



**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 21, 2021

Meeting Minutes

Members Present: John Russell, Cara Samples, Monica Enand, Charles Wilhoite, Tobias Read and Kevin Olineck.

Staff Present: Rex Kim, John Hershey, Michael Langdon, David Randall, Karl Cheng, Ben Mahon, Geoff Nolan, Tony Breault, Michael Viteri, Jen Plett Rachel Wray and May Fanning

Staff Participating virtually: Anna Totdahl, John Lutkehaus, Perrin Lim, Mohammed Quraishi, Andrew Robertson, Jo Recht, Roy Jackson, Robin Kaukonen, Tim Miller, Krystal Korthals, Ian Huculak, Faith Sedberry, Taylor Bowman, Paul Koch, Mark Selfridge, Claire Illo, Jeremy Knowles, Amanda Kingsbury, Tiffany Zahas, Christopher Ebersole, Andrew Coutu, Lisa Pettinati, Scott Robertson, Andrey Voloshinov, Mike Mueller, Debra Day, Tan Cao, Sam Spencer, Tyler Bernstein, Kristi Jenkins, Eric Messer, Angela Schaffers, Aliese Jacobsen, Kenny Bao, Sommer May, Andrew Hillis, Dmitri Palmateer, Ahman Dirks, Dana Millican and Amy Bates

Consultants Present: Allan Emkin, Christy Fields, Mika Malone, David Glickman, Paola Nealon and Colin Bebee (Meketa Investment Group, Inc.); Stephen Cummings, Kristen Doyle, Raneen Jalajel and Phil Kivarkis (Aon Investments); Tom Martin (Aksia/TorreyCove Capital Partners LLC), Steve Kennedy, Albourn

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 April 21st, 2021 OIC meeting was called to order at 9:00 am by John Russell, OIC Chair. Chair Russell opened the meeting by introducing and welcoming, newly appointment Council member, Charles Wilhoite.

I. 9:01 am Review and Approval of Minutes

MOTION: Chair Russell asked for approval of the March 10th, 2021 OIC regular meeting minutes. Treasurer Read moved approval at 9:01 am, and Ms. Enand seconded the motion which then passed by a 4/0 vote. Since member Wilhoite's appointment to the Council was made post the March OIC meeting, he abstained from voting.



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II. 9:03 am Committee Reports

Mr. Kim, gave an update on the following committee actions taken since the March 10th, 2021 OIC meeting:

Private Equity Committee:

March 16, 2021	Genstar Capital Partners X, L.P.	\$250M
	KKR North America Fund XIII, SCSp	\$350M
April 16, 2021	TA XIV, L.P.	\$150M

Real Estate Committee:

March 25, 2021	AEW Core Property Trust - 108k shares	est.
\$110M	Ascentris-OR Cherry Creek West, LLC	\$350M

Opportunity Committee:

March 25, 2021	Blue Torch Credit Opportunities Fund II, L.P.	\$100M
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Alternatives Portfolio Committee:

None

Mr. Kim also wanted to acknowledge and thank, Michael Viteri, Senior Investment Officer, Public Equity and May Fanning, Executive Support Specialist who have served at Treasury under the Investment Division and wanted to wish them well in their upcoming endeavors.

III. 9:05 am OPERF Risk Survey

Allan Emkin, Managing Principle, Meketa Investment, Mika Malone, Managing Principal/Consultant, Meketa Investment Group and Paola Nealon, Principal/Consultant, Meketa provided the OPERF Risk Survey.

This presentation is the initial step in the 2022, study of OPERF's assets and liabilities. The comprehensive 2022 asset/liability study will address, in depth, the following elements:

- 1) Capital market assumptions by asset class, which include expected returns, volatilities and correlations; Along with the selection of which asset classes/strategies (ie. leverage) to model.
- 2) Proposed asset mixes using various portfolio modeling/construction techniques;
- 3) OPERF's liability structure, funded status and liquidity needs; and
- 4) Recommended strategic asset allocation targets and a rebalancing framework.

Over the course of 2021, the Council - with input from Staff and Consultant(s) - will review several topics relevant to these elements ahead of the 2022 A/L study timeline. The 2021 asset allocation review is intended to be a "fine tuning" of the current asset allocation and a vehicle to initiate discussion and debate on issues that will be comprehensively addressed next year.

This Risk Survey seeks to understand the Council's key concerns, risk tolerance levels and portfolio attributes. There is no "right" answer as risk may mean different things to different people. Importantly, this is intended to solicit the types and the levels of risk the Board deems appropriate, commensurate with the return target to be achieved.

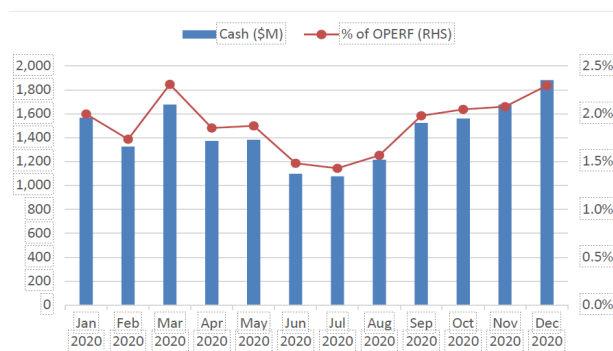


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IV. 9:12 am OPERF Synthetic Overlay Review

Karl Cheng, Senior Investment Officer, Portfolio Risk & Research, along with Greg Nordquist, CFA, Director Overlay Strategies, Russell Investments and Doug Miller, Director Relationship Management, Russell Investments provided the Council an update on the OPERF overlay program that is managed by Russell Investments. This presentation included an introduction to Overlay and the year 2020 in review.

Although OPERF does not have a strategic allocation to cash, it has a cash balance that is primarily invested in the Oregon Short Term Fund (OSTF). This cash balance is used to make regularly-scheduled PERS benefit payments as well as handle episodic capital calls and distributions associated with OPERF's private market investments. The chart below shows OPERF's monthly cash balance invested in OSTF, as well as the cash in the overlay program.



Since it does not have a strategic allocation target, the OPERF cash balance may be the source of “cash drag” in that it is not invested in investments with greater potential return. The OIC retained Russell Investments to implement an overlay program to minimize cash drag. Specifically, Russell Investments monitors and, if necessary, equitizes and/or bondizes excess cash held by public equity & REIT managers and any other idle OPERF cash. The firm uses highly-liquid futures contracts with margin requirements much smaller than the contracts’ “face” or “notional” values. As part of its process, Russell Investments also a) monitors OPERF’s asset allocation relative to its OIC-established strategic targets, and b) trades equity and fixed income futures contracts as necessary to align the Fund’s overall asset allocation with these OIC-established targets.

As of December 31, 2020, the OPERF overlay program was long \$2.87 billion in fixed income contracts and short \$1.07 billion in global equity contracts for a total gross notional exposure of \$1.80 billion.

V. 9:59 am OPERF Public Equity Currency Hedge Program

Karl Cheng and Jen Plett, Investment Officer, Portfolio Risk & Research, presented the OPERF Public Equity Currency Hedge Program. The presentation included an executive summary, timeline, rationales, goal, program profile, performance, and results since inception.

VI. 10:18 am Use of Leverage for Asset Allocation

Kristen Doyle, Partner, Aon Investments, Raneen Jalajel, Associate Partner, Aon Investments and Phil Kivarkis, North America Head of Investment Policy Services, Aon Investments provided a presentation on the use of leverage

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for asset allocation. The presentation explored in detail the background, leverage overview and key takeaways. Karl Cheng and Geoff Nolan, Senior Investment Officer, Fixed Income, continued on the same lines, with a thorough presentation relating to OPERF leverage.

VII. 11:13 am OPERF Liquidity

Karl Cheng, Allan Emkin and Mika Malone, delivered a presentation on OPERF liquidity that covered an introduction, OPERF maturity, allocation over time, cash sources & uses, state of the pension fund, and takeaways.

VIII. 11:37 am Low Interest Rates, Risk Mitigation

Colin Bebee, Managing Principle/Consultant, Meketa Investment Group, delivered a presentation on low interest rates, risk mitigation. The presentation included an introduction, historical context, and considerations for the OPERF portfolio.

IX. 12:10 pm Asset Allocation & NAV Updates

Mr. Kim reviewed asset allocations and NAVs across OST-managed accounts for periods ended February 28, 2021.

X. 12:11 pm Calendar – Future Agenda Items

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

XI. 12:13 pm Open Discussion

Treasurer Read expressed his appreciation to the Staff and Consultants for the context in which the topics were brought forward. He also went on to welcome newly appointed Council member, Mr. Wilhoite. Member Enand, echoed Treasurer Read's sentiment.

XII. 12:15 pm Public Comments

Chair Russell read three written statements provided by, Ms. Alyssa Giachino, Ms. Nyresse Cole and Ms. Zella Roberts. All comments pertained to Roark Capital, who owns some of the largest fast-food chains, including Arby's and Sonic. Comments were about the current level of minimum wages. Before the Oregon Investment Council makes any additional commitments to Roark, they would ask that the Council evaluate previous investment with them and the human capital risks of Roark's investments.

Mr. Russell adjourned the meeting at 12:28 pm.

Respectfully submitted,

May Fanning

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Executive Support Specialist