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State of Oregon

Office of the State Treasurer

16290 SW Upper Boones Ferry Road
Tigard, Oregon 97224

OREGON INVESTMENT COUNCIL

June 3, 2020

Meeting Minutes

Members Present: John Russell, Tobias Read, Patricia Moss, Cara Samples and Kevin Olineck

Staff Present: Rex Kim, Karl Cheng, Geoff Nolan, Michael Langdon, May Fanning

Staff Participating virtually: Jennifer Peet, Scott Robertson, Faith Sedberry, Paul Koch, Eric Messer, Aliese Jacobsen, Meredith Coba, John Hershey, Krystal Korthals, Dmitri Palmateer, Jeremy Knowles, Caitlyn Wang, Chris Ebersole, Sommer May, Will Hampson, Robin Kaukonen, Jen Plett, Michael Viteri, Amanda Kingsbury, Missy Simpson, Jo Recht, Dana Millican, Tiffany ZhuGe, Tony Breault, Monique Sadegh, Mohammed Quraishi, Claire Illo, Perrin Lim, Ahman Dirks, Ben Mahon, Ryan Mann, Angela Schaffers, Joe Hutchinson, Sam Spencer, Ian Huculak, Deena Bothello, Wil Hiles, Mark Selfridge, David Randall, John Lutkehaus, Steve Kruth, Roy Jackson, Austin Carmichael, Mike Mueller, Andrey Voloshinov, Michael Kaplan, Debra Day, Anna Totdahl, Amy Bates, Lisa Pettinati, Andy Coutu, Kristi Jenkins, David Elott, Kenny Bao,

Consultants Present: Allan Emkin (Meketa Investment Group, Inc.); Jason Ellement (Callan LLC), Tom Marin, TorreyCove Capital Partners

Legal Counsel Present: Steven Marlowe, Department of Justice

Before proceeding with the OIC meeting, Chief Investment Officer, Rex Kim provided a disclosure pertaining to the virtual set-up of this OIC meeting, informing those in attendance (virtual and in person) of the guidelines in which this meeting will proceed.

The June 3rd, 2020 OIC meeting was called to order at 9:00 am by John Russell, OIC Chair.

I. 9:01 am Review and Approval of Minutes

MOTION: Chair Russell asked for approval of the April 22, 2020 OIC regular meeting minutes. Treasurer Read moved approval at 9:03 am, and Ms. Moss seconded the motion which then passed by a 4/0 vote.

II. 9:03 am Committee Reports and Opening Remarks

Committee Reports: Mr. Kim, gave an update on the following committee actions taken since the April 22, 2020 OIC meeting:



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Private Equity Committee

April 22, 2020	Thoma Bravo Fund XIV, L.P.	\$250M
May 14, 2020	Vitruvian Investment Partners IV, L.P.	€150M
May 27, 2020	CVC Capital Partners VIII, L.P. Sherpa Healthcare Fund I, L.P.	€325M \$100M

Alternatives Portfolio Committee

May 1, 2020	NGP Royalty Partners, L.P.	\$150M
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Real Estate Committee

May 19, 2020	Abacus Core Multifamily Separate Account	\$250M
	Columbia Industrial Properties, LLC	\$150M
	Sculptor Real Estate Fund IV, L.P.	\$150M

Opportunity Portfolio Committee

None

Mr. Kim also, provided opening remarks with a quick OIC agenda overview that included, the Market Commentary from the Co-CIO at Bridgewater Associates, and Asset Allocation & Capital Markets Assumption; Fixed Income Manager Recommendation, in addition to the Asset Allocation, NAV and forward calendar.

III. 9:06 am Market Environment

Mr. Joel Whidden, Head of Sales, Global Marketing, Bridgewater Associates, gave a brief introduction to the firm and went on to introduce Mr. Greg Jensen, Co-Chief Investment Officer, Bridgewater Associates, who provided the Council with a Market Environment update, sharing insight relative to the current global economic state, and how to better invest in the next decade.

IV. 10:01 am Asset Allocation, Capital Markets Assumptions

OST staff work with the Council's general consultant to annually update risk and return expectations for OPERF based on a) the consultant's Capital Market Assumptions and b) OPERF's strategic asset allocation targets. Every three to five years, the assumptions are incorporated in a rigorous study of OPERF's assets and liabilities. The Capital Market Assumptions are also more prominent every odd-number year, e.g., 2019, since they coincide with the Public Employees Retirement System (PERS) Board's biannual setting of the assumed rate of investment return. During those sessions, the PERS Board considers OPERF's asset allocation and the Capital Market Assumptions, alongside their actuary's analysis, and approves an assumed rate of return. At their July 2019 meeting, the PERS Board reaffirmed an assumed rate of 7.2%.

Karl Cheng, Senior Investment Officer, Portfolio Risk & Research, 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 revised estimates of OPERF's long-term, forward-looking risk and return.



Furthermore, Staff recommend approval of the proposed revision to INV 1203 (Statement of Investment Objectives and Policy Framework for OPERF) with updated Capital Market Assumptions and other edits.

MOTION: Treasurer Read, moved approval of the proposed revision to INV 1203 at 10:33 am, and Ms. Moss seconded the motion which then passed by a 4/0 vote.

V. 10:33 am Fixed Income Manager Recommendation

Geoff Nolan, Senior Investment Officer, Fixed Income, started with a brief refresher of the December 2019 Fixed Income Strategic Review, and the Implementation Process and Current Status. He then proceeded to explain that shortly after the Fixed Income Strategic Review was approved in December 2019, a manager search process was initiated. The presentation provided the detailed process of selection, resulting with the following Fixed Income Staff Manager selections:

- Global Sovereign Manager Selections: Mandate: global sovereign ex-US Treasuries (hedged to USD) Morgan Stanley Investment Management (MSIM) and, PIMCO. Total mandate funding amount combined up to 8.1% of OPERF fixed income AUM. \$1.117BN based upon OPERF 4/30/20 AUM, split evenly between MSIM and PIMCO, up to \$585MM to each manager.

- Emerging Markets Debt Manager Selections: Mandate: emerging markets debt (hard dollar) Global Evolution, PGIM and Ashmore. Total mandate funding amount combined up to 2.7% of OPERF fixed income AUM. \$390MM based upon OPERF 4/30/20 AUM. Split evenly amongst Global Evolution, PGIM and Ashmore, up to \$130MM to each manager.

MOTION: Treasurer Read, moved approval of the staff's Manager recommendations at 10:45 am, and Ms. Samples seconded the motion which then passed by a 4/0 vote.

VI. 10:45 am Asset Allocation & NAV Updates

Mr. Kim reviewed asset allocations and NAVs across OST-managed accounts for periods ended April 30, 2020.

VII. 10:46 am Calendar – Future Agenda Items

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

VIII. 10:47 am Open Discussion

Treasurer Read raised a question built around all that was discussed during today's meeting in relation to the world and how it will look when things go back to a certain stability, how will that impact our portfolio. He brought up a couple of examples linked to the environment, and around oil and gas, he went on to say that there's not enough visibility on how all this will play into our portfolio, and any risks that should come as a result. He said there are several ways to approach and raise these concerns and was hopeful that the Council will recognize and agree on this matter. He proposed that perhaps the CIO and his team could maybe think of ideas to better manage the potential risks. Chair Russell commented that funds may diverge in their viewpoints on the value of divesting versus not divesting.

Mr. Olineck, noted that the PERS Board, will be bringing the Capital Market Assumptions update that were discussed during today's meeting to their July PERS Board meeting.

Ms. Samples, expressed her appreciation for the participation and remarks by, Greg Jensen. She specified the value this brings in helping the Council, especially in the current environment. She also thanked everyone involved in putting this together, and suggested that having similar speakers in future meetings could be very



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beneficial. Ms. Moss also, agreed with that statement, and Chair Russell affirmed that Mr. Jensen will indeed be a tough act to follow. Nonetheless, Mr. Kim, made mention of quite a remarkable list that his staff has provided him with He also said that one of the values we have as a State is the strong reputation and the relationships with the managers and their willingness to be there to help us think through these larger issues.

10:54 am Public Comments

None

Mr. Russell adjourned the meeting at 10:54 am.

Respectfully submitted,

May Fanning

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Executive Support Specialist