



**OREGON
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State of Oregon

Office of the State Treasurer

16290 SW Upper Boones Ferry Road

Tigard, Oregon 97224

OREGON INVESTMENT COUNCIL

April 24, 2019

Meeting Minutes

Members Present: Rukaiyah Adams, John Russell, Tobias Read, Rex Kim, Patricia Moss and Kevin Olineck

Staff Present: John Skjervem, Darren Bond, Perrin Lim, David Randall, John Hershey, Deena Bothello, Karl Cheng, Lisa Pettinati, Anna Totdahl, Steve Kruth, Roy Jackson, Austin Carmichael, Paul Koch, David Elott, May Fanning, Tony Breault, Jen Plett, Ricardo Lopez, Dana Millican, Ben Mahon, Jo Recht, Tom Lofton, Amanda Kingsbury, Aliese Jacobsen, Eric Messer, Geoff Nolan, Michael Langdon, Joe Hutchinson, Michael Viteri, Jennifer Peet, William Hiles, Michael Mueller, Kristel Flores, Andy Coutu, Garrett Cudahey, Tiffany Zhuge, Angela Schaffers, James Sinks, Dmitri Palmateer, Amy Wojcicki, Ahman Dirks, Robin Kaukonen, Chris Ebersole, Faith Sedberry, Sam Spencer, Kristi Jenkins, Ryan Auclair, Tyler Bernstein, Krystal Mclean, Sommer May and Andrey Voloshinov

Consultants Present: Tom Martin (TorreyCove Capital Partners); Allan Emkin and Brandon Ross (Meketa Investment Group, Inc.); Jason Ellement, Janet Becker-Wold, Jim Callahan and Uvan Tseng (Callan LLC)

Legal Counsel Present: Steven Marlowe, Department of Justice

The April 24th, 2019 OIC meeting was called to order at 9:00 am by Rukaiyah Adams, OIC Chair.

I. 9:00 am Review and Approval of Minutes

MOTION: Chair Adams asked for approval of the March 13, 2019 OIC regular meeting minutes. Member Russell moved the motion at 9:00 am, and Mr. Kim seconded the motion which then passed by a 5/0 vote.

II. 9:01 am Committee Reports and CIO Update

Committee Reports: Mr. Skjervem gave an update on the following committee actions taken since the March 13th, 2019 OIC meeting including a February 13th Alternatives Portfolio commitment that wasn't previously reported:

Alternatives Portfolio Committee

February 13, 2019

Bolt Energy LLC

\$50M



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Real Estate Committee

March 27, 2019 Prologis Targeted U.S. Logistics Fund \$250M

Private Equity Committee:

April 2, 2019 Cinven Fund VII €200M
Advent International Global Private Equity Fund IX \$150M
Aquiline Financial Services Fund IV \$250M

Opportunity Portfolio Committee

None

Mr. Skjervem then provided opening remarks which included a summary of the Strategic Asset Allocation & CMAs Update, remarks on the Securities Lending Update and Private Equity Benchmarking project, and an overview of the annual State Accident Insurance Fund report. Mr. Skjervem also introduced new OST staff members including Tyler Bernstein, Operations Analyst, Scott Robertson, Investment Analyst, Krisi Jenkins, Operations Manager, Sommer May, Senior Compliance Analyst and Andrey Voloshinov, Senior Compliance Analyst. Finally, Mr. Skjervem also informed the Council of the departure of Tim Baumert, Investment Officer, Public Equity.

III. 9:06 am Strategic Asset Allocation & Capital Markets Assumption Update – OPERF

Karl Cheng, Senior Investment Officer, Portfolio Risk & Research, Janet Becker-Wold, Senior Vice President, Callan LLC, Jason Ellement, Senior Vice President, Callan LLC and Allan Emkin, Managing Principal, Meketa Investment Group, Inc., presented a thorough summary of updated capital market assumptions and related considerations and concluded with the following recommended changes to OPERF's strategic asset allocation targets:

- a) Reduce the target weight to Public Equity by 5.0%;
- b) Increase the target weight to Diversifying Strategies by 2.5%; and
- c) Within Capital Markets, initiate a new allocation to Risk Parity with a target weight of 2.5%.

In addition to the above listed asset allocation changes, Staff also recommended eliminating **Policy INV 215 OPERF Asset Allocation and Rebalancing Policy** and consolidating its germane sections with a now revised **Policy INV 1203 Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund**.

MOTION: Treasurer Read moved approval of the proposed changes at 10:36 am, and Mr. Kim seconded the motion which then passed by a 5/0 vote.

IV. 10: 51 am Securities Lending Update – OPERF/SAIF/CSF/OSTF/Agency Accounts

Perrin Lim, Director of Capital Markets, provided the Council with an update on and review of the securities lending program which includes OPERF, OSTF and other state agency funds.

Mr. Lim, then presented Mr. Tom Connelley, Vice President, Senior Portfolio Manager, State Street Global Advisors and Mr. Johnson Shum, Vice President, Securities Finance, State Street Global Markets who provided State Street's annual update on its securities lending activities on behalf of OPERF and other OST-managed accounts.



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V. **11:14 am Private Equity Benchmark Discussion – OPERF Private Equity Portfolio**
Michael Langdon, Senior Investment Officer, Private Equity and Tom Martin, Managing Director, TorreyCove Capital Partners, engaged the Council in a detailed discussion on the background, objectives and recent trends in benchmarking for private equity investments.

VI. **11:53 am State Accident Insurance Fund – Annual Review**
Perrin Lim, presented the SAIF Annual Update and presenters Kerry Barnett, President & CEO and Gina Manley, Vice President, Finance & CFO of the State Accident Insurance Fund (SAIF). This presentation covered annual investment performance as well as an update on SAIF's business activity and operating trends.

VII. **12:17 pm State Accident Insurance Fund – Asset Allocation Analysis**
Garrett Cudahey, Investment Officer, Fixed Income, introduced, Jim Voytko, President, Senior Consultant, Director of Research, RVK, Inc., Beau Burggraff, Senior Consultant, RVK, Inc., and Greg Kantor, Consultant, RVK, Inc., who provided the OIC with a summary of their firm's work on behalf of SAIF which included an asset allocation study, a peer group comparison, and a review of all relevant investment guidelines and benchmarks.

At its March 6, 2019 meeting, the SAIF Board approved moving the following proposed changes to the OIC.

Staff recommends approving the proposed asset allocation changes, policy modifications and real estate manager selections. Summary below:

- INV 1002 – State Accident Insurance Fund: Asset Classes and Allocation
 - Modify to include bank loan and private credit asset classes including benchmarks, strategic allocation targets and allowable ranges
 - Reduce allocation to U.S. Fixed Income to fund bank loan and private credit allocations
- INV 1003 – State Accident Insurance Fund: Fixed Income Investments
 - Reduce target manager weightings and ranges to reflect overall reduction in fixed income
- INV 1004 – State Accident Insurance Fund: Real Estate Investments
 - Refine strategy and investment criteria
 - Add target allocations and ranges for two core real estate investment managers
- (New Policy) INV 1007 – State Accident Insurance Fund: Bank Loans
 - New policy crafted to add bank loans as an asset class to SAIF's program
- (New Policy) INV 1008 – State Accident Insurance Fund: Private Credit
 - New policy crafted to add select private credit investments as an asset class to SAIF's program

MOTION: Mr. Kim moved approval at 12:53 pm, and Mr. Russell seconded the motion which then passed by a 5/0 vote.

VIII. **12:53 pm Asset Allocation & NAV Updates**
Mr. Skjervem reviewed asset allocations and NAVs across OST-managed accounts for the period ended March 31, 2019.

IX. **12:53 pm Calendar – Future Agenda Items**
A calendar listing of future OIC meetings and scheduled agenda topics was included in the Council's meeting material.



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X. 12:55 pm Open Discussion

Mr. Skjervem stated that today's OIC meeting coincides with the National Administrative Professionals Day, and took the opportunity to recognize the OST Investment and Legal and Compliance administrative support staff for all their efforts.

Ms. Adams then acknowledged and thanked Council members for all their effort in support of today's important Council meeting.

12:57 pm Public Comments

Bill Parish, Independent Investment Consultant, addressed the Council and suggested changes to Treasury's website, made comments about select large-cap stocks that currently do not pay dividends and warned the Council about investment risks associated with strong economic growth and rising interest rates.

Ms. Adams adjourned the meeting at 1:01 pm.

Respectfully submitted,

May Fanning

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Executive Support Specialist