
2014 actual investment performance below assumption	\$0.2 B
<i>Moro</i> adjustment to projected benefits	\$5.1 B
Decrease in assumed return to 7.50%	\$1.7 B
Update to mortality assumption	\$1.8 B
All other assumption changes and actual experience	<u>\$0.5 B</u>
Total	<u>\$9.5B</u>

Projected Benefit Payments

Tier One/Tier Two expected benefit payments by status as of 12/31/2014



Milliman presentation; September 25, 2015 Board meeting

System-Wide Pension Rates

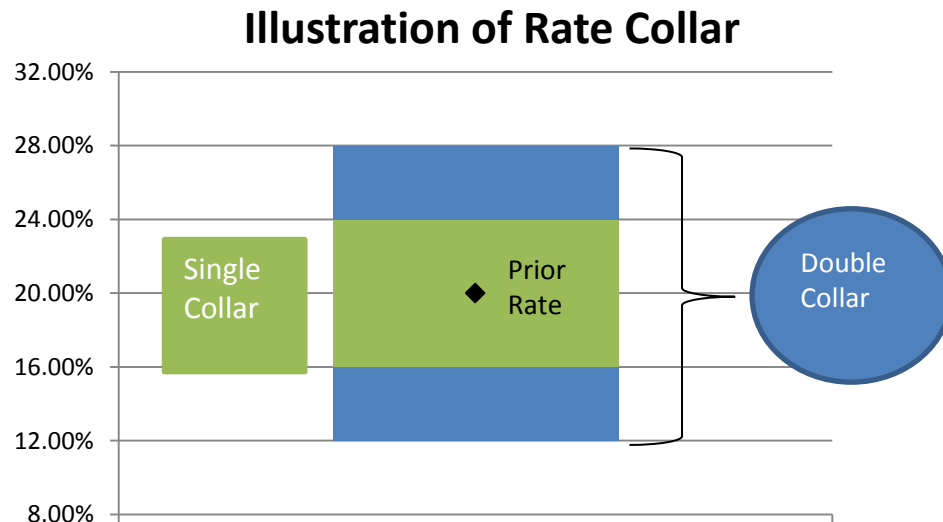
Excludes Retiree Health Care, IAP Contributions, Side Accounts

	12/31/2013 2015 - 2017 Final			12/31/2014 2017 - 2019 Advisory		
	Payroll			Payroll		
	Tier 1/ Tier 2	OPSRP	Weighted Average ¹	Tier 1/ Tier 2	OPSRP	Weighted Average ¹
Normal Cost	13.18%	7.79%	10.94%	15.41%	8.63%	12.30%
Tier 1/Tier 2 UAL	6.63%	6.63%	6.63%	13.68%	13.68%	13.68%
OPSRP UAL	0.61%	0.61%	0.61%	1.01%	1.01%	1.01%
Uncollared Rate	20.42%	15.03%	18.18%	30.10%	23.32%	26.99%
Increase				9.68%	8.29%	8.81%
Collar Limitation	(0.72%)	(0.72%)	(0.72%)	(6.25%)	(6.25%)	(6.25%)
Collared Base Rate				4.15%	2.76%	3.28%

¹ Weighting based on the pool's payroll levels (Tier 1/Tier 2, OPSRP) as of the valuation date.

Current Design of Rate Collar

- The maximum change typically permitted by the collar is 20% of the rate currently in effect (3% of payroll minimum collar width)
- If funded status is 60% or lower, the width of the collar doubles to 40% of rate currently in effect (6% of payroll minimum collar width)
- If the funded status is between 60% and 70%, the collar size is prorated between the initial collar and double collar level



- Rate collars are calculated at a rate pool level and limit the biennium to biennium increase in the UAL rate for a given rate pool

2017-19 Contribution Increase Estimates

(\$ millions)	Projected 2015-17 Payroll*	(A) Projected 2015-17 Contribution	Projected 2017-19 Payroll*	(B) Projected 2017-19 Contribution	(B) - (A) Projected Contribution Increase
State Agencies	\$5,580	\$575	\$5,980	\$800	\$225
School Districts	\$5,950	\$560	\$6,370	\$850	\$290
All Others	<u>\$7,350</u>	<u>\$870</u>	<u>\$7,870</u>	<u>\$1,155</u>	<u>\$285</u>
Total	\$18,880	\$2,005	\$20,220	\$2,805	\$800

* Assumes payroll grows at 3.50% annually based on 12/31/2014 active member census, reflecting proportional payroll composition (Tier 1/Tier 2 vs. OPSRP) as of 12/31/2014

- Projected 2017-19 contributions are determined by applying collared net advisory rates calculated in the 12/31/2014 valuation
- Projections do not reflect the effects of actual 2015 investment returns

Tier One/Tier Two Employer Rate Pool Funded Status and UAL

- Funded status differs for the two large Tier One/Tier Two rate pools

(\$ in billions)	SLGRP*	School Districts
Actuarial liability	\$37.2	\$27.1
Assets (excluding side accounts)	<u>\$28.5</u>	<u>\$20.3</u>
UAL (excluding side accounts)	\$8.7	\$6.8
Funded status (excluding side accounts)	77%	75%
Projected 2015 payroll	\$5.4	\$2.9
Ratio of UAL to payroll	161%	234%

Side account assets	\$2.7	\$3.1
UAL (including side accounts)	\$6.0	\$3.7
Funded status (including side accounts)	84%	86%

* State and Local Government Rate Pool

Summary

- PERS Funding Equation: $\text{Benefits} = \text{Contributions} + \text{Earnings}$
- The equation is reviewed every year and rebalanced by the PERS Board setting employer contribution rates every two years
- Individual 2017-2019 advisory employer contribution rates (based on the December 13, 2014 valuation) will be distributed soon
- Actual 2017-2019 employer contribution rates (effective July 1, 2017) will be approved by the PERS Board in fall 2016, using:
 - Actual investment performance for 2014 and 2015;
 - Restored benefits from the *Moro* decision; and
 - Actuarial methods and assumptions adopted by the PERS Board at its September 25, 2015 meeting

Questions? Contact the PERS Employer Service Center: 888-320-7377

Asset Allocations at September 30 2015

Regular Account							Variable Fund	Total Fund		
OPERF	Policy	Target ¹	Thousands	Pre-Overlay	Overlay	Net Position	Actual	Thousands	Thousands	
Public Equity	32.5-42.5%	37.5%	26,376,320	39.1%	(25,534)	26,350,786	39.1%	636,959	26,987,745	
Private Equity	13.5-21.5%	17.5%	14,235,716	21.1%		14,235,716	21.1%		14,235,716	
Total Equity	50.0-60.0	55.0	40,612,036	60.2	25,534	40,586,502	60.1		41,223,461	
Opportunity Portfolio	0-3%	0.0%	1,169,580	1.7%		1,169,580	1.7%		1,169,580	
Fixed Income	15-25	20.0	14,945,906	22.1	1,220,469	16,166,375	24.0%		16,166,375	
Real Estate	9.5-15.5	12.5	7,076,623	11.7	21,300	7,055,323	11.6%		7,055,323	
Alternative Investments	0-12.5	12.5	1,690,121	2.5		1,690,121	2.5%		1,690,121	
Cash²	0-3	0.0	1,100,541	1.7	1,173,635	6,906	0.0%		15,297	
TOTAL OPERF		100	67,476,007	100.0	-	67,476,007	100.0		645,350	6122,157

¹Targets established in June 2015. Interim policy benchmark consists of: 41.5% MSCI ACWI Net, 23.5% Custom FI Benchmark, 20% Russell 3000+300bps (1 quarter lagged), 12.5% NCREIF (1 quarter lagged), & 2.5% CPI+400bps.

²Includes cash held in the policy implementation overlay program.

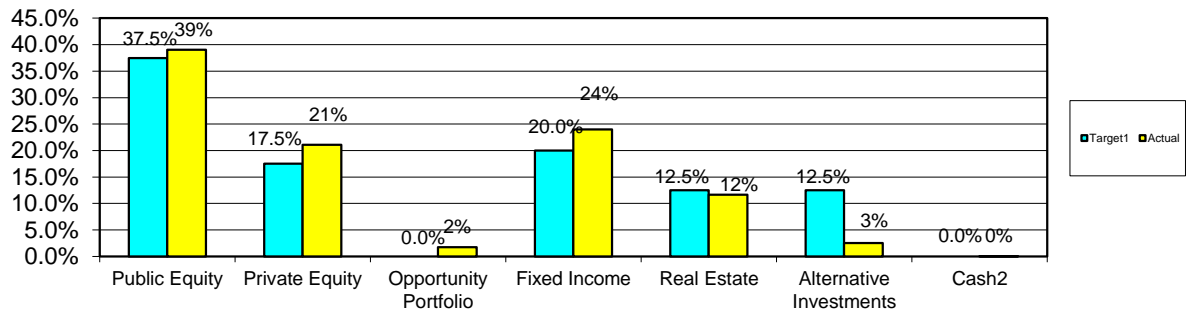
SAIF	Policy	Target	Thousands	Actual
Total Equity	7-13	10.0	415,236	9.0
Fixed Income	0-90	5.0	4,115,237	9.6
Real Estate	0-7	5.0	0	0.0
Cash	0-3	0	63,007	1.4
TOTAL SAIF			4,593,560	100.0

CSF	Policy	Target	Thousands	Actual
Domestic Equities	25-35%	30%	\$400,608	29.1%
International Equities	25-35%	30%	373,413	27.2%
Private Equity	0-12%	10%	163,457	11.9%
Total Equity	65-75	70	937,478	64.2
Fixed Income	25-35	30	419,750	30.5
Cash	0-3	0	17,093	1.3
TOTAL CSF			1,375,129	100.0

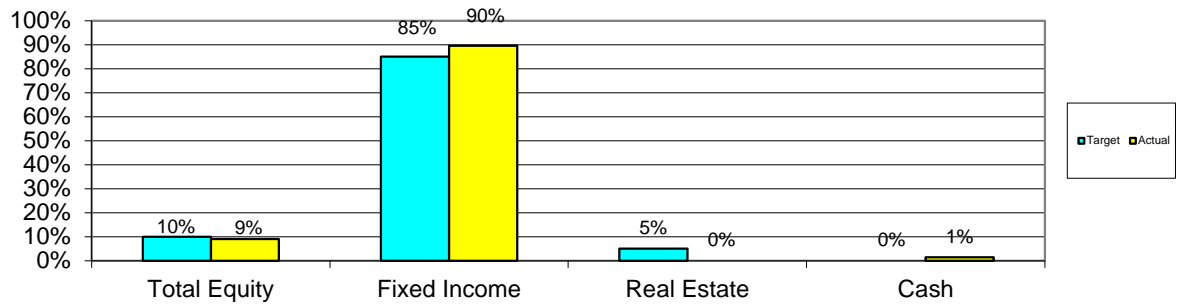
SOUE	Policy	Target ³	Thousands	Actual
Global Equities	65-75%	70%	1,295	64.3%
Growth Assets	65-75	70	1,295	64.3
Fixed Income	25-35%	30%	592	29.4%
Cash	0-3%	0%	128	6.4%
Diversifying Assets	25-35	30	720	35.7
TOTAL HIED			2,015	100.0

³Revised asset allocation adopted by OIC, March 2015.

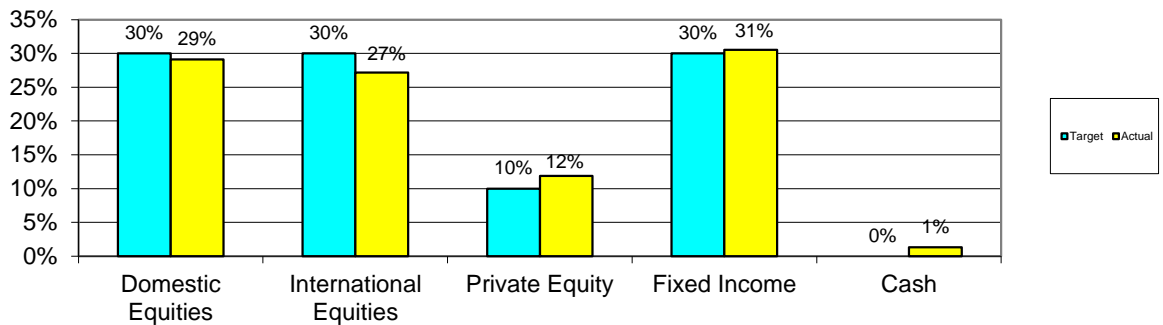
OPERF Asset Allocation



SAIF Asset Allocation



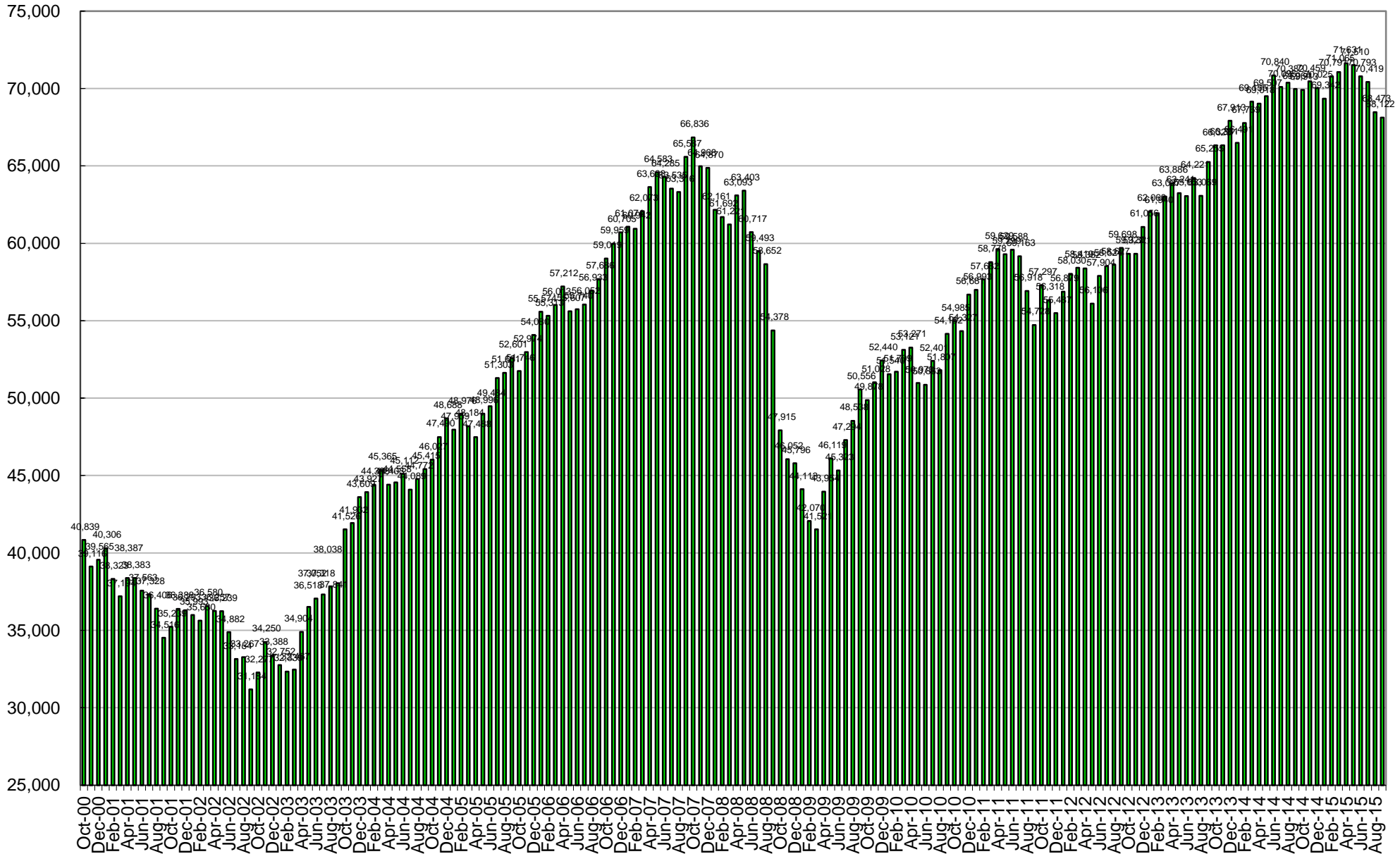
CSF Asset Allocation



OPERF NAV

15 years ending September 2015

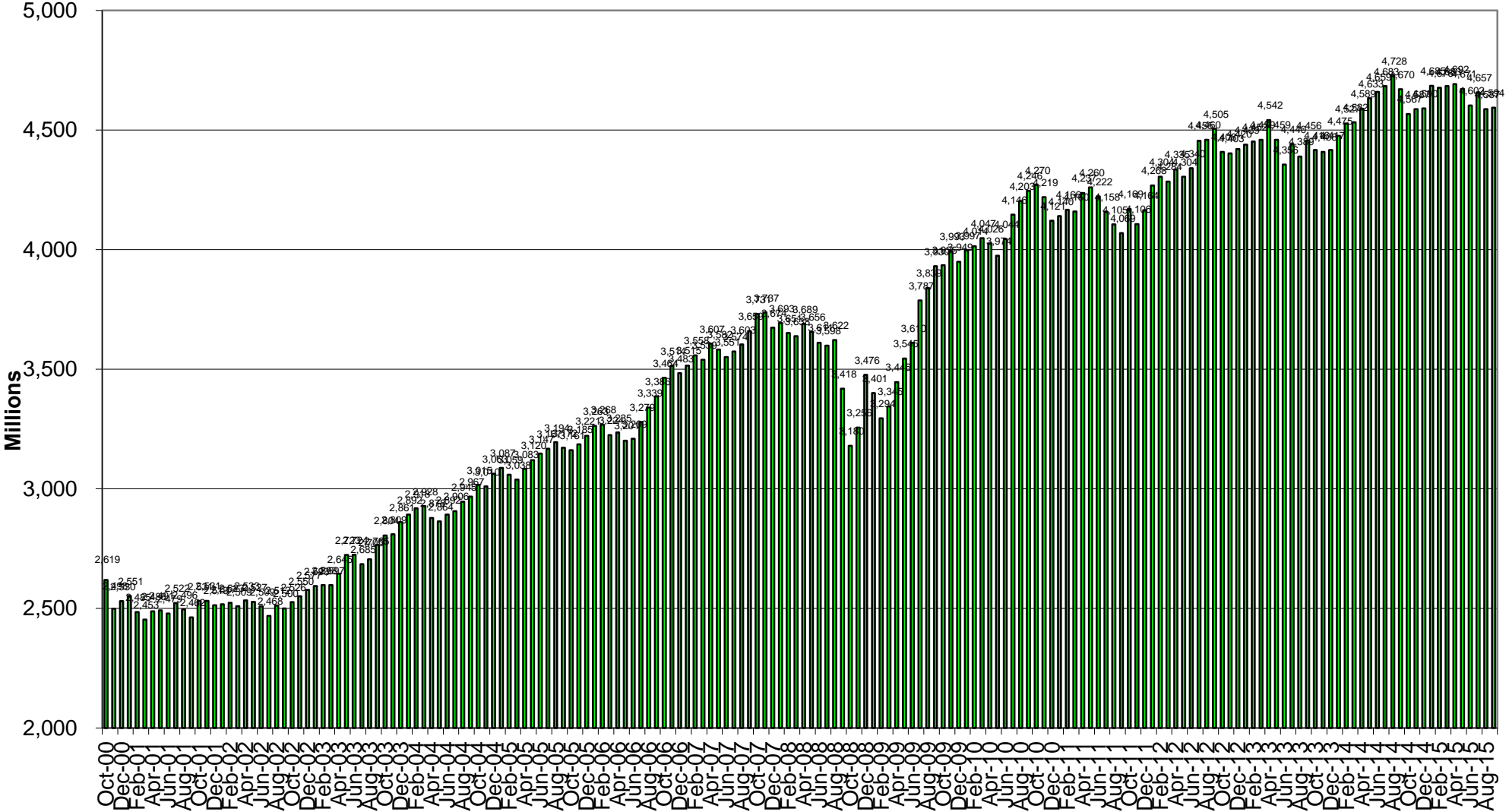
in Millions



SAIF NAV

15 years ending September 2015

□ in Millions □



CSF NAV

15 years ending September 2015

□ in Millions □

