Oregon Investment Council

September 9, 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

September 9, 2015
9:00 AM

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

Time	A. Action Items	Presenter	Tab
9:00-9:05	**1. Review & Approval of Minutes** June 3 and July 21, 2015	**Katy Durant** *OIC Chair*	**1**
	Committee Reports	**John Skjervem** *Chief Investment Officer*	
9:05-9:45	**2. AQR-OPERF Strategic Partnership** *OPERF Alternative Portfolio*	**Ben Mahon** *Investment Officer* **Cliff Asness** *Managing & Founding Principal, AQR* **Jim Callahan** *Callan Associates, Inc.*	**2**
9:45-10:30	**3. General Atlantic Managed Account Program** *OPERF Private Equity*	**John Hershey** *Director of Alternative Investments* **Michael Langdon** *Senior Investment Officer* **Bill Ford** *CEO, General Atlantic* **Graves Tompkins** *Managing Director, General Atlantic* **Tom Martin** *TorreyCove Partners*	**3**
10:30-10:45	**-------------------- BREAK --------------------**		
10:45-11:15	**4. OPERF Public Equity Review** *Annual Update*	**Michael Viteri** *Senior Investment Officer* **Jim Callahan** **Janet Becker-Wold** *Callan Associates, Inc.*	**4**

11:15-11:45	**5.**	**OIC Policy Updates**	**Mike Mueller** *Deputy Chief Investment Officer*	**5**
11:45-11:50	**6.**	**OIC Private Equity Consultant Update** *Policy INV 210*	**Mike Mueller**	**6**
11:50-11:55	**7.**	**2016 OIC Calendar Approval**	**John Skjervem**	**7**

B. Information Items

11:55-12:15	**8.**	**OPERF Q2 Performance & Risk Report**	**Jim Callahan** **Janet Becker-Wold**	**8**
12:15-12:20	**9.**	**Asset Allocations & NAV Updates** a. Oregon Public Employees Retirement Fund b. SAIF Corporation c. Common School Fund d. Southern Oregon University Endowment Fund	**John Skjervem**	**9**
	10.	**Calendar — Future Agenda Items**		**10**
	11.	**Other Items**	**Council** **Staff** **Consultants**	

C. Public Comment Invited
15 Minutes

TAB 01.01 Review & Approval of Minutes

June 3, 2015 & July 21, 2015

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OREGON INVESTMENT COUNCIL
JUNE 3, 2015
MEETING MINUTES

Members Present:	Rukaiyah Adams, Katy Durant, Keith Larson, Steve Rodeman, John Russell, Ted Wheeler
Staff Present:	Darren Bond, Tony Breault, Karl Cheng, Michael Cox, Garrett Cudahey, Sam Green, Andy Hayes, John Hershey, Brooks Hogle, Julie Jackson, Mary Krehbiel, Perrin Lim, Tom Lofton, Mike Mueller, Paola Nealon, Kim Olson, Tom Rinehart, Angela Schaffers, Priyanka Shukla, John Skjervem, Michael Viteri, Byron Williams
Consultants Present:	David Fann and Tom Martin (TorreyCove); Christy Fields and John Linder (PCA); Janet Becker-Wold, Jim Callahan and Uvan Tseng (Callan)
Legal Counsel Present:	Dee Carlson, Deena Bothello and Jen Peet, Oregon Department of Justice

The June 3, 2015 OIC meeting was called to order at 9:03 am by Katy Durant, Chair.

I. **<u>9:03 am Review and Approval of Minutes</u>**

MOTION: Treasurer Wheeler moved approval of the April 29, 2015 meeting minutes. Mr. Russell seconded the motion, which then passed by a 5/0 vote.

COMMITTEE REPORTS

John Skjervem, OST Chief Investment Officer gave an update on the following committee actions taken since the April 29, 2015 OIC meeting:

<u>Private Equity Committee</u>:
None

<u>Alternatives Committee</u>:

May 7, 2015	Brookfield Brazil Agriculture Fund II, L.P.	$100 million

<u>Opportunity Portfolio Committee</u>:
None

<u>Real Estate Committee</u>:
None

II. 9:04 am OPERF Asset/Liability Update and Strategic Asset Allocation Recommendation

Callan Associates provided an update to the asset/liability study and strategic asset allocation (SAA) recommendation the firm presented earlier this year at the March 4 OIC meeting. Specifically, Callan's March analysis was updated to a) contemplate a 20-year forecast period (and hence align with the 20-year forecast period used by PERS actuaries), b) reflect a higher private equity premium than Callan's initial assumptions for that asset class and c) adjust the PERS liability projections to account for the recent Oregon State Supreme Court decision that overturned certain provisions of 2013 PERS reform legislation.

Despite these updates, Callan's "2A" SAA recommendation remained unchanged relative to that presented at the March 4 meeting. Mr. Skjervem reported that the 2A recommendation enjoyed senior staff support as it was expected to produce a modestly better risk/return profile as reflected by a correspondingly modest Sharpe ratio improvement. Mr. Skjervem also described that since the March 4 OIC meeting, he had reviewed 2A's likely impact on current and projected staff levels and concluded that while 2A implementation would take time, it should ultimately prove marginally more scalable than current OPERF SAA targets. Therefore, OIC adoption of the 2A recommendation was not expected to exacerbate the division's current resource constraints.

Over the 20-year forecast period, the SAA targets embedded in the 2A recommendation, combined with Callan's 2015 capital market assumptions, are expected to generate a 7.5% expected annual return with 14.0% expected annual volatility at the estimated median outcome.

MOTION: Mr. Larson moved approval of the staff recommendation. Treasurer Wheeler seconded the motion which passed by a vote of 3/2 (Ms. Adams and Ms. Durant voted against the recommendation).

III. 9:52 am Oregon Intermediate Term Pool (OITP) – ***Annual Update***

Investment Officer Tom Lofton provided on update on OITP during which he reviewed OITP investment performance and general portfolio changes implemented since the fixed income team's last OITP presentation. Mr. Lofton further described staff's proposal to change the OITP benchmark from the BofA Merrill Lynch 1-5 Year Corporate, Government and Mortgage Index to the Barclay's U.S. Aggregate 3-5 Year Index for the following reasons:

- OST subscribes to Barclay's indices for use in OST's risk management system;
- Since OPERF's custom fixed income benchmarks already utilize Barclay's indices, this OITP benchmark change is expected to reduce OST's 3rd-party data costs; and
- OST's current subscription provides constituent-level transparency into Barclay's indices which enables better portfolio management vis-a-vis assigned Barclay's benchmarks.

MOTION: Ms. Adams moved approval of the staff recommendation. Treasurer Wheeler seconded the motion, which passed by a vote of 5/0.

IV. 10:20 am Securities Lending Update

Bo Jackson and Johnson Shum with State Street provided the OIC an update on cash management and securities lending markets, respectively, with a focus on the two main accounts managed by State Street on behalf of OPERF and other state agency funds, including the OSTF.

V. 10:45 am OPERF Q1 Performance & Risk Report

Jim Callan and Janet Becker-Wold with Callan presented an OPERF performance and risk report for the period ending March 31, 2015. The total regular account gained 2.42% (+2.35% net of fees), versus a return of 2.96% for the policy target, and ranked in the 50th percentile of the $10B+ public fund peer group. For the 12 months ended March 31, 2015, the account gained 7.06% (+6.78% net of fees), trailing the policy target return of 7.84%, and ranked in the 51st percentile of Callan's $10B+ public fund peer group.

VI. <u>11:03 am Litigation Update *(Executive Session)*</u>
Pursuant to ORS 192.660(2)(f) & (h) this update was presented in executive session.

VII. <u>11:10 am Asset Allocation & NAV Updates</u>
Mr. Skjervem reviewed asset allocations and NAVs across OST-managed accounts for the period ended April 30, 2015.

VIII. <u>11:12 am Other Items</u>
None

<u>11:12 am Public Comments</u>
None

Ms. Durant adjourned the meeting at 11:12 am.

Respectfully submitted,
Julie Jackson

Julie Jackson
Executive Support Specialist

JOHN D. SKJERVEM
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OREGON INVESTMENT COUNCIL
JULY 21, 2015
SPECIAL MEETING MINUTES

Members Present:	Katy Durant, Keith Larson, Steve Rodeman, John Russell, Ted Wheeler
Member Absent:	Rukaiyah Adams
Staff Present:	Michael Cox, Julie Jackson, Ben Mahon, Mike Mueller, John Skjervem, Michelle Winegar
Consultants Present:	Tom Martin, TorreyCove
Legal Counsel Present:	Keith Kutler and Deena Bothello, Oregon Department of Justice

The July 21, 2015 Special OIC meeting was called to order at 3:01 pm by Katy Durant, Chair.

I. <u>3:03 pm Review and Approval of Minutes</u>

Staff sought OIC approval for policy variances to allow a) Committee consideration of a new manager relationship greater than $150 million and b) flexibility regarding the timing of due diligence materials dissemination.

Under current OIC policy, proposed capital commitments for new relationships up to and including $150 million may be presented by Staff to the relevant Portfolio Committee. Proposed capital commitments for new relationships greater than $150 million are presented to the full OIC. Furthermore, OIC policy stipulates that due diligence materials must be furnished to OIC members at least two weeks prior to a Committee presentation.

MOTION: Mr. Russell moved approval of the staff recommendation. Treasurer Wheeler seconded the motion, which then passed by a 4/0 vote (Rukaiyah Adams was not present).

The meeting was adjourned at 3:17 pm.

Respectfully submitted,
Julie Jackson

Julie Jackson
Executive Support Specialist

TAB 02.01

AQR-OPERF STRATEGIC PARTNERSHIP

AQR-OPERF Strategic Partnership

Purpose
Staff and Callan recommend a $750 million commitment to the AQR-OPERF Strategic Partnership ("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. The Strategic Partnership, via a custom vehicle formed by AQR Capital Management ("AQR" or the "Firm") 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.

Background
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[1] and 25% Diversifying Assets[2]. 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). More detail on the background and objectives of the Alternatives Portfolio can be found in the **Appendix**.

The OIC/OST relationship with AQR dates back to 2006 with a U.S. small cap value mandate in the OPERF public equities portfolio. AQR investments in the Alternatives Portfolio date back to 2011, when OIC committed $100 million of OPERF capital to the AQR DELTA Fund (DELTA). The OIC made a subsequent $200 million Alternatives Portfolio commitment to the AQR Style Premia Fund (SPF) in 2013. The proposed Strategic Partnership maintains the relative exposures from these initial investments, and commits an additional $500 million and $250 million to SPF and DELTA, respectively.

Discussion/Investment Considerations
AQR was established in 1998 by Cliff Asness and several other members of Goldman Sachs Asset Management ("GSAM"). Although the Firm now manages investment products across the asset class spectrum, the common thread running throughout AQR's strategies is a systematic, model-driven approach towards global asset allocation and security selection that is grounded in fundamental economic principles and supported by contemporary, empirical research. The firm has grown to one of the largest global managers of alternative assets, with total assets under management (AUM) of $136.2 billion, split between traditional equities ($65.0 billion) and alternatives ($71.2 billion).

<u>DELTA</u>
AQR DELTA (**D**ynamic **E**conomically-intuitive **L**iquid **T**ransparent **A**lternative) is a multi-strategy fund that seeks to provide systematic and efficient exposure to a diversified portfolio of hedge fund risk premia, or betas. Although individual hedge funds can differ greatly, AQR believes that funds pursuing the same strategy (e.g., convertible arbitrage or global macro) generally provide exposure to common, identifiable risk

[1] Using current OIC/OST nomenclature, *Real Assets* is synonymous with the illiquid elements of the Alternatives Portfolio (e.g., infrastructure, natural resources, etc.).
[2] Using current OIC/OST nomenclature, *Diversifying Assets* is synonymous with the liquid elements of the Alternatives Portfolio.

factors that explain a good portion of their returns. DELTA attempts to capture the “core essence” of these well-known hedge fund strategies by using a systematic, model-driven approach. The Fund seeks exposure to a roughly equal risk-weighted portfolio of hedge fund risk premia, including global macro, convertible arbitrage, event driven, long/short and market neutral equity, emerging markets, managed futures and fixed income relative value. In terms of investment objectives, DELTA aims to provide a Sharpe ratio[3] of 0.8 with 12% annualized volatility and low realized correlations to traditional asset classes over a reasonably long timeframe (e.g., at least 3 to 5 years).

SPF

SPF allocates to specific investment styles (“factors”) which historically have been the source of positive excess returns. These factors and corresponding positive excess returns have also been both persistent and pervasive (i.e., they manifest consistently over time and across multiple asset classes, sectors, and geographies). Based on empirical research (much of it authored by the firm’s principals) and insights from behavioral finance, SPF is designed to “harvest” excess returns from the following four key factors applied to various liquid and transparent investment types (i.e., stocks, futures, swaps and currency forwards): 1) Value – the tendency for relatively cheap assets to outperform relatively expensive ones; 2) Momentum – the tendency for an asset’s recent, relative performance (positive or negative) to persist in the near future; 3) Carry – the tendency for higher-yielding assets to generate higher returns relative to lower-yielding assets; and 4) Defensive – the tendency for lower risk (i.e., lower volatility) and higher-quality assets to generate higher risk-adjusted returns.

By combining a diverse set of strategies, AQR builds a portfolio in SPF comprised of these four key factors that is largely uncorrelated to public stock and bond markets. The result is a composite portfolio with a higher risk-adjusted return (as measured by and reflected in a favorable Sharpe ratio) which makes SPF a valuable diversifier to a portfolio such as OPERF with its otherwise large, long-only allocation to equity risk. In terms of investment objectives, SPF aims to provide a Sharpe ratio of 0.7 with 12% annualized volatility and low realized correlations to traditional asset classes over a reasonably long timeframe (e.g., 3 to 5 years).

Attributes:

- *Trusted partner*. As an existing manager of approximately $1.3 billion of OPERF’s Public Equity portfolio and approximately $341.2 million of its Alternatives Portfolio (as well as a successful opportunistic convertible arbitrage strategy that has since been liquidated), Staff holds AQR in high regard, and OST and OIC have to date enjoyed a successful, productive relationship.
- *Uncorrelated returns*. While difficult to find, truly uncorrelated returns (i.e., uncorrelated relative to OPERF’s other, conventional asset class allocations) provide valuable diversification benefits. Accordingly, a commitment to the Strategic Partnership is intended to incrementally improve the risk-adjusted return of the total OPERF portfolio while adding diversification and incremental improvements to downside risk. For example, since inception, both DELTA and SPF have a realized correlation of 0.2 to the U.S. equity market (as measured by the Russell 3000 index).
- *Attractive terms and conditions*. As a result of the significant OST/OIC partnership to date, AQR has provided OPERF with “relationship” terms, based on performance thresholds that are particularly attractive. Further details can be found in the confidential consultant report.
- *Enhanced transparency, cost effectiveness and liquidity*. Unlike many hedge fund managers, AQR provides OPERF and its other investors complete position-level transparency into both portfolios. In addition, the Strategic Account provides intermediate-term liquidity as OPERF can redeem its

[3] The Sharpe ratio is a measure of risk-adjusted returns. Specifically, it is the ratio of a portfolio’s excess returns (the return in excess of the risk-free rate) divided by its standard deviation.

investment following an initial three-year lock-up. Shorter-term liquidity is also available, with some restrictions. Furthermore, by combining investment styles, AQR is able to net out offsetting positions, resulting in lower trading costs and improved capacity utilization.

Concerns:

- *Significant assets under management.* AQR's assets under management (AUM) have grown significantly over the past several years. This growth and significant AUM profile have the potential to put a strain on the firm's existing investment team and internal infrastructure. [Mitigant: As an existing manager, Staff has been tracking AQR's growth and level of supporting resources, the latter of which have been increased meaningfully already; moreover, the fund management process at AQR is very scalable.]
- *Continued efficacy of style/factor premia in general and within certain asset classes in particular.* Interest in risk factor premia strategies and tilts is increasing among institutional asset owners, and with broader acceptance and commercialization of the supporting empirical research, one needs to consider a possible degradation in the efficacy of these factors or "alternative betas." [Mitigant: Broad implementation of this investment approach is still in its early days, and AQR has structured a portfolio not dependent on any individual style or factor. Additionally, each style/factor is not simply an observable pattern, but rather has a well-documented, fundamental basis in behavioral finance.]
- *Significant use of leverage and shorting*. To achieve the strategy's target volatility and factor exposures, AQR applies leverage and shorting. [Mitigant: Both DELTA and SPF invest only in highly-liquid instruments and markets and maintain high levels of cash. AQR has extensive capabilities and experience in managing complex portfolios and the operational risks faced by the DELTA and SPF strategies.]
- *Manager concentration risk***.** The build-out of the Diversifying Assets portfolio is expected to take several years, resulting in an initial concentration of manager risk. [Mitigant: As the Diversifying Assets portfolio continues to grow, the concentration to AQR will decrease over time. Furthermore, given the Strategic Partnership's full process and position transparency, specific risks can be better assessed. Accordingly, Staff considers AQR perhaps the best manager with which to begin the Diversifying Assets portfolio build-out.]
- *Head of trading termination.* It was recently announced that AQR's head of trading was terminated in a move related to an enforcement action the SEC brought against a former employer. The individual's alleged misconduct occurred between 2010 and 2011, prior to his arrival to AQR in 2012. [Mitigant: While Staff continues to monitor the situation closely, it is our belief that AQR has responded appropriately. The individual's departure should not have a material impact on operations, as AQR's trading resources are extensive. In addition, AQR's previous head of trading has resumed his prior role, assuring continuity before a permanent replacement is found.]

Terms

AQR offers OPERF a favorable "relationship-based" fee structure, with a reduced management fee and a preferable incentive fee on profits above an also favorable, absolute Treasury bill return.

Conclusion

The Alternative Portfolio target allocation to Diversifying Assets is 40%, or approximately $3.5 billion at current OPERF NAV. To date, OIC has approved $350 million in aggregate commitments to this sector and Staff considers an expanded relationship with AQR an anchor commitment within OPERF's Diversifying Assets portfolio.

AQR is a significant, trusted investment partner, and Staff believes the Strategic Partnership provides a unique and attractive way for OPERF to access a diverse set of style/factor premia in a liquid, cost-effective strategy. The depth and experience of AQR serves as a key differentiator, and the Firm remains at the center of thought and industry leadership. Accordingly, Staff believes the Firm is well positioned to capitalize on its opportunity set. Regardless of one's view of expected returns, diversifying OPERF's investment exposures, and specifically seeking alternative sources of return, should lead to better long-term results. DELTA and SPF are both designed to pursue and capture these alternative return sources.

Appendix

The Alternative Portfolio's primary objective is to provide a source of diversification for OPERF, seeking less correlated returns, diversifying risk premia, and hedges against inflation. In large part, this objective was formed in recognition of OPERF's otherwise large equity risk concentration (equity market volatility currently explains nearly 90% of OPERF's total risk[4]).

Importantly, the consideration of diversification and correlation are enumerated in OIC's Investment Beliefs[5] and the Alternatives Portfolio is constructed according to the tenets of modern portfolio theory (MPT). MPT traces its roots back to 1952, when Harry Markowitz created a Nobel Prize-winning framework for constructing securities portfolios by quantitatively considering each investment's potential return and volatility in the context of a portfolio rather than in isolation. The key observation from MPT is that investors can maintain a certain rate of return while reducing their portfolio's risk level by combining assets or strategies that have low or negative correlation. The efficient frontier is the curve that encompasses all of the best portfolio combinations, i.e., the lowest risk for a given level of return.

These concepts are illustrated in the following examples. In the first exercise, two-asset portfolios are created using different sets of risk and correlation assumptions. Markowitz shows that the expected rate of return for any one portfolio is the weighted average of that portfolio's expected individual asset returns, while the standard deviation (i.e., volatility) of that portfolio is a function not only of the individual asset volatilities but also of the correlation *between* the individual asset returns. The shape of the resultant curves is due to imperfect (less than 1.0) correlations. For example, and at the extreme, a -1.0 correlation coefficient means that the returns for two individual assets move exactly opposite to one another, thus eliminating volatility from the expected return of a portfolio comprised of those two assets in equal proportions.

TWO ASSET PORTFOLIO EXAMPLE

Risk-free rate = 2.00%

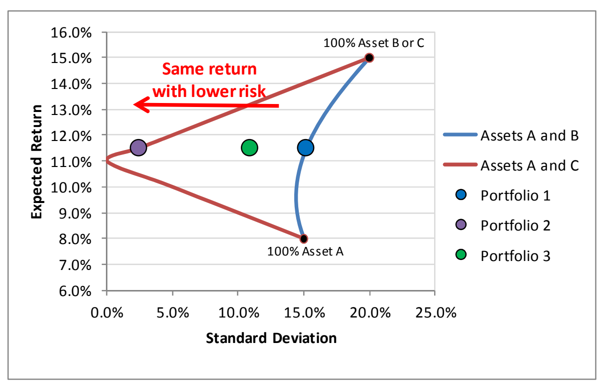
	Expected Return	Standard Deviation	Correlation w/ Asset A
Asset A	8.0%	15.0%	1.0
Asset B	**15.0%**	**20.0%**	**0.5**
Asset C	**15.0%**	**20.0%**	**-1.0**
Asset D	**15.0%**	**10.0%**	**0.5**

...the less correlated the asset, the better...

Holding expected returns constant...

... and the less volatile the asset, the better.

	Asset A	Asset B	Asset C	Asset D	Expected Return	Expected Risk	Sharpe Ratio
Portfolio 1	**50.0%**	**50.0%**	0.0%	0.0%	11.5%	15.2%	0.62
Portfolio 2	**50.0%**	0.0%	**50.0%**	0.0%	11.5%	2.5%	3.80
Portfolio 3	**50.0%**	0.0%	0.0%	**50.0%**	11.5%	10.9%	0.87



In this example, three distinct portfolios are created using 50/50 combinations of Asset A and Assets B, C, or D. The expected returns for Assets B, C, and D all equal 15%. Asset B and the resultant Portfolio 1 serve as the point of comparison for Portfolios 2 and 3. Holding expected returns constant, Asset C features a perfectly negative correlation (-1.0), and the results are dramatic: a 50/50 Asset A and Asset C portfolio (Portfolio 2) has the same expected return as the other two portfolios, but with significantly less risk. Conversely, when Asset A is combined with Asset D (Portfolio 3), the expected return remains the same, but

[4] Risk is defined here as volatility of total returns.

[5] *Statement of OIC Investment and Management Beliefs*, Belief 2A: "Portfolio construction, including diversification and correlation considerations, is essential to maximizing risk-adjusted returns."

risk rises due to a higher correlation between Asset A and Asset D (and despite Asset D's lower individual risk!).

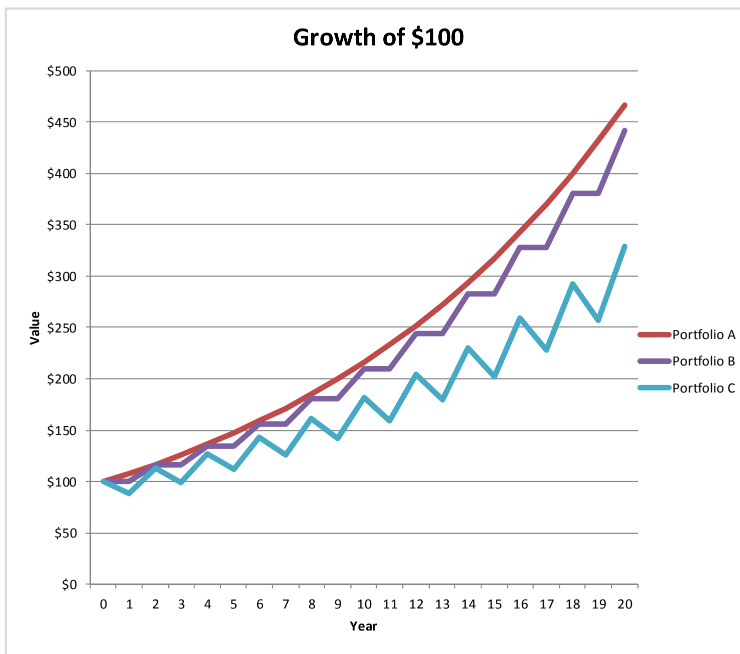
In brief, the above can be summarized as: **portfolios comprised of less correlated assets are better, because, all else being equal, lower correlations reduce portfolio volatility without sacrificing return.**

Combining investments with low or negative correlations in a portfolio contributes to diversification by stabilizing the rates of return over time, reducing the volatility of the portfolio and hence its risk. This focus on risk-adjusted returns and diversification attributes can be beneficial to long-term investors, as "volatility drag" has a negative effect on wealth creation. If a portfolio is properly diversified, it should provide a more stable rate of return for the total portfolio (that is, it will have a lower standard deviation and therefore less risk).

Lower returns volatility enables investments to compound at a higher rate of return. The following example illustrates the effect of volatility on terminal wealth. Each of the three portfolios depicted below have the same (arithmetic) average return, but different volatility profiles. As returns volatility increases, actual or realized returns (i.e., compound or geometric returns) decline, resulting in lower terminal values for more volatile portfolios.

VOLATILITY OF RETURNS EXAMPLE

	Portfolio A	Portfolio B	Portfolio C
Min:	8.0%	0.0%	-12.0%
Max:	8.0%	16.0%	28.0%
Year			
1	8.0%	0.0%	-12.0%
2	8.0%	16.0%	28.0%
3	8.0%	0.0%	-12.0%
4	8.0%	16.0%	28.0%
5	8.0%	0.0%	-12.0%
6	8.0%	16.0%	28.0%
7	8.0%	0.0%	-12.0%
8	8.0%	16.0%	28.0%
9	8.0%	0.0%	-12.0%
10	8.0%	16.0%	28.0%
11	8.0%	0.0%	-12.0%
12	8.0%	16.0%	28.0%
13	8.0%	0.0%	-12.0%
14	8.0%	16.0%	28.0%
15	8.0%	0.0%	-12.0%
16	8.0%	16.0%	28.0%
17	8.0%	0.0%	-12.0%
18	8.0%	16.0%	28.0%
19	8.0%	0.0%	-12.0%
20	8.0%	16.0%	28.0%
Arithmetic Return:	8.0%	8.0%	8.0%
Standard Deviation:	0.0%	8.2%	20.5%
Terminal Value:	$466.10	$441.14	$328.80
Geometric Return:	8.0%	7.7%	6.1%



In brief, the above can be summarized as: **less volatile portfolios are better, because, all else being equal, lower risk produces higher terminal value realizations.**

Conclusion

The preceding examples serve to answer the question "why diversify?" As the only "free lunch" in finance, the most reliable way to reach a given return target is with a diversified portfolio. Hence, in seeking the most consistent risk-adjusted returns (and hence highest level of terminal value), the conclusion is to diversify as much as prudently possible.

TAB 03.01

GENERAL ATLANTIC MANAGED ACCOUNT PROGRAM OPERF PRIVATE EQUITY REVIEW – STAFF MEMO

General Atlantic Managed Account Program

Purpose

Subject to satisfactory negotiation of terms and conditions with Staff working in concert with Department of Justice personnel, Staff recommends an up to $250 million commitment to General Atlantic Managed Account Program (the "Program" or "Account") for the OPERF Private Equity Portfolio. This commitment would be a new investment relationship on behalf of OPERF.

Background

General Atlantic ("GA" or the "Firm") was founded in 1980 to invest the capital of Atlantic Philanthropies. Following a decade of solely investing for this non-profit, the Firm spun-out and began raising capital from other endowments, foundations and family offices such as the Stanford Management Co. and the Peter G. Peterson Foundation. OPERF would represent one of GA's first public pension plan investors. Since inception, GA has grown to be a large, institutional, global growth-equity investor. GA currently has approximately 100 investment and operating professionals located among 12 global offices. Ownership of the Firm rests with the Managing Directors, in the same proportion as their carried interest allocations. GA is managed by Chief Executive Officer Bill Ford and several committees formed to oversee specific functions. The Executive Committee, composed of eleven senior Managing Directors, governs the major policy decisions and strategic direction of the Firm. Investment decisions, portfolio monitoring, capital partner issues, human resources, and staff compensation decisions are governed by separate Investment, Portfolio, Capital, Human Capital, and Compensation Committees. GA does not raise investment capital via traditional, sequential limited partnerships. A majority of the Firm's committed capital is raised as individual separate accounts, either with a five year investment period, or with an evergreen structure.

Strategy

The Firm expects to make 40-60 investments of $50-$400 million 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 as to 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.

GA's long tenure and strong reputation in the market for expansion capital, as well as the deep personal networks of the Firm's principals in their respective industry sectors, results in ample deal flow. GA looks for several attributes in the companies it will invest in, including strong organic growth, a scalable and disruptive business model or technology, large end-markets, an experienced management team, and a defensible market position with high barriers to entry or strong intellectual property protection. The Firm aims to create value by partnering with the management teams of these rising companies, and providing the strategic direction, financial and operational resources, and expansion capital needed to accelerate growth, and position the company for a trade sale or public offering.

Issues to Consider

<u>Attributes</u>:

- *Strong investment performance.* Since 1981, GA has invested approximately $20.0 billion in nearly 240 companies, which have returned $25.9 billion in realizations, and a remaining value of $12.7 billion. This track record has generated an aggregate since inception net IRR of 27.7 percent, and a net value multiple of 1.56x as of March 31, 2015.
- *Deal Sourcing Capability.* GA's tenure, experience, strong brand, and reputation as a provider of expansion capital, as well as the deep personal networks of the Firm's Managing Directors, generates ample and attractive deal flow.
- *Operational Value Creation.* The Firm has a dedicated, full time Resources Group of approximately a dozen professionals, as well as a network of Special Advisors on retainer, to assist portfolio companies with operational improvements and special projects. While somewhat common among buyout managers, this level of dedicated operational resources is rare among growth equity managers.
- *Portfolio Fit.* One of the objectives arising from staff and TorreyCove's 2015 Private Equity planning session was to increase OPERF's exposure to growth equity, as the Private Equity Portfolio is currently underweight this strategy. Growth equity, much like venture capital, is difficult for a program of OPERF's size to effectively access, due to the smaller scale of the opportunity set, the limited number of high quality managers, and the limited commitment allocation available with successful managers. This commitment would allow OIC/OST to begin a large and scalable relationship with a high quality growth equity manager, while only adding one new relationship to manage.

<u>Concerns</u>:

- *Track record variability and benchmarking.* GA does not raise capital in the typical manner of sequential closed-end funds, which can be problematic for performance analysis, attribution, and benchmarking. Accordingly, for benchmarking purposes, staff analyzed the Firm's performance track record as a series of "synthetic funds" over consecutive, four-year periods. On this basis, GA's performance benchmarks well for all time periods except for the "1999-2002 Fund", with 14 out of 18 benchmark metrics falling in the top quartile, and the remainder in the second quartile. The "1999-2002 Fund" benchmarks in the fourth quartile for all measures; specifically, it did not return all invested capital, generated a negative return, and had a high loss ratio. [Mitigant: The "1999-2002 Fund" includes investments made during the internet, tech, and telecom bubble years of 1999 and 2000, and its performance was seriously impacted when that bubble burst in 2000. Most venture capital and growth equity funds of 1999 vintage did not fully return capital and as a result also have negative IRRs. While disappointing, the performance of the "1999-2002 Fund" is not surprising based on the market conditions and investment environment existing at that time.]
- *Turnover.* GA has experienced a relatively high level of staff turn-over, particularly at senior levels, over the past decade. A high level of staff turn-over can be a red flag indicating leadership, culture, or team cohesion problems within a firm. [Mitigant: Upon review, most senior level turnover was the result of voluntary retirements, or investment performance based departures.]
- *Waterfall.* The Firm has a unique and complex distribution waterfall, which in limited circumstances could result in a later recovery of realized losses or carry clawback by investors. [Mitigant: Other provisions of GA's distribution waterfall formula, such as their 125% of cost test, and cross-collateralization across subsequent accounts, reduce the potential for delay in recoveries, and increase the likelihood of full clawback repayment.]

Terms

The Fund is offering economic incentives for large commitments. Terms include a lower than market management fee, a higher than usual G.P. commitment of 10 %, a standard carry, no preferred return, and a 100% management fee offset. Finally, no placement agent had contact with Staff in connection with this offering.

Conclusion

General Atlantic Managed Account Program represents an attractive opportunity to significantly increase OPERF's exposure to growth equity, with a high-quality manager, in a "relationship efficient" manner.

TAB 03.05

General Atlantic Managed Account Program

TORREYCOVE
CAPITAL PARTNERS

MEMORANDUM

TO: Oregon Public Employees Retirement Separate Account ("OPERF")

FROM: TorreyCove Capital Partners ("TorreyCove")

DATE: August 31, 2015

RE: General Atlantic Managed Account (the "Separate Account")

Strategy:

General Atlantic (the "Firm") focuses primarily on later-stage growth investments in five sectors (business services, financial services, healthcare, internet and technology, and retail and consumer) and six geographic regions (the United States, Europe, Latin America, India, China, and Southeast Asia). Typically, the Firm is an active lead investor with a significant minority ownership position and a board seat. While General Atlantic will maintain the flexibility to pursue a broad range of transaction types, the majority are expected to be minority growth equity investments, growth buyouts/build-ups in larger, more mature companies, and structured public or open market purchases. When investing in select public companies, the Firm seeks the same influence and control rights. On a very limited basis, GA will also invest in emerging growth companies, which are earlier stage investments with the potential for outsized returns. The Firm seeks to invest in 10 to 15 companies per year and targets an annual investment amount of approximately $2.0 billion with an investment range of $50.0 to $400.0 million per company.

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

Allocation:

A new commitment to the Separate Account would be allocated 100% to the Growth investment sub-sector and will further be categorized as an International investment. As of the Q1 2015 report, OPERF's allocation to Growth is listed in the table below. It is important to note that since allocation is based on fair market value, a commitment to the Separate Account would not have an immediate impact on OPERF's current portfolio allocation. Commitments to the Separate Account are complementary to OPERF's existing commitments and provide the overall portfolio with a further degree of diversification.

As of March 31, 2015	Target	FMV	FMV + Unfunded
Growth	5-10%	1%	4%

Conclusion:

The Separate Account offers OPERF an opportunity to participate in a differentiated portfolio of private equity investments with relatively attractive overall terms. TorreyCove's review of the General Partner and the proposed Separate Account indicates that the potential returns available justify the risks associated with an investment in the Separate Account. TorreyCove recommends that OPERF consider a commitment of up to $250.0 million to the Separate Account. 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.

TAB 04.01

OPERF PUBLIC EQUITY REVIEW – ANNUAL UPDATE – STAFF MEMO

Oregon Investment Council
OPERF Public Equity Annual Review
September 9, 2015

Purpose

Provide an annual review of the OPERF public equity portfolio; provide an update on the domestic equity portfolio restructuring.

Background

The strategic role of OPERF public equity investments is outlined in **OIC INV 1201** – *Statement of OIC Investment and Management Beliefs* and **OIC Policy INV 601** (formerly 04.05.01) – *Strategic Role of Public Equity Securities within OPERF.* As outlined, the strategic role of public equity is to provide reliable return premiums relative to risk-free investments, while providing fund diversification benefits and liquidity in support of OPERF's cash flow requirements.

As of June 30, 2015, the capitalization-based MSCI All Country World Index - IMI was comprised of 51.6 percent U.S. equities, 37.7 percent international developed-market equities, and 10.7 percent emerging-market equities. To achieve a similar allocation to the benchmark within the OPERF public equity portfolio, staff uses a mix of 44 differentiated investment strategies organized across style (core/growth/value), capitalization range (large/mid/small/micro) and geography (country/region/global). The 44 investment strategies are broadly categorized as follows:

- **19 U.S. Equity strategies,** comprised of 5 indexed strategies (three of which are internally-managed) and 14 active strategies (two of which are internally-managed); and
- **25 International Equity strategies**, comprised of 17 international developed-market strategies (one of which is indexed), 7 dedicated emerging-market strategies (one of which is internally-managed) and 1 global-equity strategy.

Public Equity Management Highlights

Although results of the Public Equity review are detailed in a report from Callan (period ending June 30, 2015), staff wishes to highlight the following key points:

- ***Public Equity Policy Objective*** – The OIC's public equity policy objective (75 basis points [bps] of excess return) has been achieved while utilizing only half the policy's 200 bps tracking error (active risk) allowance.

Exhibit 1

Period Ending 6/30/2015	Market Value	1 Year	3 Years	5 Years
OPERF Public Equity Returns	$ 29,143,574,000	1.77%	14.64%	13.09%
MSCI ACWI IMI Net		0.81%	13.34%	12.17%
Excess Return (0.75% Target)		**0.96%**	**1.30%**	**0.92%**
OPERF Public Equity Tracking Error (2.0% Maximum)		**1.04%**	**0.93%**	**0.92%**
Information Ratio		**0.92**	**1.40**	**1.00**

- ***Internally-Managed Equity Portfolios*** – The majority of internally-managed public equity portfolios have out-performed their corresponding benchmarks since inception (Appendix A).

- ***Portfolio Rebalances*** – OIC Policy INV 601 (formerly 04.05.01) and INV 602 (formerly 04.05.02) give staff authority, with CIO approval, to terminate and rebalance among existing public equity mandates. For the 12 months ending June 30, 2015, staff reallocated $2.9 billion in public equity assets (Appendix B). These actions include terminating four externally-managed mandates (three U.S. Large Cap mandates and one International developed market mandate) and funding a new externally-managed U.S. Large Cap Core mandate.

Background

At the November 2014 OIC meeting, staff proposed to gradually restructure OPERF's U.S. equity portfolio toward low-cost, systematic or "engineered" strategies that tilt to size, value and perhaps other, discreet risk-factor exposures (e.g., momentum, profitability, etc.).

The rationale behind the recommended restructure remains that consistent long-term excess returns from traditional, discretionary active management in the OPERF domestic equity portfolio are difficult to achieve. Although the Total Public Equity portfolio continues to meet the OIC policy return objective of 75 basis points of excess return while utilizing only half the policy's 200 bps tracking error allowance, the objective has been achieved mainly through the success of the International equity portfolios.

Exhibit 2

Period Ending 6/30/2015	Market Value	1 Year	3 Years	5 Years
OPERF Domestic Equity Returns	$ 14,013,825,000	6.83%	17.55%	17.26%
Russell 3000		7.29%	17.73%	17.54%
Excess Return		**-0.46%**	**-0.18%**	**-0.28%**

Period Ending 6/30/2015	Market Value	1 Year	3 Years	5 Years
OPERF International Equity Returns	$ 14,094,335,000	-3.07%	11.60%	9.52%
MSCI ACWI IMI X-US Net		-4.97%	9.80%	8.00%
Excess Return		**1.90%**	**1.80%**	**1.52%**

Period Ending 6/30/2015	Market Value	1 Year	3 Years	5 Years
OPERF Global Equity Returns	$ 1,035,415,000	5.17%	19.95%	13.34%
MSCI ACWI Value NET		-3.41%	11.80%	10.57%
Excess Return		**8.58%**	**8.15%**	**2.77%**

Historically, OPERF achieved exposure to domestic public equity markets by assigning specific mandates (e.g., large cap, small cap, micro cap, growth, value, etc.) to active managers who attempt to outperform their respective benchmarks. This traditional implementation resulted in a large roster of active managers, often with high associated costs. The positive excess returns (if any) produced by these managers were labelled "alpha" and were commonly believed to be evidence of manager skill. However, empirical studies on U.S. mutual funds and a growing literature on institutional asset management have demonstrated that a large portion of "alpha" is not manager skill but rather is attributable to certain factor exposures[1] such as size, value and momentum. In other words, well-known common factor exposures – rather than stock picking abilities – are often the main driver of active management "alpha" among U.S. public equity managers. The implication of these academic studies is that pension funds have been paying substantive fees for common factor exposures that can otherwise be captured through more cost-effective systematic strategies.

Pursuant to the 2014 recommendation approved the OIC, staff will continue to gradually restructure OPERF's U.S. equity portfolio away from traditional active mandates and reallocate proceeds in favor of low-cost systematic or "engineered" strategies (both internally- and externally-managed). This restructuring will complement the portfolio's long-standing overweight to small cap stocks with systematic tilts toward other factors that are supported by robust empirical evidence as persistent and

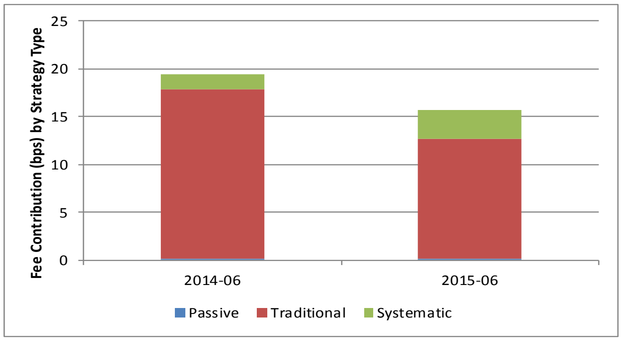
[1] These exposures or "tilts" can be deliberate in a discretionary active management process, but instead are usually just a residual consequence of traditional security selection algorithms.

pervasive sources of excess return. Staff continues to believe that this restructuring approach has a higher probability of long-term success for the OPERF U.S. equity portfolio than traditional, higher cost active management implementations.

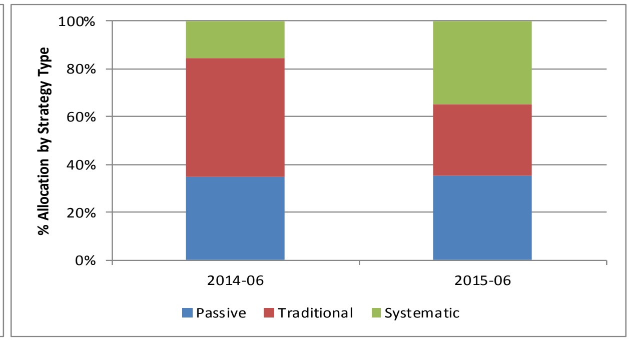
Update

For the one year period ending June 30, 2015, public equity staff, with CIO approval, terminated three domestic equity active managers and reallocated the resultant assets in lower cost internal and external systematic strategies. These actions have a) reduced the number of traditional active managers employed in the OPERF public equity portfolio, b) increased that portfolio's allocation to systematic strategies that tilt towards factors associated with persistent return premia, and c) lowered the portfolio's management costs by 20 percent (from 19.9 bps to 15.8 bps per annum).

Exhibit 3 – OPERF US Equity Fees by Strategy Type



OPERF US Equity Allocation by Strategy Type



The continued restructuring of the domestic equity portfolio is consistent with **OIC INV 1201** - *Statement of OIC Investment and Management Beliefs:*

Section 5.A. - Inefficiencies that can be exploited by active management may exist in certain segments of the capital markets.

- *While largely efficient, select segments of the capital markets can sometimes be exploited by skilled active management.*
- *The nature (i.e., perceived magnitude and likely duration) of such inefficiencies should inform the proposed active management strategy (e.g., discretionary or systematic).*

and

Section 6.A. - All fees, expenses, commissions and transaction costs should be diligently monitored and managed in order to maximize net investment returns.

- *Active management should therefore be a deliberate choice and applied only to those public market strategies/managers in which the OIC enjoys a high degree of confidence that such strategies/managers will be sufficiently rewarded on a risk-adjusted basis and net of all fees and related transactions costs.*

Appendix A

Internally Managed Equity Performance (Period Ending 6/30/15)

Period Ending 6/30/15	Market Value	YTD	1 year	3 years	5 years	Inception
OST 400 Portfolio	$ 502,706,379.81	4.28%	6.56%	18.84%	18.04%	16.45%
S&P 400 Index		4.20%	6.40%	18.61%	17.83%	16.15%
Excess		0.09%	0.16%	0.23%	0.20%	0.30%
Inception Date of Oct. 1, 2009	**Tracking Error = 30 bps**	**Target Excess Return: 10 bps**				

Period Ending 6/30/15	Market Value	YTD	1 year	3 years	5 years	Inception
OST 500 Portfolio	$ 1,808,746,775.94	1.27%	7.52%	17.36%	17.39%	14.78%
S&P 500 Index		1.23%	7.42%	17.31%	17.34%	14.72%
Excess		0.04%	0.09%	0.05%	0.05%	0.06%
Inception Date of Oct 1, 2009	**Tracking Error = 10 bps**	**Target Excess Return: 5 bps**				

Period Ending 6/30/15	Market Value	YTD	1 year	3 years	5 years	Inception
Russell 2000 Synthetic	$ 366,684,591.65	5.26%	7.30%	18.74%	18.06%	14.86%
Russell 2000 Index		4.75%	6.49%	17.81%	17.08%	13.92%
Excess		0.51%	0.82%	0.93%	0.97%	0.94%
Inception Date of April 1, 2010	**Tracking Error = 50 bps**	**Target Excess Return: 30 bps**				

Period Ending 6/30/15	Market Value	YTD	1 year	3 years	5 years	Inception
TEMS	$ 216,068,228.05	-0.07%	-10.31%	1.93%	3.08%	12.49%
MSCI EM Index		2.95%	-5.12%	3.72%	3.69%	12.64%
Excess		-3.02%	-5.19%	-1.79%	-0.61%	-0.15%
Inception Date of Feb 1, 2009	**Tracking Error = 400 bps**	**Target Excess Return: 200 bps**				

Period Ending 6/30/15	Market Value	YTD	1 year	3 years	5 years	Inception
RUSSELL RAFI LC	$ 1,271,921,041.46	-0.31%	4.56%	17.70%	N/A	17.30%
RAFI LC Index		*-0.31%*	*4.71%*	*17.76%*	*N/A*	*17.35%*
RUSSELL 1000		1.71%	7.37%	17.73%	N/A	17.30%
Excess		-2.02%	-2.81%	-0.03%	N/A	0.01%
Inception Date of Nov 1, 2011	**Tracking Error = 300 bps**	**Target Excess Return: 150 bps**				

Period Ending 6/30/15	Market Value	YTD	1 year	3 years	5 years	Inception
RISK PREMIA	$ 707,525,438.38	2.89%	9.93%	N/A	N/A	10.58%
MSCI Risk Premia Index		*2.88%*	*10.01%*	*N/A*	*N/A*	*10.56%*
MSCI USA		1.72%	7.64%	N/A	N/A	9.98%
Excess		1.18%	2.29%	N/A	N/A	0.60%
Inception Date of Jan 1, 2014	**Tracking Error = 300 bps**	**Target Excess Return: 150 bps**				

Source: State Street

Appendix B
OPERF Public Equity Portfolio Rebalancing
(June 30, 2014 – June 30, 2015)

Date(s)	Manager	Sub-Asset Class	Market Value	Purpose
October-14	MFS Institutional	U.S. Domestic (Large Value)	$ (1,066,266,531)	Termination
October-14	Wells Capital Management	U.S. Domestic (Large Growth)	$ (911,205,860)	Termination
October-14	Risk Premia Portfolio	U.S. Large Cap Core	$ 15,178,368	Rebalance - Additional Funding
October-14	DFA Large Cap Core	U.S. Large Cap Core	$ 1,992,650,759	Rebalance - Initial Funding
February-15	Northern Trust	Int'l Developed	$ (288,486,000)	Termination
February-15	Wells Capital CEF	Int'l Developed & Emerging	$ 50,000,000	Rebalance - Additional Funding
March-15	State Street Global Advisors	Int'l Developed	$ (90,000,000)	Cash Raise/Rebalance
March-15	Lazard CEF	Int'l Developed & Emerging	$ 100,000,000	Rebalance - Additional Funding
April-15	William Blair	Emerging Markets	$ 25,000,000	Rebalance - Additional Funding
April-15	Wells Cap CEF	Int'l Developed & Emerging	$ 50,000,000	Rebalance - Additional Funding
May-15	Lazard CEF	Int'l Developed & Emerging	$ 65,000,000	Rebalance - Additional Funding
June-15	PIMCO	U.S. Large Cap	$ (583,816,000)	Termination - Organizational Concerns
June-15	Lazard CEF	Int'l Developed & Emerging	$ 100,000,000	Rebalance - Additional Funding
June-15	Dimesional Fund Advisors	U.S.Large Cap	$ 600,000,000	Rebalance - Additional Funding

TAB 04.02

OPERF PUBLIC EQUITY REVIEW – ANNUAL UPDATE

Callan
FORTY YEARS

September 9, 2015

Oregon Investment Council

Public Equity Review

Public Equity Portfolio

Summary Observations

- The Total Public Equity portfolio has performed well and has exceeded the MSCI ACWI IMI (Net) Index over recent trailing periods.
  - However, the majority of the outperformance continues to come from the non-U.S. equity portfolio.
- The public equity portfolio currently employs 44 strategies.
  - The U.S. equity portfolio has 11 traditional active strategies (~15.5% of the total public equity portfolio), 5 traditional passive strategies (~17.7%), and 3 factor-oriented fundamental strategies (~16.7%).
  - The non-U.S. equity portfolio has 23 traditional active strategies (~42.8% of the total public equity portfolio), 1 traditional passive strategy (~6.6%), and 1 structured index strategy (~0.8 %).
- The portfolio is diversified across regions, countries, styles, capitalizations, and sectors.
- Total tracking error for the public equity portfolio is 1.07% for the 10 years ended June 30, 2015, which is on the lower end of the 0.75%-2.00% policy range.
- While the majority of the portfolio is invested in actively-managed strategies, many of which have higher tracking error targets, the active share of the total public equity portfolio is only around 33% (meaning only 33% of the total portfolio is different from the benchmark).
- During 2014’s Public Equity Review, Staff communicated it’s intention to gradually shift the U.S. equity portfolio away from traditional active management and towards a factor tilted approach.
  - Callan expressed its support of this strategy as long as the Board was aware of the fact that there have been (and will be) long periods of time where this approach will underperform.

Timeline of Recent Activity

4Q 2014

- Large cap mandates with MFS (~$1.1B) and Wells Capital (~$900M) were terminated and DFA Large Cap Core was funded (~$2B)
- OST Risk Premia Portfolio was funded with an additional $15M

1Q 2015

- NTRS Non-U.S. Equity mandate (~$288.5M) terminated and ~$90M was liquidated from the SSgA Non-U.S. Equity mandate
- Additional funding made into Lazard CEF (~$100M) and Wells Cap CEF (~$50M) mandates

2Q 2015

- PIMCO Large Core Mandate (~$600M) terminated
- DFA Large Core funded with an additional $600M
- Additional funding made into Lazard CEF (~$165M), Wells Cap CEF (~$50M), and William Blair EM ($25M) mandates

3Q 2015

- Further streamlining currently under consideration

Strategic Role and Policy Objectives of Public Equities

Strategic Role

- Provide enhanced returns, diversification, and liquidity to meet cash flow needs.
- Target allocation is 37.5% of the Total Fund.
- The investable universe can be categorized as U.S., Non-U.S. and emerging market countries.

Policy Objectives

- Provide one of the highest expected returns of the OPERF major asset classes.
- Over the long term, the return should exceed inflation by 6.0%.
  - Portfolio return of 6.8% over trailing 10 years ended June 30, 2015 exceeds inflation by 4.71% annualized.
- Achieve a portfolio return of 0.75% or more above the MSCI All Country World Index Investable Market Index (ACWI IMI) (net) over a market cycle of 3 to 5 years on a net-of-fee basis.

	Last Year	Last 3 Years	Last 5 Years
Total Public Equity	**1.77%**	**14.64%**	**13.09%**
- MSCI ACWI IMI Net*	0.81%	13.34%	12.17%
Excess Return	**0.96%**	**1.30%**	**0.92%**

- Active risk will be managed to a targeted annualized tracking error of 0.75% to 2.00% relative to the MSCI ACWI IMI (net).
  - Portfolio tracking error for trailing 5 years ended June 30, 2015 was 0.90%, near the low end of the range.

*Public equity benchmark transitioned to the MSCI ACWI IMI in 2008

Public Equity Managers

	June 30, 2015	
	Market Value	% of Total Fund
Total Public Equity	**$29,153,343,573**	**41.18%**
Domestic Equity	**$14,023,593,934**	**19.81%**
Large Cap Growth	**$2,216,346,305**	**3.13%**
Delaware Investment Advisors	808,248,725	1.14%
BlackRock Russell 1000 Growth	1,408,097,579	1.99%
Large Cap Value	**$2,103,582,501**	**2.97%**
Aronson, Johnson & Ortiz	1,221,516,561	1.73%
BlackRock Russell 1000 Value	882,065,941	1.25%
Small Cap Growth	**$344,958,283**	**0.49%**
Next Century Small Cap	111,903,716	0.16%
Next Century MicroCap Growth	84,454,234	0.12%
EAM MicroCap Growth	148,600,332	0.21%
Small Cap Value	**$778,891,350**	**1.10%**
AQR Capital Management (new)	208,113,252	0.29%
AQR Capital Management, LLC	52,023	0.00%
Boston Company Asset Management	245,202,253	0.35%
DFA MicroCap Value	198,087,112	0.28%
Callan US Microcap Value	127,488,733	0.18%
Market Oriented	**$8,570,026,776**	**12.11%**
Russell Fundamental LC OST managed	1,271,921,041	1.80%
DFA Large Cap Core	2,721,092,892	3.84%
Wanger Asset Management	793,655,055	1.12%
Wellington Mgmt - Domestic Equity	397,694,934	0.56%
Russell 2000 Synthetic - OST managed	366,684,180	0.52%
S&P 500 - OST managed	1,808,746,776	2.55%
S&P 400 - OST managed	502,706,505	0.71%
OST Risk Premia Strategy	707,525,393	1.00%
Other Equity		
Shott Capital Management	220,651	0.00%
Shott Annex	6,440,817	0.01%
Transitional & Closed Accounts	9,548,510	0.01%
Transition Account II - Domestic Equity	19,558	0.00%

	June 30, 2015	
	Market Value	% of Total Fund
International Equity	**$14,094,334,584**	**19.91%**
International Market Oriented (Core)	**$7,398,708,412**	**10.45%**
Arrowstreet Capital	1,262,124,820	1.78%
Lazard Asset Management	995,502,841	1.41%
Pyramis Global Advisors	1,119,070,450	1.58%
Wells Cap International CEF	441,730,327	0.62%
Lazard International CEF	654,310,990	0.92%
AQR Capital Management	1,076,968,457	1.52%
SSgA MSCI World ex US Net Index	1,849,000,527	2.61%
International Value	**$1,798,628,631**	**2.54%**
Acadian Asset Management	890,089,923	1.26%
Brandes Investment Partners	908,538,708	1.28%
International Growth	**$1,466,802,985**	**2.07%**
TT International	712,558,591	1.01%
Walter Scott Mgmt	754,236,715	1.07%
UBS Global Asset Mgmt Americas	7,678	0.00%
International Small Cap	**$1,435,134,199**	**2.03%**
DFA International Small Cap	288,031,801	0.41%
Harris Associates	291,552,745	0.41%
Pyramis Select Small Cap	365,109,150	0.52%
Victory Capital Management	235,786,815	0.33%
EAM International Micro Cap	114,735,024	0.16%
DFA International Micro Cap	139,918,664	0.20%
Emerging Markets	**$1,995,060,357**	**2.82%**
Genesis Emerging Markets	647,262,823	0.91%
Arrowstreet Emerging Markets	467,962,618	0.66%
OST Tiered Emerging Markets	216,068,228	0.31%
Westwood Global Investment	166,038,355	0.23%
William Blair and Company	216,856,971	0.31%
DFA Emerging Market Small Cap	130,041,753	0.18%
William Blair Emerging Mkt Small Cap	150,829,609	0.21%
Global Equity	**$1,035,415,056**	**1.46%**
Alliance Bernstein Global Value	1,035,415,056	1.46%

Total Public Equity Exposures

Holdings-Based Analysis as of June 30, 2015

By Size*

Style Exposure Matrix
Holdings as of June 30, 2015

	Value	Core	Growth	Total
Large	20.7% (248) 23.5% (255)	18.3% (272) 21.1% (266)	22.5% (316) 24.4% (313)	**61.5% (836)** **69.1% (834)**
Mid	6.5% (401) 5.4% (460)	8.2% (556) 6.9% (581)	8.5% (543) 7.5% (635)	**23.2% (1500)** **19.8% (1676)**
Small	2.7% (695) 2.8% (1010)	4.6% (1072) 3.6% (1324)	3.5% (613) 2.9% (1094)	**10.9% (2380)** **9.3% (3428)**
Micro	1.3% (1370) 0.7% (994)	2.1% (2395) 0.7% (960)	1.0% (487) 0.5% (676)	**4.4% (4252)** **1.8% (2630)**
Total	**31.2% (2714)** **32.4% (2719)**	**33.3% (4295)** **32.3% (3131)**	**35.5% (1959)** **35.3% (2718)**	**100.0% (8968)** **100.0% (8568)**

By Region

Style Exposure Matrix
Holdings as of June 30, 2015

	Value	Core	Growth	Total
Europe/ Mid East	5.3% (427) 6.0% (438)	7.0% (499) 7.3% (477)	8.5% (368) 8.5% (484)	**20.8% (1294)** **21.8% (1399)**
N. America	19.6% (836) 19.0% (814)	18.1% (1091) 17.1% (1134)	19.8% (684) 18.9% (895)	**57.6% (2611)** **55.0% (2843)**
Pacific	3.7% (741) 4.1% (577)	3.8% (591) 4.2% (603)	4.1% (338) 4.1% (513)	**11.6% (1670)** **12.4% (1693)**
Emerging/ FM	2.6% (710) 3.3% (890)	4.3% (2114) 3.7% (917)	3.1% (569) 3.8% (826)	**10.0% (3393)** **10.8% (2633)**
Total	**31.2% (2714)** **32.4% (2719)**	**33.3% (4295)** **32.3% (3131)**	**35.5% (1959)** **35.3% (2718)**	**100.0% (8968)** **100.0% (8568)**

- **OPERF Public Equity**
- **MSCI ACWI IMI**

- Total public equity portfolio is underweight large cap (61.5% vs. 69.1%) but overweight mid, small, and micro cap (38.5% vs. 30.9%) and exhibits a slight tilt toward growth relative to the MSCI ACWI IMI.
- Regional allocations remain approximately in-line with the benchmark.

*The capitalization segments in the matrices above are dictated by capitalization decile breakpoints. The style segments are determined using the Combined Z Score, based on the eight fundamental factors used in the MSCI stock scoring system.

U.S. Equity Style Exposures

Exposures as of June 30, 2015

Style Exposure Matrix
Holdings as of June 30, 2015

	Value	Core	Growth	Total
Large	18.4% (52) 27.1% (100)	14.1% (66) 20.1% (100)	23.0% (97) 25.6% (111)	**55.5% (215)** **72.9% (311)**
Mid	6.2% (115) 5.3% (177)	7.2% (157) 6.6% (241)	10.5% (212) 6.3% (204)	**23.9% (484)** **18.2% (622)**
Small	3.5% (226) 2.3% (336)	5.5% (355) 3.3% (543)	6.2% (333) 2.4% (368)	**15.1% (914)** **7.9% (1247)**
Micro	1.3% (264) 0.3% (227)	2.4% (359) 0.4% (381)	1.7% (171) 0.2% (181)	**5.5% (794)** **1.0% (789)**
Total	**29.3% (657)** **35.1% (840)**	**29.2% (937)** **30.5% (1265)**	**41.4% (813)** **34.5% (864)**	**100.0% (2407)** **100.0% (2969)**

- **OPERF U.S. Equity**
- **Russell 3000**

- U.S. equity portfolio is underweight large cap (55.5% vs.72.9%) but overweight mid, small, and micro cap equity (44.5% vs. 27.1%) and exhibits a growth tilt relative to the Russell 3000.

Non-U.S. Equity

Exposures as of June 30, 2015

Style Exposure Matrix
Holdings as of June 30, 2015

	Value	Core	Growth	**Total**
Large	15.6% (131) 19.1% (138)	18.2% (150) 20.4% (140)	20.8% (174) 20.8% (169)	**54.5% (455)** **60.2% (447)**
Mid	6.7% (227) 6.3% (276)	8.8% (298) 8.1% (338)	10.6% (346) 10.2% (433)	**26.1% (871)** **24.5% (1047)**
Small	3.8% (454) 3.8% (674)	6.1% (714) 4.5% (833)	4.7% (399) 3.7% (705)	**14.6% (1567)** **12.0% (2212)**
Micro	1.6% (1142) 1.2% (907)	2.1% (2142) 1.2% (840)	1.1% (406) 0.8% (605)	**4.7% (3690)** **3.3% (2352)**
Total	**27.7% (1954)** **30.3% (1995)**	**35.2% (3304)** **34.1% (2151)**	**37.1% (1325)** **35.5% (1912)**	**100.0% (6583)** **100.0% (6058)**

Style Exposure Matrix
Holdings as of June 30, 2015

	Value	Core	Growth	**Total**
Europe/ Mid East	11.7% (421) 12.3% (430)	15.9% (502) 15.5% (487)	18.5% (363) 17.3% (480)	**46.1% (1286)** **45.0% (1397)**
N. America	1.8% (96) 2.7% (116)	1.4% (83) 2.2% (118)	2.0% (61) 2.1% (101)	**5.3% (240)** **7.0% (335)**
Pacific	8.1% (729) 8.4% (564)	8.6% (603) 8.8% (619)	9.4% (337) 8.4% (510)	**26.1% (1669)** **25.7% (1693)**
Emerging/ FM	6.0% (708) 6.8% (885)	9.3% (2116) 7.7% (927)	7.2% (564) 7.7% (821)	**22.5% (3388)** **22.2% (2633)**
Total	**27.7% (1954)** **30.3% (1995)**	**35.2% (3304)** **34.1% (2151)**	**37.1% (1325)** **35.5% (1912)**	**100.0% (6583)** **100.0% (6058)**

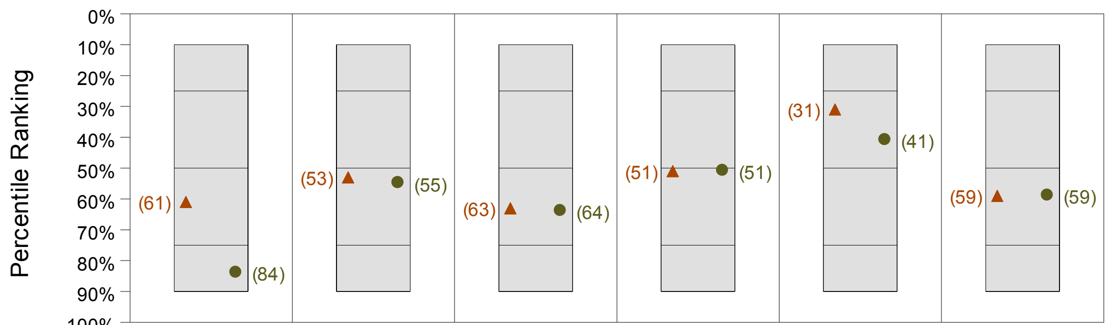
- **OPERF Non-U.S. Equity**
- **MSCI ACWI ex-U.S. IMI**

- Non-U.S equity portfolio is slightly underweight large cap (54.5% vs. 60.2%) and overweight mid, small, and micro cap (45.5% vs. 39.8%) relative to the MSCI ACWI ex-U.S. IMI Index.
- Regional allocations are approximately in-line with benchmark.

Public Equity

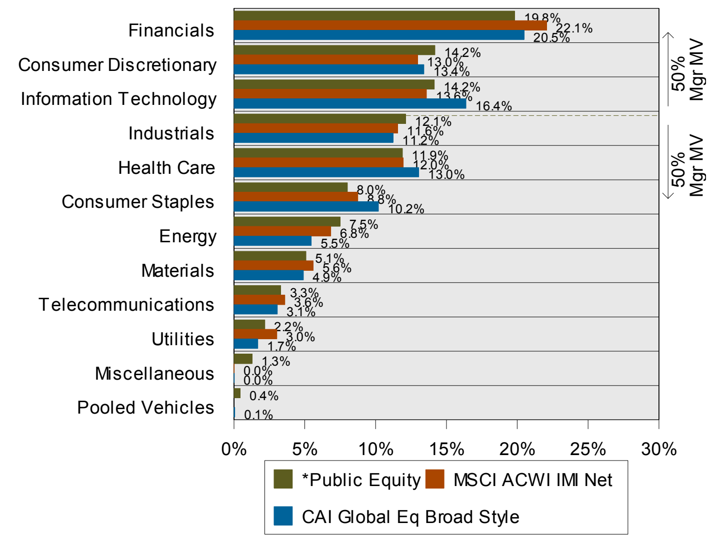
Portfolio Characteristics

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Global Equity Broad Style*
as of June 30, 2015



	Weighted Median Market Cap	Price/Fore-casted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile	62.35	19.69	3.44	15.55	2.83	0.83
25th Percentile	48.25	18.33	2.87	13.19	2.51	0.56
Median	38.10	16.24	2.28	11.18	2.01	0.19
75th Percentile	28.70	14.35	1.90	8.49	1.70	(0.26)
90th Percentile	18.41	13.36	1.53	7.32	1.29	(0.41)
***Public Equity** ●	22.21	15.71	2.04	10.85	2.14	(0.02)
MSCI ACWI IMI Net ▲	31.74	15.86	2.07	10.74	2.35	(0.01)

Sector Allocation
June 30, 2015

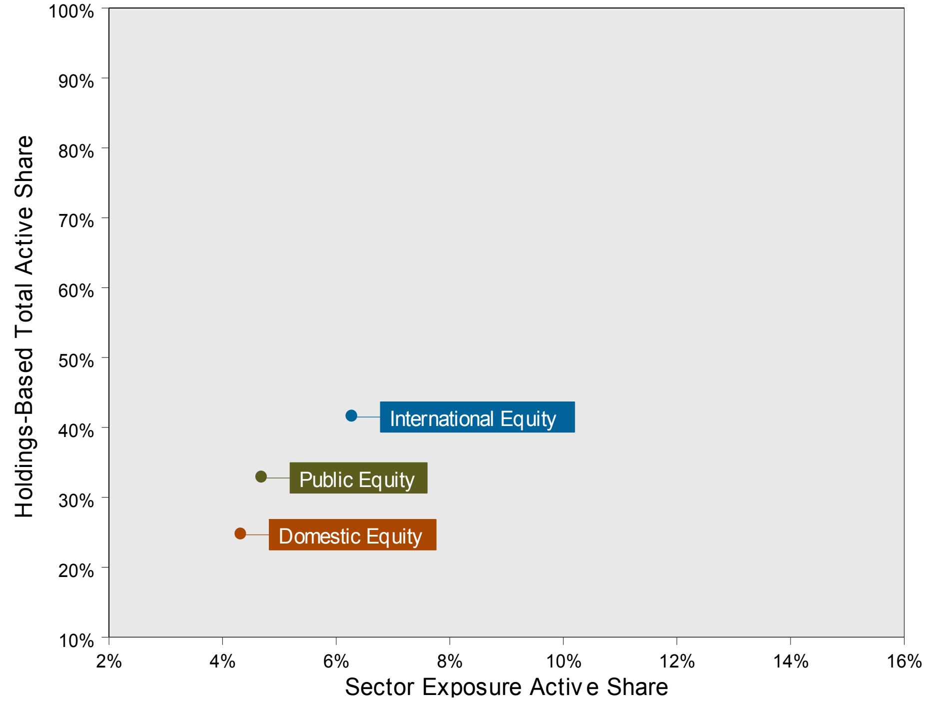


- Weighted median market cap shows a smaller cap bias compared to the benchmark but other characteristics are approximately in-line.
- Sector exposures are approximately in-line with the benchmark as well.

*Callan Global Equity Broad Core Style represents a peer group of global equity managers

Active Share Analysis

As of June 30, 2015



	Weight %	Index	Total Act Share	Non-Idx Act Share	Sector Act Share	Number Securities
Public Equity	**100.00%**	**AC WORLD IMI**	**32.79%**	**2.70%**	**4.70%**	**9366**
Domestic Equity	**48.09%**	**Russell 3000**	**24.66%**	**1.07%**	**4.34%**	**2432**
International Equity	**48.36%**	**MSCI ACWI ex-US IMI**	**41.50%**	**4.29%**	**6.29%**	**6958**

- The public equity portfolio was 77% actively managed and 23% passively implemented.
- Total active share for the public equity portfolio, which looks at how different a portfolio is from its index on a holdings basis, was 33% as of June 30, 2015.

Asset Class Performance – U.S. Equity

Net of Fee Returns as of June 30, 2015

	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Domestic Equity	**6.83%**	**17.55%**	**17.26%**	**8.02%**
- Russell 3000 Index	7.29%	17.73%	17.54%	8.15%
Excess Return	**(0.46%)**	**(0.18%)**	**(0.27%)**	**(0.13%)**
Lg Public >10 B DE	6.95%	17.70%	17.37%	8.06%
Market Oriented	**7.00%**	**17.24%**	**17.16%**	**-**
- Russell 3000 Index	7.29%	17.73%	17.54%	8.15%
Excess Return	**(0.29%)**	**(0.50%)**	**(0.37%)**	**-**
- CAI All Cap: Broad DB	6.65%	18.05%	16.54%	8.35%
Large Cap Growth	**7.83%**	**17.18%**	**17.60%**	**-**
- Russell 1000 Growth Index	10.56%	17.99%	18.59%	9.10%
Excess Return	**(2.73%)**	**(0.81%)**	**(0.99%)**	**-**
- CAI Lrg Cap Growth Style	11.93%	18.83%	18.66%	9.06%
Large Cap Value	**3.27%**	**17.28%**	**16.56%**	**-**
- Russell 1000 Value Index	4.13%	17.34%	16.50%	7.05%
Excess Return	**(0.87%)**	**(0.07%)**	**0.06%**	**-**
- CAI Large Cap Value Style	5.08%	18.12%	16.74%	7.20%
Small Cap Growth	**16.03%**	**19.55%**	**19.04%**	**-**
- Russell 2000 Growth Index	12.34%	20.11%	19.33%	9.86%
Excess Return	**3.69%**	**(0.56%)**	**(0.29%)**	**-**
- CAI Sm Cap Growth Style	11.02%	19.46%	19.27%	10.04%
Small Cap Value	**0.61%**	**15.35%**	**14.39%**	**-**
- Russell 2000 Value Index	0.78%	15.50%	14.81%	6.87%
Excess Return	**(0.16%)**	**(0.15%)**	**(0.42%)**	**-**
- CAI Small Cap Value Style	4.19%	18.67%	17.39%	8.65%

- The U.S. equity portfolio has trailed the Russell 3000 Index on a net of fee basis over all periods measured above.

Asset Class Performance – Non-U.S. Equity

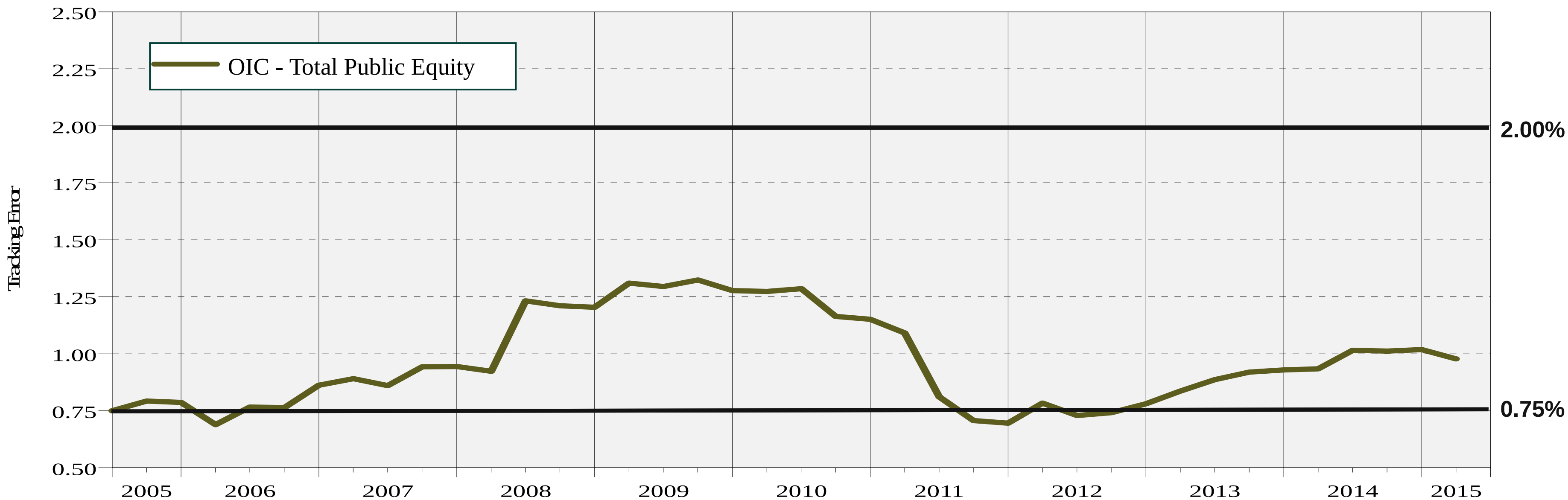
Net of Fee Returns as of June 30, 2015

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
International Equity	**1.49%**	**(3.07%)**	**11.60%**	**9.52%**	**7.16%**
MSCI ACWI ex-US IMI Index	1.00%	(4.97%)	9.80%	8.00%	
Excess Return	**0.48%**	**1.89%**	**1.80%**	**1.53%**	**1.20%**
CAI Pub Fund:10+ Intl Eq	0.78%	(4.20%)	10.19%	8.64%	6.12%
International Market Oriented (Core)	**1.09%**	**(2.52%)**	**12.80%**	**10.41%**	**-**
MSCI World ex-US IMI Net	0.95%	(5.11%)	11.45%	9.23%	5.38%
Excess Return	**0.14%**	**2.58%**	**1.35%**	**1.18%**	**-**
CAI Core Int'l Equity	1.56%	(2.35%)	13.38%	10.88%	6.27%
International Value	**1.92%**	**(6.80%)**	**12.29%**	**9.81%**	**-**
MSCI ACWI ex-US IMI Value	0.83%	(8.03%)	9.14%	7.29%	5.26%
Excess Return	**1.08%**	**1.24%**	**3.15%**	**2.53%**	**-**
CAI Core Value Int'l Equity Style	2.28%	(4.21%)	12.55%	9.38%	5.21%
International Growth	**1.64%**	**0.06%**	**11.12%**	**8.64%**	**-**
MSCI World ex US Growth	0.83%	(1.87%)	11.43%	9.47%	5.76%
Excess Return	**0.81%**	**1.93%**	**(0.31%)**	**(0.83%)**	**-**
CAI Core Growth Int'l Equity Style	1.91%	(0.37%)	13.46%	11.18%	7.19%
International Small Cap	**4.55%**	**(2.20%)**	**14.97%**	**11.45%**	**-**
ACWI Sm Cap ex US	4.22%	(3.07%)	12.32%	9.72%	7.38%
Excess Return	**0.33%**	**0.87%**	**2.64%**	**1.74%**	**-**
CAI Int'l Small Cap Style	4.36%	(0.45%)	16.33%	13.95%	8.69%
Emerging Markets	**0.31%**	**(4.46%)**	**5.55%**	**6.26%**	**-**
EM IMI Index	1.19%	(4.41%)	4.24%	3.87%	8.33%
Excess Return	**(0.88%)**	**(0.04%)**	**1.31%**	**2.39%**	**-**
CAI Emerging Markets Equity DB	1.10%	(3.92%)	6.64%	5.70%	9.67%
Global Equity	**1.35%**	**5.17%**	**19.95%**	**13.34%**	**-**
MSCI ACWI Value Net Index	0.26%	(3.41%)	11.80%	10.57%	5.72%
Excess Return	**1.09%**	**8.58%**	**8.15%**	**2.77%**	**-**

- The non-U.S. equity portfolio has outperformed the custom non-U.S. benchmark (ACWI ex-U.S. Gross through May 31, 2008, and the ACWI ex-U.S. IMI net thereafter) over all periods measured above.

Total Public Equity Portfolio Risk Analysis

Rolling 12 Quarter Tracking Error vs MSCI ACWI IMI Net



5 Years Ended June 30, 2015

	Sharpe Ratio	Excess Return Ratio	Standard Deviation	Tracking Error
Total Public Equity	0.92	1.25	14.52	0.90
MSCI ACWI World IMI	0.86	0.00	14.03	0.00
U.S. Equity	1.22	0.01	14.28	1.34
Russell 3000	1.30	0.00	13.43	0.00
Non-U.S. Equity	0.63	1.93	15.60	0.92
MSCI ACWI ex-U.S. IMI	0.50	0.00	15.75	0.00

OST Managed Strategies

As of June 30, 2015

Portfolio Benchmark	S&P 500 S&P 500 Index	S&P 400 S&P 400 Index	R2000 Synthetic Russell 2000 Index	Fundamental LC Russell 1000	Risk Premia MSCI USA Index	Tiered EM MSCI EM Index
Portfolio Return (1 yr)	7.52%	6.56%	7.30%	4.61%	10.0%	-10.16%
Benchmark Return (1 yr)	7.42%	6.40%	6.49%	7.37%	7.61%	-5.12%
Excess Return	0.10%	0.16%	0.81%	-2.76%	2.34%	-5.04%
Portfolio Return (Inception)	14.78%	16.45%	14.86%	17.71%	10.60%	11.93%
Benchmark Return (Inception)	14.72%	16.14%	13.92%	18.00%	9.95%	11.63%
Excess Return	0.06%	0.31%	0.94%	-0.29%	0.65%	0.30%
Tracking Error*	0.07	0.12	0.21	1.97	N/A	2.73
Excess Return Ratio*	0.60	1.52	3.93	-0.13	N/A	-0.15
Inception Date	10/01/2009	10/01/2009	04/01/2010	11/01/2011	01/01/2014	02/01/2009
Managed By	Michael Viteri	Karl Cheng	Michael Viteri	Michael Viteri	Karl Cheng	Karl Cheng

- On a since inception basis, the internally managed strategies have all performed well versus their respective benchmarks.

*Risk statistics are calculated using 5 years worth of quarterly data unless the track record is less than 5 years, in which case it is calculated on a since inception basis (provided that there is at least 3 years worth of data).

TAB 05.01

OIC POLICY UPDATES – STAFF MEMO

OIC Policy Updates
September 9, 2015

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

Background
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 201: (fka 04.01.01) General Policies and Procedures: Asset Classes.

2. INV 210: (fka 04.01.13) Consulting Contracts.

3. INV 215: (fka 04.01.18) OPERF Asset Allocation and Rebalancing Policy. Changes reflect OIC target allocations adopted in June 2015, reducing private equity by 2.5% and increasing alternative investments by 2.5%.

4. INV 405: (fka 04.03.05) Oregon Public University Fund Investments. Includes changes to investment objectives and policy benchmark.

5. INV 701: (fka 04.06.01) Private Equity Portfolio Standards and Procedures. Clarifies staff authority relative to ORS 293.736, and increases CIO's discretionary recapitalization, secondary and co-invest authority to $50 million from $25 million.

6. INV 702: (fka 04.06.02) Alternative Investments Portfolio Standards and Procedures. Shifts strategy targets consistent with recent increase in target allocation to alternative asset class, see section B.2.a. Increases minimum commitment size from $25 million to $75 million. Clarifies staff authority relative to ORS 293.736, increases CIO's discretionary recapitalization, secondary and co-invest authority to $50 million from $25 million, and provides discretionary rebalancing authority similar to that provided in policy governing OPERF's public equity allocation.

7. INV 1101: (fka 04.10.01) Southern Oregon University (SOU) Endowment Fund. Codifies asset allocation for SOU approved by OIC at March 2015 meeting. (Note: This policy supported the former Oregon State Board of Higher Education Pooled Endowment Fund, proceeds of which have since been distributed to the respective universities earlier this year).

Recommendation: Approve policy language in the attached documents.

TAB 05.02

POLICY NO.: INV 201

OREGON INVESTMENT COUNCIL
POLICY DIRECTIVE

POLICY NO.:	INV 201
DATE:	09/01/2015
DIVISION:	INVESTMENTS
TITLE:	GENERAL POLICIES AND PROCEDURES: ASSET CLASSES
OWNER:	CHIEF INVESTMENT OFFICER
REFERENCES:	OST POLICY 4.01.01

INTRODUCTION & OVERVIEW

Summary Policy Statement
The Oregon Investment Council (OIC) determines the asset classes in which investment funds may be invested.

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

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

Alternative Investments: Private market investments *not* including traditional private equity, for which no public market or passive investment alternative exists. Examples of this Alternative Investments category include infrastructure, natural resources, and hedge fund investments.

Equities: Investments which represent a direct ownership of, or partnership in, a going concern. Equity investments usually include voting rights (through a board of directors) in the operations of the concern. Equities primarily consist of common stocks, both domestic and international, which are generally publicly traded. Several investment management firms are retained to select and purchase equities on the funds' behalf (See ORS 293.741).

Fixed Income**:** Investments with pre-defined interest and principal payment schedules, and a duration longer than three years.

Private Equity Investments**:** Investments made through illiquid, limited partnership agreements, the goal of which is to commingle funds for direct investment in companies at various growth stages and sizes. Since partnership investments are generally equity investments in the companies purchased, OST relies on the partnership's general partner to analyze, select, and execute the purchase and sale of these investments. Private equity investments also include funding for new and developing firms with meaningful growth potential (i.e., venture capital), the return on which is usually realized when such firms are taken public or sold to a strategic buyer.

Real Estate**:** Equity investments in real property or mortgage investments secured by real property claims. In both cases, these investments may be direct or made through a limited partnership structure.

Real Estate Investment Trust (REIT): A security that trades on a public exchange and represents a pro rata interest in either real property equity or mortgage debt.

Short-Term Investments ("Cash"): Short-term or cash investments include securities with pre-defined (fixed or floating rate) interest and principal payment schedules, and original maturities of three years or less. These securities represent the respective issuer's most senior claim. Issuers include stable foreign or domestic entities such as the U.S. Treasury and U.S. agencies, major banks, and highly credit-worthy corporations. OST's demand deposits are also classified as Short-Term Investments.

Policy Statements

1. The OIC approves asset classes in which State of Oregon moneys are invested. Moreover, all potential investments not conforming to the OIC's existing asset class definitions and characteristics (see "Asset Classes" below) must be approved *ex ante* by the OIC. For example, if an OST investment officer's specific asset class assignment is currently and exclusively comprised by OIC policy of domestically-

issued investments and he or she wishes to purchase similar investments issued by a foreign firm or government, the investment officer must obtain OIC approval prior to purchase.

2. **Asset Classes**: Consistent with industry standards, OST has categorized the potential investment universe into several, discreet types of investment exposures called “asset classes”. Asset classes are partially distinguished and delineated by the following factors:

   a. **Methods and bases for paying investment income** (e.g., debt, which is usually defined by scheduled and pre-defined interest and/or principal payments, or equity, which is usually defined by unscheduled and undefined dividends and return of capital);
   b. **The collateral,** if any, securing the investment (e.g., a commercial mortgage or direct real estate investment secured by real property, claims on corporate assets, or claims on future earnings streams); and
   c. **Seniority** (in the case of bankruptcy or liquidation) and **Ownership Rights** (e.g., a fixed and senior claim on assets and earnings streams).

   Other factors that sometimes define and distinguish asset classes include:

   a. **Variation in the stability and risk of a security's issuer** (e.g., bonds issued by the U.S. Treasury versus those issued by utilities firms);
   b. **Time until maturity of a security with a scheduled repayment of principal** (e.g., short-term versus long-term);
   c. **Nationality of the security's issuer** (e.g., U.S. securities versus those issued by foreign firms or governments); and
   d. **Objectively evaluated security quality** (e.g., AAA bonds versus "C" rated bonds).

3. **Current Asset Classes:** The OIC has approved the purchase of investments in the following asset classes: A. Alternative Investments; B. Equities; C. Fixed Income; D. Private Equity Investments; E. Real Estate; F. Short-Term Investments.

4. **New Asset Classes:** The OIC must provide advance approval for the purchase of securities or other interests in a new asset class not listed above.

5. **Equity Asset Class Limitations:** Only certain funds may be legally invested in the equity asset class, subject to the following statutory limits: "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 may be invested in common stock" (293.726(6)). Deferred Compensation Fund assets are not subject to a common stock limitation (293.726(8)). State Board of Higher Education Endowment Fund assets may also be invested in common stock (293.790).

6. **Responsibility for Investing Assets within Each Asset Class:** Investments in all asset classes are primarily managed by a Senior Investment Officer assigned to the respective asset class. Additional Investment Officers, Investment Analysts or Coordinators may assist the Senior Investment Officer. For more information, see OIC Policy INV 202.

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.

TAB 05.03

POLICY NO.: INV 210

OREGON INVESTMENT COUNCIL
POLICY DIRECTIVE

POLICY NO.:	INV 210
DATE:	AUGUST, 28, 2015
DIVISION:	INVESTMENTS
TITLE:	CONSULTING CONTRACTS
OWNER:	DEPUTY CHIEF INVESTMENT OFFICER
REFERENCES:	OST POLICY 4.01.01

INTRODUCTION & OVERVIEW

Summary Policy Statement

This policy outlines the requirements and limitations of written contracts between the Oregon Investment Council (OIC) and external consultants.

Purpose and Goals

The goal of this policy is to establish the parameters within which the OIC may engage and enter into contractual agreements with external consultants.

Applicability

Classified represented, management service, unclassified executive service

POLICY PROVISIONS

Definitions

Placement Agent: includes any third party, affiliated or unaffiliated with an investment manager, investment advisory firm, or a general partnership, that is a party to an agreement or arrangement (whether oral or written) with an investment manager, investment advisory firm, or a general partnership for the direct or indirect payment of a Placement Fee in connection with an OIC investment.

Placement Fee: includes any compensation or payment, directly or indirectly, of a commission, finder's fee, or any other consideration or benefit paid to Placement Agent.

Policy Statements

1. The OIC shall engage consultants using written contracts. Consultants include, but are not limited to, full-service consultants and specific asset class advisors (e.g., real estate, private equity, etc.).

2. Consulting contracts shall have specified expiration dates, termination clauses and renewal/extension terms. Staff shall undertake a formal "request for proposal" (RFP) process before the end of the contract term (including any renewals or extensions) for the purpose of identifying new candidates, upgrading services, ensuring competitive pricing and acquiring any other information or benefits considered relevant to staff and the Council.
3. Consulting contracts shall be negotiated and executed in compliance with Council policy INV 208: Negotiation and Execution of Contracts.
4. Consulting contracts shall expire on a date not to exceed three years from the effective date of the contract.
5. Consulting contracts shall include a "no-cause" termination clause with a maximum 90-day notice period.
6. The Council directs staff to regularly review and evaluate the work of all contractors on an annual basis.
7. Consulting contracts are limited to a) two renewals or extensions beyond the original expiration date, and b) a final expiration date no more than four years beyond the original expiration date.
8. Upon final expiration of the original contract, or whenever directed by the Council, staff shall undertake and complete an RFP process to include the following:
    a. Identification of potential consulting candidates qualified to provide the required services;
    b. Creation of an RFP which shall include, but not be limited to:
        1. Description of services requested;
        2. Description of the potential or preliminary standards required of the candidates; and
        3. Request for pricing or fee schedule information.
9. Consultants under contract with the Council shall disclose, in written recommendations delivered to the Council, any Placement Agent contact Consultants may have had in connection with such Council recommendations.

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.

TAB 05.04

POLICY NO.: INV 215

OREGON INVESTMENT COUNCIL
POLICY DIRECTIVE

POLICY NO.:	INV 215
DATE:	09/01/2015
DIVISION:	INVESTMENTS
TITLE:	OPERF ASSET ALLOCATION AND REBALANCING POLICY
OWNER:	CHIEF INVESTMENT OFFICER
REFERENCES:	OST POLICY 4.01.18

INTRODUCTION & OVERVIEW

Summary Policy Statement
The Oregon Investment Council (OIC) approves the asset allocation of the Oregon Public Employees Retirement Fund (OPERF or the Fund).

Purpose and Goals
The goal of this policy is to provide guidance to Oregon State Treasury (OST) staff and advisors regarding the asset allocation of OPERF.

In the absence of any other considerations, the optimal rebalancing strategy would suggest continually rebalancing back to OPERF's strategic asset allocation targets. However, rebalancing involves transactions costs such as brokerage fees and market impact. As a result of these costs, ranges were established around the strategic asset allocation targets in order to balance the desirability of achieving precise target allocations with the various and often material transactions costs associated with these same rebalancing activities. In addition, the overlay manager is expected to minimize cash exposures at both the Fund and individual manager level.

A breach of any of the established asset allocation ranges triggers a review and possible rebalancing back to established targets with due consideration given to the liquidity of the affected investments, all anticipated transaction costs and the current portfolio structure within each asset class.

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
Overlay Manager: An investment advisor retained by the OIC to monitor daily cash balances in OPERF and execute trades in the equity and fixed income futures markets to adjust OPERF's overall asset allocation closer to its OIC-approved targets.

Policy Statements

1. The OIC establishes asset allocation ranges and targets for OPERF. On an ongoing basis, OST staff manages OPERF's asset allocation relative to OIC-established targets, Fund-level cash flows and financial and real asset market volatility.

2. The OIC undertakes a rigorous study of OPERF's assets and liabilities every three to five years (or more frequently, if desired). These asset-liability studies shall include the following elements for OIC consideration: 1) capital market assumptions by asset class which include expected returns, volatilities and correlations; 2) asset mix optimizations using various portfolio modeling/construction techniques; 3) scenario, risk contribution and plan liability analyses; 4) pension surplus/cost projections; and 5) recommended strategic asset allocation targets and a rebalancing framework.

3. The purpose of OST staff's rebalancing efforts are to ensure that OPERF's actual asset allocation does not drift significantly from the strategic targets approved by the OIC and informed by the asset-liability study described above. Moreover, rebalancing ensures that the return objectives and risk tolerance parameters approved by the OIC are consistently and effectively reflected in OST staff's management of OPERF assets over time. With OIC oversight, implementing the approved rebalancing framework is an OST staff responsibility, although the illiquid nature of many private market assets may exempt those assets from staff's short-term rebalancing activities.

OPERF	Policy	Target
Public Equity	32.5-42.5%	37.5%
Private Equity	13.5-21.5%	17.5%
Total Equity	**50.0-60.0%**	**55.0%**
Opportunity Portfolio	0-3%	0.0%
Fixed Income	**15-25%**	**20.0%**
Real Estate	**9.5-15.5%**	**12.5%**
Alternative Investments	**0-12.5%**	**12.5%**
Cash	**0-3%**	**0.0%**
TOTAL OPERF		**100%**

Note: Targets and ranges as established by the OIC in June 2015. Full implementation will take multiple years.

IMPLEMENTATION

1. OST Staff will undertake the implementation of the rebalancing program.
2. OPERF's actual asset allocation shall be reviewed at the end of each month when asset valuations become available. More frequent reviews may be undertaken, if appropriate, provided the required asset value information is also available. Rebalancing will take place if the allocation to any particular asset class exceeds the corresponding, stipulated policy range. Staff shall manage liquidity by rebalancing assets between and among managers, as necessary, to a) meet OPERF's cash needs and b) maintain the preferred portfolio structure (i.e., maintain specific manager weightings) within each asset class. All physical rebalancings shall be executed in concert with the overlay manager as described above.
3. Rebalancing should be implemented by the most cost-effective means available. For example, cash flows into and out of OPERF will first be used to rebalance back toward asset class targets, whenever possible. Crossing opportunities in index fund investments and futures/options may also be used in rebalancing in order to reduce costs.
4. When rebalancing occurs, OST staff shall make a recommendation to the Chief Investment Officer regarding the most appropriate asset allocation, taking into account portfolio characteristics, preferred portfolio structure, existing manager weights, market conditions and OPERF's cash flow requirements.
5. All rebalancing shall take place within the asset class and sub-asset class ranges established in policy by the OIC.

6. For illiquid assets such as private equity and real estate, rebalancing considerations should include higher transaction costs and the availability of alternative rebalancing opportunities, if any.

7. Staff shall report to the OIC the actual market valuations versus the target allocations by asset class monthly as well as any and all rebalancing activity quarterly.

ASSET ALLOCATION AND EXPECTED RETURNS

1. Periodically (annually or twice a year) the OIC's general consultant updates its capital market and asset class return assumptions.

2. At least annually, and for OIC approval, OST staff will work with the general consultant to update the policy mix and return expectations for the OPERF Regular Account as reflected in the Statement of Investment Objectives and Policy Framework.

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.

TAB 05.05

POLICY NO.: INV 405

OREGON INVESTMENT COUNCIL
POLICY DIRECTIVE

POLICY NO.:	INV 405
DATE:	09/01/2015
DIVISION:	INVESTMENTS
TITLE:	OREGON PUBLIC UNIVERSITY FUND INVESTMENTS
OWNER:	TOM LOFTON, INVESTMENT OFFICER
REFERENCES:	OST POLICY 4.03.05

INTRODUCTION & 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.

A. 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
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.	~~Higher~~ Exceed the Oregon Intermediate Term Pool benchmark's total return ~~versus short-term portfolio as measured by the OSTF yield~~ 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.	~~Higher total return versus~~Exceed the benchmark's ~~index~~ total return over a 5-year trailing period.

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 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
- No more than 5% 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 ~~single-~~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 ~~Bank of America Merrill Lynch~~Barclay U.S. Aggregate 5-7 Year ~~AAA-AA U.S. Corporate & Government~~ Index ~~(B3B0).~~;
    - 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

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.

TAB 05.06

POLICY NO.: INV 701

Oregon Investment Council
Policy Directive

Policy No.:	INV 701
Date:	09/01/2015
Division:	Investments
Title:	PRIVATE EQUITY PORTFOLIO STANDARDS AND PROCEDURES
Owner:	DIRECTOR OF ALTERNATIVE INVESTMENTS
References:	OST Policy 4.06.01

INTRODUCTION & OVERVIEW

Summary Policy Statement

To accomplish the prudent and efficient implementation of investment policies established by the Oregon Investment Council (OIC), Oregon State Treasury (OST) created the Private Equity Portfolio (hereinafter referred to as the "Program") to a) participate in attractive long-term investment opportunities for the Oregon Public Employees Retirement Fund (OPERF) and b) diversify the overall OPERF investment portfolio. To date, Program investments have included participation in diversified strategies including leveraged-buyouts, venture capital, growth equity, fund-of-funds, co-investments and other special situation strategies. As opportunities become available, OST will invest Program assets prudently, productively and in a manner consistent with the Program's objectives, OIC policies and applicable law. Private equity investments are subject to the specific strategic target allocations established in Policy INV 215.

Purpose and Goals

The goal of this policy is to provide guidance to OST staff and advisors regarding private equity investments for OPERF and any other funds for which the OIC has oversight responsibility.

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]

293.736 Duties of investment officer.

(1) Except as provided in ORS 293.741, in amounts available for investment purposes and subject to the policies formulated by the Oregon Investment Council, the investment officer shall invest and reinvest moneys in the investment funds and acquire, retain, manage, including exercise of any voting rights, and dispose of investments of the investment funds.

(2) Subject to the direction of the council, the investment officer shall perform the functions described in subsection (1) of this section with respect to the investment in mutual funds of moneys in the Deferred Compensation Fund. The council must approve all mutual funds in which Deferred Compensation Fund moneys are invested. [1967 c.335 §9; 1997 c.179 §23; 2005 c.295 §1]

POLICY PROVISIONS

Definitions

Advisor: An independent third party (consultant) firm retained by the OIC and working in concert with OST staff to provide expert investment counsel, due diligence, and ongoing monitoring.

Policy Statements

A. GENERAL POLICY

Program investments provide an appropriate complement to OPERF's investment portfolio, and are compatible with OPERF's general objectives, including:

a. Providing a means to pay benefits to OPERF participants and their beneficiaries;
b. Investing to produce a return based on prudent and reasonable levels of liquidity and investment risk;
c. Attaining an adequate real return over the expected rate of inflation; and
d. Complying with all applicable laws and regulations concerning the investment of pension assets.

Program investments are expected to exhibit both a higher degree of risk and a higher return potential than conventional public equity or fixed income investments. Program investments are also expected to exhibit a lower correlation relative to other asset classes and should therefore provide diversification benefits to OPERF.

Staff and the consultant or advisor specifically selected for the Program (the "Advisor") will furnish the OST and OIC with an annual Program investment statement and strategy plan.

B. OBJECTIVES

1. Program Investment Performance Objectives

The Program's investment performance objective is long-term net returns to OPERF (e.g., after management fees and general partners' carried interest) above a public market analog plus an appropriate premium to compensate for illiquidity, principal risk and related investment costs and expenses. Specifically, Program performance should exceed a net internal rate of return equal to the Russell 3000 Index plus 300 basis points, and may vary by investment type (e.g., leveraged buyout, venture capital or special situation). OST staff (hereinafter referred to as "Staff") will periodically evaluate the Program's performance objective, benchmark and assigned premium.

2. Diversification

Diversification reduces risk among Program investments. The following types of diversification should be considered by Staff, including, but not limited to:

a. Stage: Staff will diversify investments throughout the various financing stages from startup through mezzanine financing to leveraged buyouts and recapitalizations. The targeted exposure ranges for various types of investments are as follows:

Investment Type	Target Allocation
Corporate Finance	**65-85%**
Large Corporate Finance	45-65%
Mid Corporate Finance	5-25%
Small Corporate Finance	0-10%
Venture Capital	**0-5%**
Growth Equity	**5-10%**
Special Situations	**5-15%**
Distressed	0-10%

Mezzanine	0-5%
Secondaries	0-5%
Fund-of-Funds	**0-5%**
Co-Investments	**0-7.5%**

b. Industry Sectors: Staff will diversify investments among industry groupings.

c. Size of Investments: Staff will diversify investments among a range of partnerships by commitment size, generally with a minimum commitment of $75 million ($25 million for venture capital). OST's commitment may represent as much as 25% of a particular partnership when appropriate. Staff will document and report any deviations from these guidelines to the OST and OIC.

d. Geography: Staff should consider geographical diversification in investment selection; moreover, and to the extent appropriate, commitments may be considered that benefit the overall economic health of Oregon so long as and only if such commitments otherwise meet the Program's investment and quality criteria.

e. Time: Staff will endeavor to invest OPERF assets in a consistent manner over time, unless market conditions appear uniquely unfavorable.

C. PRIVATE EQUITY COMMITTEE

1. The Private Equity Committee or "Committee" acts on behalf of, and is subject to review by OST. The Committee is comprised of the following individuals: the Deputy State Treasurer, the Chief Investment Officer (CIO) and an OIC member invited by OST to participate as a voting member on the Committee. OST will consider input from the OIC in extending such invitations.

2. OST, through the Committee, may invest OPERF capital up to and including $150 million for new relationships, and up to and including $250 million for existing relationships, consistent with OIC policies (see Appendix B). Consistent with OIC policy, the Committee may also invest in funds on behalf of the Common School Fund. If consideration of a particular investment opportunity is deemed urgent or otherwise less suited for presentation to the OIC, the CIO may seek OIC approval for Committee consideration of that particular investment opportunity.

3. The Committee will only exercise its investment authority by unanimous vote and acting upon a favorable due diligence determination by the Advisor. The Committee may only consider proposed investments if agreement exists

between the Advisor and Staff that the proposed investment is consistent with Program standards including, but not limited to, the applicable sector plan and strategy. Investment opportunities and proposed Committee commitments are subject to review by OST, who may choose to cancel or refer such proposed commitments to the OIC for broader review and consideration.

4. Staff shall furnish any favorable due diligence determination, including the underlying rationale, market conditions and portfolio impact, to the OIC as soon as practicable and at least two weeks prior to any Committee meeting during which a proposed investment is considered. If OST objects to the proposed investment or is advised by any OIC member that he or she objects to the proposed investment, OST will cancel the proposed Committee meeting and determine whether or not Staff will bring the proposed investment as a separate agenda item at a subsequent OIC meeting.

5. Staff shall report any investment commitment made by the Committee at the next, most feasible OIC meeting.

D. OST STAFF AUTHORITY

~~Subject to his or her right of review, OST delegates to the~~ The CIO, upon a favorable recommendation from both the Director of Alternative Investments and the Advisor, has authority to accomplish the following:

1. Approve OST administrative activities and guideline exceptions if a plan is established to conform the [project/investment/fund] exceptions to applicable guidelines within a reasonable period of time;

~~2. Approve purchase or sale~~2. Acquire, retain, manage and dispose of fund interests~~, if such~~ consistent with the authority ~~lies with the OST by statute or by delegation from~~granted to the ~~OIC.~~Office of the State Treasurer pursuant to ORS 293.736. Review and approve other activities as necessary to further the interests of the Program consistent with its standards; and

3. Approve up to an additional $~~25~~50 million to an existing investment fund for the following purposes: (1) ~~to~~ recapitalize the fund with additional equity; (2) ~~to~~ acquire all or part of another limited partner's ~~("LP's")~~ position in ~~an existing investment~~ the fund; or (3) ~~to~~ co-invest with the ~~investment~~ fund in ~~a portfolio~~an individual fund investment. Such additional commitments shall be on terms equal to or better than the existing investment fund terms.

Staff shall report any of the foregoing activities ~~to~~at the next, most feasible OIC ~~at an upcoming~~ meeting~~. Staff shall not unreasonably delay such report~~.

E. ADVISOR AND OPERF REQUIREMENTS

OST manages the Program using a hybrid Staff/Advisor model. Specifically, and subject to budget limitations, OST will assign an appropriate number of Staff to manage Program design and portfolio construction, the Program's investment decision-making schedule and process, and the Advisor's contract. The OIC will retain a qualified, independent Advisor and will delegate to that Advisor substantial duties such as performing due diligence on investment opportunities, monitoring Program investments, performing Program analytics and valuation analyses and preparing current and historical performance reports. Staff retains the primary responsibility to ensure that Program investments and prospective investments receive appropriate due diligence, monitoring and valuation analyses. While some of these duties may be delegated to the Advisor, Staff will conduct and document sufficient reviews and tests of the Advisor's work as necessary to conclude that such delegated duties are performed consistently and appropriately by Advisor.

F. LEGAL COUNSEL

Staff will obtain relevant legal services from Oregon Department of Justice (DOJ) personnel. However, due to the complex nature of Program investments, OIC, OST and/or Staff will recommend DOJ collaboration with expert, external legal counsel when deemed necessary or appropriate.

G. CONTRACT EXECUTION

1. Staff will inform the Program's current or prospective general partners of investment commitments approved by the Council or the Committee immediately following such approvals. All approved commitments are conditional and subject to the successful, subsequent negotiation of all terms and conditions consistent with DOJ advice, applicable law and other considerations.

2. With the possible exception of legally privileged materials, Staff will provide the Advisor with OIC and Committee meeting materials.

3. Staff will provide DOJ, in advance, with OIC and Committee meeting materials and will provide DOJ with timely verification of investment commitments in conjunction with proposed partnership documentation.

4. The Council's authorized signatory, the CIO (or designee in accordance with OST policy), will ensure legal sufficiency approval is provided by DOJ, prior to the execution of investment documents.

H. PARTNERSHIP FUNDING

1. For all existing and future partnership commitments, each general partner shall submit a complete listing of bank account(s) to which OST may wire funds in connection with its partnership commitments. This list may be included as an exhibit to the partnership agreement, and OST shall not deviate from these pre-established instructions unless the general partner authorizes such a change in advance and in writing.

2. All requests for funding (e.g., capital calls) must be made pursuant to established OST practices and guidelines.

3. Staff shall regularly monitor investments, through the Advisor or other contracted service providers, to ensure that the funding of investment commitments does not exceed the maximum amount authorized by the OIC or the Committee. In monitoring commitment funding levels, the Advisor or other contracted service provider will consider the effect of partnership recycling, temporary bridge financing and similar provisions included in the partnership's investment documents to ascertain whether or not funding levels are consistent with OIC's commitment approvals.

4. Prior to advancing funds in connection with any one partnership commitment, Staff shall verify that written funding requests are properly executed by an authorized member of the corresponding general partner.

I. MONITORING

1. Reports
   The Advisor will furnish Program activity and performance reports to Staff on both a quarterly and annual basis.

2. Adherence to Strategy
   Staff and the Advisor will evaluate the actual strategy employed by general partners relative to stated objectives, strategies and industry standards. The Advisor will interact with general partners periodically and as necessary to verify adherence to such objectives, strategies and standards.

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

Appendix A: OIC Document: Private Equity Investments Valuation Policy
Appendix B: OIC Document: OIC/OST Alternative Investments Authority
Appendix C: OST Procedure for INV 701

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.

TAB 05.06a

POLICY NO.: INV 701

Appendix A

OIC Document

APPENDIX A
Private Equity Investments Valuation Policy

Public Company Securities

1) Public securities should be valued at the closing price or bid on the last day of the quarter of the performance measurement period.

2) In the event that two or more general partners hold the same security with identical provisions and structure, but different valuations, Staff and the Advisor will establish the most appropriate valuation.

Non-Public Company Securities

1) Non-publicly traded securities should be valued at fair value. These types of securities are not traded on an active exchange and thus do not have readily determinable market prices established by arm's-length transactions; moreover, there exists no broadly accepted methodology for determining fair value, and valuations of such securities may contain subjective elements. Determination of the fair value of such securities should be based on the best available and most applicable valuation metrics that can be obtained. Valuation metrics may differ substantially, depending on the stage, industry, competitive position and geography of the company.

2) The General Partner (GP) of each limited partnership will determine valuations for the investments within its limited partnerships. If negotiated as part of the applicable Limited Partnership Agreement (LPA), these valuations may be reviewed and/or approved by a committee of limited partners (i.e., an Advisory Board, Investors' Committee, etc.) established for the limited partnership.

3) Staff are not typically experts in the valuation of non-public securities, but do have broad experience in private equity investment management; accordingly, Staff will a) apply such experience to determine whether or not valuations reported by GPs and the Advisor are reasonably stated and b) assess the risk of material misstatement. Staff will utilize the best available and most applicable information in forming these assessments. Such information may include, but will not be limited to the following:
   - Valuation analyses and adjustments performed by the Advisor;
   - Audited financial statements of Program limited partnerships;
   - GP-prepared quarterly and annual limited partnership reports;
   - Where applicable, limited partner committee reviews/approvals of valuations when Staff serve on such committees; and
   - General Staff knowledge of company performance, comparable transactions and valuations, industry trends, market environment and other relevant factors.

If the valuation provided by a GP or the Advisor is not U.S. GAAP fair value, Staff may request additional information from the GP or Advisor, if needed, in order to estimate fair value.

4) Staff is responsible for ensuring Program investments are recorded in OST's book of record at fair value, and this responsibility may not be delegated to third parties. To fulfill this particular responsibility, Staff will:

- Maintain an alert and appropriate level of professional skepticism regarding private equity valuations;
- Review the Advisor's quarterly report, including limited partnership quarterly summaries which detail valuations and changes thereto;
- On an annual basis, meet with the Advisor to update or confirm Staff's understanding of the Advisor's procedures and analyses regarding limited partnership valuation;
- To the fullest extent practical, participate in limited partner committee reviews and/or limited partnership valuation approvals if Staff serves on such committees;
- Review limited partnership annual reports and audited financial statements; and
- On an exception basis, investigate any valuations that are materially different from fair value estimates or expectations, and document the results of such investigation and any proposed changes in limited partnership valuation. Such exceptions may include, but are not limited to, qualified or adverse audit opinions, financial statements prepared on a basis other than U.S. GAAP, material adverse events (e.g., a company bankruptcy), limited partnership valuation policy that is other than fair value, and a qualitative Staff assessment that a particular valuation may not reflect fair value.

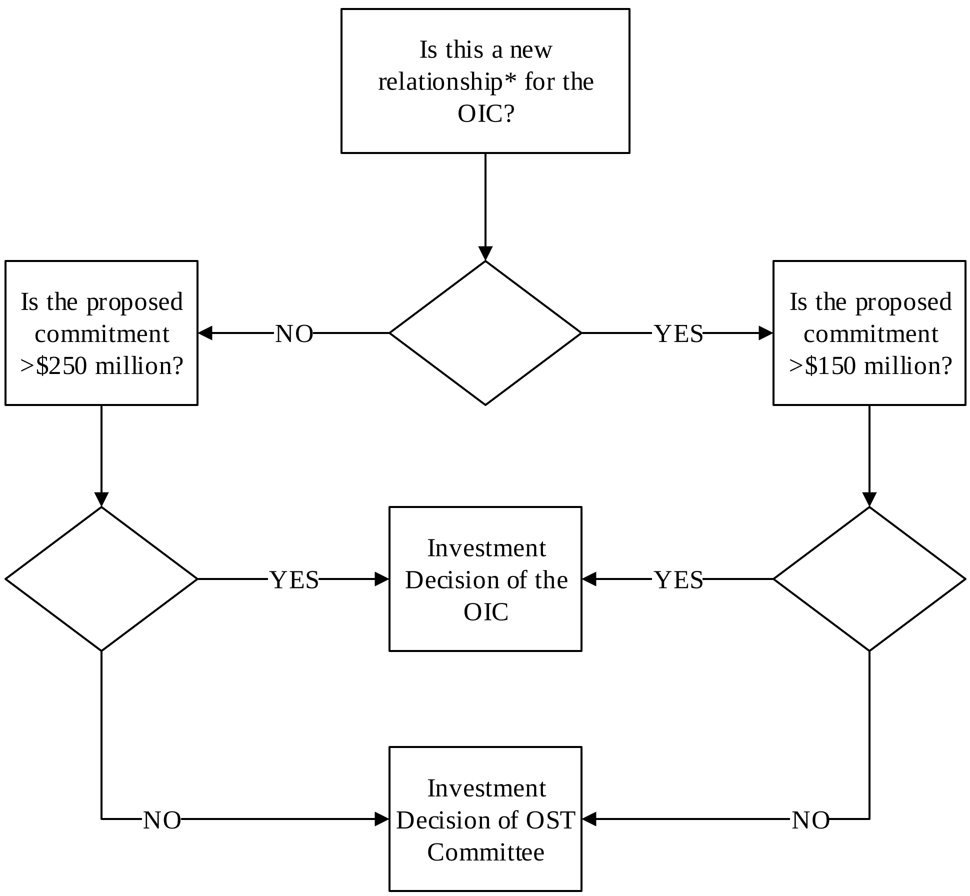
TAB 05.06b

POLICY NO.: INV 701

Appendix B

Appendix B
OIC/OST Alternative Investments Authority

The OST, through Committees, may invest OPERF amounts up to and including $150 million per investment for new relationships, and an amount up to and including $250 million for existing relationships



NOTE: If consideration of a particular investment opportunity is deemed urgent or otherwise less suited for presentation to the OIC, the CIO may seek OIC approval for Committee consideration of that particular investment opportunity.

*A new relationship is defined as a general partner or management team with which the OIC has no existing or committed investment exposure.

TAB 05.07

POLICY NO.: INV 702

OREGON INVESTMENT COUNCIL
POLICY DIRECTIVE

POLICY NO.:	INV 702
DATE:	09/01/2015
DIVISION:	INVESTMENTS
TITLE:	ALTERNATIVES PORTFOLIO STANDARDS AND PROCEDURES
OWNER:	DIRECTOR OF ALTERNATIVE INVESTMENTS
REFERENCES:	OST POLICY 4.06.02

INTRODUCTION & OVERVIEW

Summary Policy Statement

To accomplish the prudent and efficient implementation of investment policies established by the Oregon Investment Council (OIC), Oregon State Treasury (OST) created the Alternatives Portfolio (hereinafter referred to as the "Program") to a) participate in attractive long-term investment opportunities for the Oregon Public Employees Retirement Fund (OPERF or the Fund) and b) diversify the overall OPERF investment portfolio. To date, Program investments have included participation in diversified strategies including infrastructure, oil and gas, agriculture, timberland, hedge funds and other diversifying assets and special situation strategies. After its initial build-out period, the Program's current allocation target is ~~10~~ 12.5 percent of total OPERF asset value, with an expected duration of three to ten years. As opportunities become available, OST will invest Program assets prudently, productively and in a manner consistent with the Program's objectives, OIC policies and applicable law. The Program is subject to the specific strategic target allocations established in Policy INV 215.

Purpose and Goals

The goal of this policy is to provide guidance to OST staff and advisors regarding the Program and its investment objectives.

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]

293.736 Duties of investment officer.

(1) Except as provided in ORS 293.741, in amounts available for investment purposes and subject to the policies formulated by the Oregon Investment Council, the investment officer shall invest and reinvest moneys in the investment funds and acquire, retain, manage, including exercise of any voting rights, and dispose of investments of the investment funds.

(2) Subject to the direction of the council, the investment officer shall perform the functions described in subsection (1) of this section with respect to the investment in mutual funds of moneys in the Deferred Compensation Fund. The council must approve all mutual funds in which Deferred Compensation Fund moneys are invested. [1967 c.335 §9; 1997 c.179 §23; 2005 c.295 §1]

POLICY PROVISIONS

Definitions

Advisor: An independent third party (consultant) firm retained by the OIC and working in concert with OST staff to provide expert investment counsel, due diligence, and ongoing portfolio monitoring.

Policy Statements

A. Program investments provide an appropriate complement to OPERF's investment portfolio, and are consistent with OPERF's general objectives, including:

1. Providing a means to pay benefits to OPERF participants and their beneficiaries;
2. Investing to produce a return based on prudent and reasonable levels of liquidity and investment risk;
3. Attaining an adequate real return over the expected rate of inflation; and
4. Complying with all applicable laws and regulations concerning the investment of pension assets.

Program investment returns should exhibit a lower correlation relative to other Fund assets and therefore the Program is expected to provide diversification benefits to the Fund.

Staff and the consultant or advisor specifically selected for the Program (the "Advisor") will furnish the OST and OIC with an annual Program investment statement and strategy plan.

B. OBJECTIVES

1. Program Investment Performance Objectives

The Program's investment performance objective is long-term net returns to OPERF (i.e., after management fees and general partners' carried interest) above a benchmark comprised of the Consumer Price Index ("CPI") plus an appropriate premium to compensate for illiquidity, principal risk and related investment costs and expenses. Specifically, the Program's performance objective is a return exceeding CPI plus 400 basis points, and may vary by investment type (e.g., infrastructure or timberland). OST staff (hereinafter referred to as "Staff") will periodically evaluate the Program's performance objective, benchmark and assigned return premium.

2. Diversification

Diversification reduces risk among the Program's investments, and Staff should consider the following types of diversification, including, but not limited to:

a. Strategy -- Investments will be diversified through exposure to a variety of alternative investment strategies, including infrastructure, natural resources (including commodities) and other diversifying asset strategies. The allocation ranges and targets for various types of investments are as follows:

Investment Type	**Target Allocation**
Infrastructure	**~~25-35~~20-30%**
Natural Resources	**~~40-50~~30-40%**
~~Hedge Funds~~Diversifying Assets	**~~15-25~~35-45%**
Other	**0-10%**

b. Industry Sectors -- Investments will be diversified among various industry groups.

c. Size of Investments -- Investments will be diversified among a range of commitment sizes, generally with a minimum commitment size of $~~25~~75 million. Such commitments may comprise as much as 25% of a particular co-mingled partnership, when appropriate. Staff will document and report any deviations from these guidelines to the OIC.

d. Geography -- Staff should consider geographical diversification in investment selection; moreover, and to the extent appropriate, commitments may be considered that benefit the overall economic health of Oregon so long as and only if such commitments otherwise meet the investment criteria and quality of the Program.

e. Time -- Staff will endeavor to invest OPERF assets in a consistent manner over time, unless market conditions appear uniquely unfavorable.

3. Total Portfolio Diversification

A lower correlation between Program investment returns and other Fund assets is expected, and the Program is therefore expected to provide an added measure of diversification to overall Fund returns.

C. ALTERNATIVES PORTFOLIO COMMITTEE

1. The Alternatives Portfolio Committee or "Committee" acts on behalf of, and subject to the review of, OST. The Committee is comprised of the following individuals: the Deputy State Treasurer; the Chief Investment Officer (CIO); and an OIC member invited by the OST to participate as a voting member on the Committee. OST will consider input from the OIC in extending such invitations.

2. OST, through the Committee, may invest OPERF amounts up to and including $150 million per investment for new general partner, fund sponsor or manager relationships, and an amount up to and including $250 million for existing relationships, consistent with OIC policies (see Appendix B). If consideration of a particular investment opportunity is deemed urgent or otherwise less suited for presentation to the OIC, the CIO may seek OIC approval for Committee consideration of that particular investment opportunity.

3. The Committee will only exercise its investment authority by unanimous vote and acting upon a favorable due diligence determination by the Advisor. The Committee may only consider proposed investments if agreement exists between the Advisor and Staff that the proposed investment is consistent with Program standards including, but not limited to, the applicable sector plan and strategy. Investment opportunities and proposed Committee commitments are subject to review by OST, which may choose to cancel or refer such proposed commitments to the OIC for broader review and consideration.

4. In connection with a proposed investment, Staff shall furnish any favorable due

diligence determination, including the underlying rationale, market conditions and portfolio impact, to the OIC as soon as practical and at least two weeks prior to a Committee meeting called for purposes of considering the proposed investment. If OST objects to the proposed investment or is advised by any OIC member that he or she objects to the proposed investment, OST will cancel the proposed commitment and determine whether or not Staff will bring the proposed investment as a separate agenda item at a subsequent OIC meeting.

5. Staff shall report any investment commitment made by the Committee at the next, most feasible OIC meeting.

D. OST STAFF AUTHORITY

~~Subject to his or her review right, OST delegates to the~~ The CIO, upon a favorable recommendation from both the Director of Alternative Investments and the Advisor, has authority to accomplish the following:

1. Approve OST administrative activities and guideline exceptions if a plan is established to conform the [project/investment/fund] exceptions to applicable guidelines within a reasonable period of time;

~~2. Approve purchase or sale~~2. Acquire, retain, manage and dispose of fund interests~~, if such~~ consistent with the authority ~~lies with the OST by statute or by delegation from~~granted to the ~~OIC.~~Office of the State Treasurer pursuant to ORS 293.736. Review and approve other activities as necessary to further the interests of the Program consistent with its standards; and

3. Approve up to an additional $~~25~~50 million to an existing investment fund for the following purposes: (1) ~~to~~ recapitalize the fund with additional equity; (2) ~~to~~ acquire all or part of another limited partner's ~~("LP's")~~ position in ~~an existing investment~~ the fund; ~~or~~ (3) ~~to~~re-balance between or among managers; or (4) co-invest with the ~~investment~~ fund in ~~a portfolio~~an individual fund investment. Such additional commitments shall be on terms equal to or better than the existing investment fund terms.

Staff shall report any of the foregoing activities ~~to~~at the next, most feasible OIC ~~at an upcoming~~ meeting. ~~Staff shall not unreasonably delay such report.~~

E. ADVISOR AND OPERF REQUIREMENTS

OST manages the Program using a hybrid Staff/Advisor model. Specifically, and subject to budget limitations, OST will assign an appropriate number of Staff to manage Program design and portfolio construction, the Program's investment decision-making schedule and process, and the Advisor's contract. The OIC will retain a qualified, independent Advisor and will delegate to that Advisor substantial duties such as performing due diligence on investment opportunities, monitoring Program investments, performing Program analytics and valuation analyses and preparing current and historical performance reports. Staff retains the primary responsibility to ensure that Program investments and prospective investments receive appropriate due diligence, monitoring and valuation analyses. While some of these duties may be delegated to the Advisor, Staff will conduct and document sufficient reviews and tests of the Advisor's work as necessary to conclude that such delegated duties are performed consistently and appropriately by Advisor.

F. LEGAL COUNSEL

Staff will obtain relevant legal services from Oregon Department of Justice (DOJ) personnel. However, due to the complex nature of Program investments, OIC, OST and/or Staff will recommend DOJ collaboration with expert, external legal counsel when deemed necessary or appropriate.

G. CONTRACT EXECUTION

1. Staff will inform the Program's current or prospective general partners of investment commitments approved by the Council or the Committee immediately following such approvals. All approved commitments are conditional and subject to the successful, subsequent negotiation of all terms and conditions consistent with DOJ advice, applicable law and other considerations.

2. With the possible exception of legally privileged materials, Staff will provide the Advisor with OIC and Committee meeting materials.

3. Staff will provide DOJ, in advance, with OIC and Committee meeting materials and will provide DOJ with timely verification of investment commitments in conjunction with proposed partnership documentation.

4. The Council's authorized signatory, the CIO (or designee in accordance with OST policy), will ensure legal sufficiency approval is provided by DOJ, prior to the execution of investment documents.

H. PARTNERSHIP FUNDING

1. For all existing and future partnership commitments, each general partner shall submit a complete listing of bank account(s) to which OST may wire funds in connection with its partnership commitments. This list may be included as an exhibit to the partnership agreement, and OST shall not deviate from these pre-established instructions unless the general partner authorizes such a change in advance and in writing.

2. All requests for funding (e.g., capital calls) must be made pursuant to established OST practices and guidelines.

3. Staff shall regularly monitor investments, through the Advisor or other contracted service providers, to ensure that the funding of investment

commitments does not exceed the maximum amount authorized by the OIC or the Committee. In monitoring commitment funding levels, the Advisor or other contracted service provider will consider the effect of partnership recycling, temporary bridge financing and similar provisions included in the partnership's investment documents to ascertain whether or not funding levels are consistent with OIC's commitment approvals.

4. Prior to advancing funds in connection with any one partnership commitment, Staff shall verify that written funding requests are properly executed by an authorized member of the corresponding general partner.

I. MONITORING

1. Reports
   The Advisor will furnish Program activity and performance reports to Staff on both a quarterly and annual basis.

2. Adherence to Strategy
   Staff and the Advisor will evaluate the actual strategy employed by general partners relative to stated objectives, strategies and industry standards. The Advisor will interact with general partners periodically and as necessary to verify adherence to such objectives, strategies and standards.

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

Appendix A: OIC Document: Alternative Investments Valuation Policy
Appendix B: OIC Document: OIC/OST Alternative Investments Authority
Appendix C: OST Procedure for INV 702

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.

TAB 05.08

POLICY NO.: INV 1101

OREGON INVESTMENT COUNCIL
POLICY DIRECTIVE

POLICY NO.:	INV 1101
DATE:	09/01/2015
DIVISION:	INVESTMENTS
TITLE:	SOUTHERN OREGON UNIVERSITY ENDOWMENT FUND
OWNER:	CHIEF INVESTMENT OFFICER
REFERENCES:	OST POLICY 4.10.01

INTRODUCTION & OVERVIEW

Summary Policy Statement

The Oregon Investment Council determines the asset classes in which Southern Oregon University Endowment investment funds may be invested.

Purpose and Goals

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

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

1. Introduction

   This statement governs the investment of the Southern Oregon University Endowment Fund (the "Fund"). On behalf of the Oregon Investment Council (OIC), Oregon State Treasury (OST), and Southern Oregon University Board of Trustees (hereinafter referred to as the "Board"), this statement establishes the investment goals and objectives of the portfolio, a basis of evaluation of the investment managers, and guidance and limitations on the investment of funds.

   The OIC intends the objectives in this policy to be sufficiently specific to be meaningful, but flexible enough to be practical. It is expected that the policy and objectives will be amended as necessary to reflect the changing needs of the endowment; however, all modifications shall be made in writing and approved by the OIC.

2. Southern Oregon University Endowment Fund

   The Fund is permanent and expected to operate in perpetuity, so these funds will be invested long-term. It is important to follow coordinated policies regarding spending and investments to protect the principal of the Fund and produce a reasonable total return.

3. Responsibility of the Board

   The role of the Board is to recommend broad investment goals to the OIC, including spending rate information and to provide input into the asset allocation process.

4. Responsibility of OIC and OST

   The OIC maintains the responsibility and authority to establish the asset allocation for the Fund and approve the retention and termination of all investment managers. OST staff and the OIC's consultant will make recommendations to the OIC for a specific asset mix reflecting judgments of the investment environment as well as the specific needs of the Fund. Other duties assigned to OST staff include:

   A. Recommending professional investment managers;
   B. Negotiating and/or monitoring Fund investment expenses;
   C. Monitoring investment managers, on an ongoing basis;
   D. Assuring proper custody of the investments; and
   E. Reporting to the Board, on a quarterly basis, the Fund's investment results, its composition and any other information the Board may request.

5. Spending Policy

The amount of endowment return available for spending (distribution) is based on a policy adopted by the Board, which shall be communicated to OST.

6. Investment Policy Guidelines

A. Asset Allocation

The most important component of an investment strategy is the allocation among the various classes of securities available to the Fund. The OIC will establish the target asset allocation for the investments that will mostly likely achieve the investment goals of the Fund, taking into consideration the appropriate level of portfolio risk.

The risk/return profile shall be maintained by establishing the following long-term "target" strategic asset allocations:

Asset Class	Policy	Target	Benchmark
Global Equities	65-75%	70%	MSCI ACWI IMI Net
Fixed Income	25-35%	30%	Barclays Aggregate
Cash	0-3%	0%	91 Day T-Bill

B. Investment Time Horizon

In making investment strategy decisions for the Fund, the focus shall be on a long-term investment time horizon that encompasses a complete business cycle (usually three to five years). Interim evaluation will be performed by OST if a significant change in fees, manager personnel, investment strategy or manager ownership occurs.

While the quantitative assessment of managerial competence will be measured over a complete market cycle, OST staff and the OIC's consultant may make period qualitative assessments as well. Specific qualitative factors considered by OST staff and the consultant may include, but are not limited to, fundamental changes in the manager's investment philosophy, changes in the manager's organizational structure, financial condition and personnel, and any changes, relative to peers, in a manager's fee structure.

7. Prudence and Ethical Standards

   A. Prudence

      The standard of prudence applicable to the Fund is defined in ORS 293.726: "The investment funds shall be invested and the investments 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."

   B. Ethics and Conflicts of Interest

      Consistent with all the activities of OST and the OIC, the ethical standards established in OIC policy and in Oregon Law (ORS 244), shall apply to the management of the Fund.

8. Investment Objectives

   The investment objective of the Fund is to seek consistency of investment return with emphasis on capital appreciation over long periods of time, since the Fund will operate in perpetuity. To achieve the outlined performance goals, the OIC expects investment returns that, over a long-term planning horizon, will meet the spending rate established by the Board and maintain the purchasing power of the principal.

9. Manager(s) Responsibilities

   A. Legal Compliance - The investment manager(s) is(are) responsible for compliance with the provisions of their investment management agreement.

   B. Authority of Investment Manager(s) in the Managed Accounts - Subject to the terms and conditions of this Policy and the investment management agreement, manager(s) shall have full discretionary authority to direct investments of assets in the managed accounts. The investment manager(s) will recommend changes to this Policy when the manager(s) views any part of this Policy to be inconsistent with overall market, economic conditions, or investment policies.

      The OIC directs all managers to vote proxies and to vote them in the best economic interest of the Fund. When requested, managers will report to OST staff regarding how proxies were voted.

      Meetings between Fund managers and OST staff will occur consistent with the policies established for the OIC's other managers, to discuss items including, but not limited to, the manager's performance, outlook, and investment decision process.

10. Reporting Requirements

    Investment results will be regularly monitored by OST staff and an independent consultant under contract by the OIC, as well as by Board staff.

    A representative of OST shall meet with the Board, at least annually, to review the following for each manager: (i) past performance; (ii) compliance with the Investment Policy, Guidelines and Objectives of the Fund, including but not limited to asset allocation, actual return, and comparative return in relation to applicable index (indices) and to a universe of comparable funds; (iii) risk profile; (iv) ability of manager to fulfill the stated objectives of the funds; and, (v) any other material matter.

    A representative of the OST, or the consultant, shall report investment results, or other information, to the Board annually, if requested. Any material non-compliance with the Investment Policy, Guidelines and Objectives of the Fund or with the investment management agreement, discovered by OST staff or the consultant, will be reported to the Board immediately.

11. Investment Guidelines

    A. Cash: The Fund shall maintain minimal cash, consistent with short-term requirements. Short term cash will be invested in the Oregon Short-Term Fund.

    B. Fixed Income: Fixed-income securities, for purposes of these guidelines, shall mean mortgage-backed securities, U.S. government securities, investment-grade corporate bonds, and other fixed income securities, such as certificates of deposit and commercial paper. The objective of this component of the Fund is to preserve capital in keeping with prudent levels of risk, through a combination of income and capital appreciation. Realization of income will be subordinate to safety, liquidity, and marketability (i.e., securities should be readily marketable). This component of the Fund shall adhere to the following criteria:

        1. Average credit quality shall be A or better;
        2. With the exception of U.S. Government and Agency issues, no more than 10% of the bond portfolio, at market value, will be invested in the securities of a single issuer or 5% of the individual issue;
        3. Below investment grade bonds shall not exceed 15% of the bond portfolio; and
        4. Non-U.S. bonds shall not exceed 20% of the bond portfolio.

        Fixed-income managers have full discretion over the allocation between long-term, intermediate, and cash equivalent investments.

C. Equities

1. **Objective**: The objective of the equity portfolio is to enhance total return by investing in a broadly diversified portfolio of domestic and international stocks. The OIC and the Board are mindful of the volatility of the equity markets and choose to dampen this volatility through diversification.

2. **Strategy**: Hold a fully invested, diversified portfolio of global equity securities, including emerging markets.

3. **Permitted Holdings**: Publicly traded domestic and international common stock, and other financial instruments consistent with the guidelines of the investment management agreements.

4. **Diversification**: The OIC recognizes the need for diversification to minimize the risk of significant losses to the Fund. Diversification by capitalization, style, and sector distribution shall be obtained through the selection of complementary investment managers, or index strategies. Not more than five percent of the market value of any investment fund will be invested in any single issuer or security, unless part of an index fund.

5. **Portfolio Restrictions**: There will be no engagement in short sales, purchases on margin, or investments in options, futures, or private placements unless consistent with the underlying investment management agreements.

D. Performance

Global equities are expected to match the performance of the passive benchmark assigned. Fixed income accounts are expected to exceed the return of the Barclays Capital Aggregate Bond Index by 0.5 percent (after fees) over a market cycle for core bond investments.

12. Asset Custody and Securities Lending

Custodial responsibility and the selection of a securities lending agent, for all securities, will be determined by OST.

13. Conclusion

Implementation of this Policy, including investment manager selection, shall be the responsibility of OST staff subject to the necessary approvals from the OIC. This Policy shall be reviewed by the OIC and OST at least every two years.

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:
Biennially

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.

TAB 06.01

OIC PRIVATE EQUITY CONSULTANT UPDATE

INV 210 STAFF WRITE UP

OIC Private Equity Consultant Contract

Purpose
To address the expiring contract of the OIC's private equity consultant, expiring on December 31, 2015.

Background
Staff conducted a complete Request for Information (RFI) process for the OIC's private equity consultant in 2007. At the April 25, 2007 OIC meeting, Pacific Corporate Group (now known as TorreyCove) was selected by the Council. After the initial three-year term, which ended on December 31, 2010, the OIC exercised its option to extend the contract through December 31, 2012. The contract was additionally extended by the OIC through December 31, 2014, at its October 31, 2012 and through to December 31, 2015, at its September 2014 meeting.

Under OIC Policy INV 210 (attached), new contracts are awarded for three-year periods and can be renewed no more than twice and are limited to a final expiration date that is no more than four years beyond the original expiration. At the end of seven years, contracts are to be re-bid and a new seven-year cycle begins. TorreyCove's contract will be at eight years at December 31, 2015.

Discussion
Given the duration of the search for a new Senior Private Equity Investment Officer, which was just completed, Staff believes it is prudent to defer the solicitation process for a private equity consultant until 2016.

Recommendation
Staff proposes 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.

TAB 06.02

OIC PRIVATE EQUITY CONSULTANT UPDATE

POLICY INV 210

OREGON INVESTMENT COUNCIL
POLICY DIRECTIVE

POLICY NO.:	INV 210
DATE:	AUGUST, 28, 2015
DIVISION:	INVESTMENTS
TITLE:	CONSULTING CONTRACTS
OWNER:	DEPUTY CHIEF INVESTMENT OFFICER
REFERENCES:	OST POLICY 4.01.01

INTRODUCTION & OVERVIEW

Summary Policy Statement

This policy outlines the requirements and limitations of written contracts between the Oregon Investment Council (OIC) and external consultants.

Purpose and Goals

The goal of this policy is to establish the parameters within which the OIC may engage and enter into contractual agreements with external consultants.

Applicability

Classified represented, management service, unclassified executive service

POLICY PROVISIONS

Definitions

Placement Agent: includes any third party, affiliated or unaffiliated with an investment manager, investment advisory firm, or a general partnership, that is a party to an agreement or arrangement (whether oral or written) with an investment manager, investment advisory firm, or a general partnership for the direct or indirect payment of a Placement Fee in connection with an OIC investment.

Placement Fee: includes any compensation or payment, directly or indirectly, of a commission, finder's fee, or any other consideration or benefit paid to Placement Agent.

Policy Statements

1. The OIC shall engage consultants using written contracts. Consultants include, but are not limited to, full-service consultants and specific asset class advisors (e.g., real estate, private equity, etc.).

2. Consulting contracts shall have specified expiration dates, termination clauses and renewal/extension terms. Staff shall undertake a formal "request for proposal" (RFP) process before the end of the contract term (including any renewals or extensions) for the purpose of identifying new candidates, upgrading services, ensuring competitive pricing and acquiring any other information or benefits considered relevant to staff and the Council.
3. Consulting contracts shall be negotiated and executed in compliance with Council policy INV 208: Negotiation and Execution of Contracts.
4. Consulting contracts shall expire on a date not to exceed three years from the effective date of the contract.
5. Consulting contracts shall include a "no-cause" termination clause with a maximum 90-day notice period.
6. The Council directs staff to regularly review and evaluate the work of all contractors on an annual basis.
7. Consulting contracts are limited to a) two renewals or extensions beyond the original expiration date, and b) a final expiration date no more than four years beyond the original expiration date.
8. Upon final expiration of the original contract, or whenever directed by the Council, staff shall undertake and complete an RFP process to include the following:
    a. Identification of potential consulting candidates qualified to provide the required services;
    b. Creation of an RFP which shall include, but not be limited to:
        1. Description of services requested;
        2. Description of the potential or preliminary standards required of the candidates; and
        3. Request for pricing or fee schedule information.
9. Consultants under contract with the Council shall disclose, in written recommendations delivered to the Council, any Placement Agent contact Consultants may have had in connection with such Council recommendations.

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.

TAB 07.01

2016 OIC CALENDAR APPROVAL

OREGON INVESTMENT COUNCIL

2016 Schedule

Meetings Begin at 9:00 am

OST North Office (tentative)
16290 SW Upper Boones Ferry Road
Portland, OR 97224

Wednesday, February 3, 2016

Wednesday, March 9, 2016

Wednesday, April 20, 2016

Wednesday, June 1, 2016

Wednesday, August 3, 2016

Wednesday, September 14, 2016

Wednesday, October 26, 2016

Wednesday, December 7, 2016

TAB 08.01

OPERF Q2 PERFORMANCE & RISK REPORT

Callan
FORTY YEARS

September 9, 2015

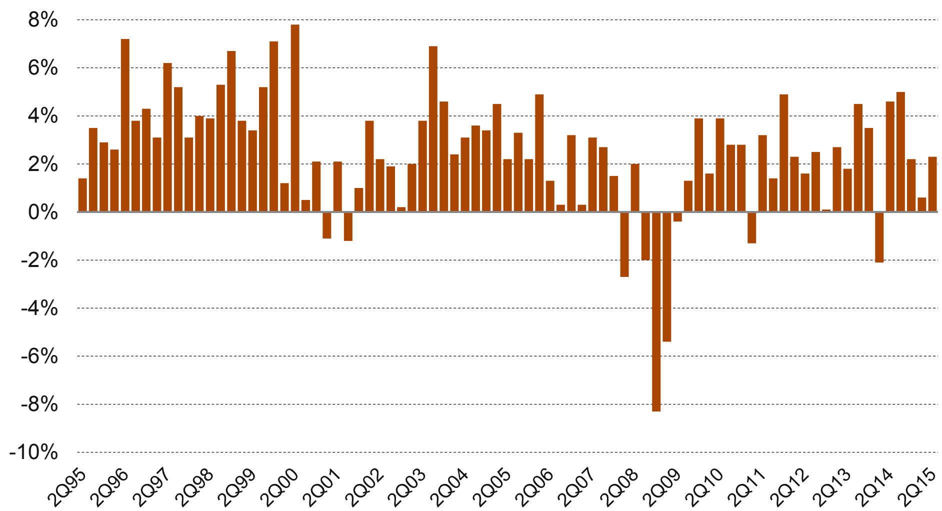
Oregon Investment Council

Second Quarter 2015
Performance Review

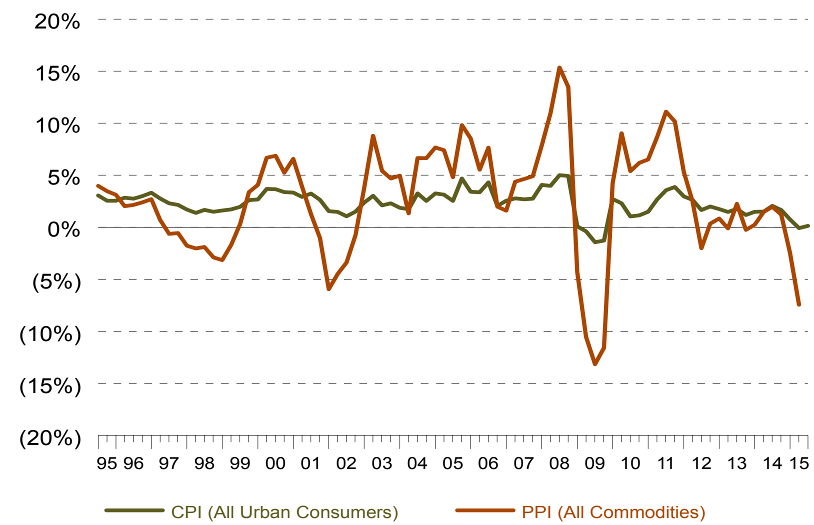
Economic Commentary

Second Quarter 2015

Quarterly Real GDP Growth (20 Years)



Inflation Year-Over-Year



Source: Bureau of Economic Analysis

- The U.S. economy increased at an annualized 2.3% pace in the second quarter. Despite a strong dollar and muted wage growth, an increase in consumer spending boosted growth. First quarter GDP growth was revised upward to 0.6%, erasing the previously reported 0.2% contraction.

- The U.S. unemployment rate continued to fall and registered at 5.3% as of June 2015. However, the labor force participation rate was also lower, accounting for some of the improvement in the unemployment rate alongside actual hiring. Wage growth, which had shown signs of positive momentum earlier in the year, was flat in June and rose just 2% year-over-year.

- Inflation remains contained in the U.S. Core CPI registered at 1.8% for the year ended June 2015. However, headline CPI (including food & energy) was just 0.1% as energy price declines overwhelmed rising prices in Health Care and Housing.

Market Summary – Second Quarter 2015

Index	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years
U.S. Equity:						
Russell:3000 Index	0.14	7.29	17.73	17.54	8.15	4.89
S&P:500	0.28	7.42	17.31	17.34	7.89	4.36
Russell:1000 Index	0.11	7.37	17.73	17.58	8.13	4.68
Russell:1000 Growth	0.12	10.56	17.99	18.59	9.10	2.19
Russell:1000 Value	0.11	4.13	17.34	16.50	7.05	6.88
Russell:Midcap Index	(1.54)	6.63	19.26	18.23	9.40	8.71
Russell:Midcap Growth	(1.14)	9.45	19.24	18.69	9.69	4.47
Russell:Midcap Value	(1.97)	3.67	19.13	17.73	8.89	10.85
Russell:2000 Index	0.42	6.49	17.81	17.08	8.40	7.50
Russell:2000 Growth	1.98	12.34	20.11	19.33	9.86	4.84
Russell:2000 Value	(1.20)	0.78	15.50	14.81	6.87	9.87
U.S. Fixed Income:						
Barclays:Aggregate Index	(1.68)	1.86	1.83	3.35	4.44	5.42
Barclays:Gov/Credit Bond	(2.10)	1.69	1.76	3.52	4.38	5.48
Barclays:Gov/Credit Long	(7.57)	1.94	2.48	6.71	6.14	7.60
Barclays:Gov/Credit 1-3	0.13	0.93	0.94	1.17	2.83	3.55
Barclays:Credit	(2.88)	0.93	3.03	4.93	5.12	6.26
Barclays:Mortgage Idx	(0.74)	2.28	1.92	2.89	4.56	5.31
Barclays:High Yld Corp	0.00	(0.40)	6.81	8.61	7.89	7.75
Barclays:US Universal Idx	(1.40)	1.61	2.33	3.81	4.68	5.65
Real Estate:						
NCREIF:Total Index	3.14	12.98	11.63	12.72	8.16	8.98
NAREIT Composite Idx	(8.95)	3.37	8.54	13.86	6.18	10.82
Global Equity:						
MSCI:ACWI	0.52	1.23	13.61	12.52	6.96	4.15
MSCI:AC WORLD IMI	0.54	0.81	13.34	12.17	6.68	4.16
Non-U.S. Equity:						
MSCI:EAFE US$	0.62	(4.22)	11.97	9.54	5.12	3.20
MSCI:EAFE LC(Net)	(1.82)	11.78	18.08	11.27	5.41	2.36
MSCI:ACWI ex US	0.72	(4.85)	9.92	8.23	6.01	4.23
MSCI:AC Wld Net x US LC	(1.30)	9.59	15.30	9.96	6.07	3.17
MSCI:ACWI SC ex US	4.22	(3.07)	12.32	9.72	7.38	7.35
MSCI:Emer Markets	0.82	(4.77)	4.08	4.03	8.46	8.20
Other:						
3 Month T-Bill	0.01	0.02	0.06	0.08	1.42	1.82
US DOL:CPI All Urban Cons	1.07	0.12	1.31	1.83	2.07	2.19

- Global equity markets posted gains across the board in April, but turned sour in May and June to end the second quarter up less than 1% as measured by the MSCI ACWI Index.
- After several weeks of volatility spurring negotiations, Greece officially defaulted on their debt when they missed a payment to the IMF on June 30th.
- China began an aggressive monetary easing program to counter slowing growth in the first quarter. After a huge run up into the peak reached June 12, the Shenzhen Stock Exchange plunged 21% to the end of June.
- As of the start of the third quarter, these situations are still developing with Greece continuing negotiations for a third bailout deal and China weathering turbulent markets in the midst of continued decelerating growth.
- The Fed continued to indicate a possible modest rate increase later this year. In the June release of the Federal Open Market Committee meeting minutes, language conveyed that most areas of the U.S. economy continue to strengthen, with labor market figures and inflation numbers inching closer towards their targets. However, global economic issues continue to introduce an element of uncertainty for the U.S. economy.
- Low energy prices continue to put downward pressure on headline inflation with a 0.1% increase over last year. Core inflation, which excludes food and energy, rose 1.8% year over year.

Market Summary

Second Quarter 2015

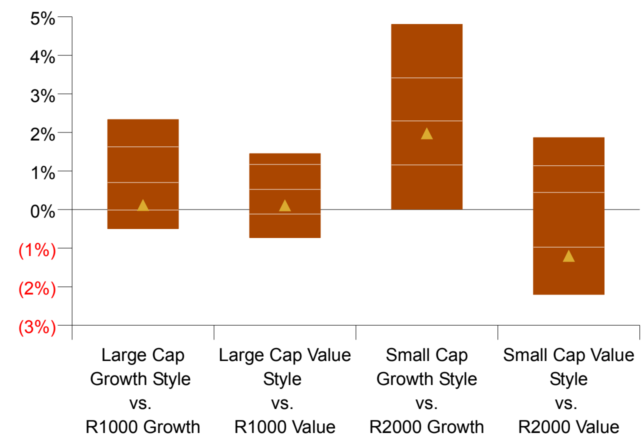
Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
NFI-ODCE Val Gross 3.8%	NFI-ODCE Val Gross 14.4%	Russell:2000 Index 17.8%	Russell:3000 Index 17.5%	MSCI:Emer Markets 8.5%
MSCI:Emer Markets 0.8%	S&P:500 7.4%	Russell:3000 Index 17.7%	S&P:500 17.3%	Russell:2000 Index 8.4%
MSCI:ACWI x US (Net) 0.5%	Russell:3000 Index 7.3%	S&P:500 17.3%	Russell:2000 Index 17.1%	Russell:3000 Index 8.2%
Russell:2000 Index 0.4%	Russell:2000 Index 6.5%	NFI-ODCE Val Gross 13.1%	NFI-ODCE Val Gross 14.4%	S&P:500 7.9%
S&P:500 0.3%	Barclays:Aggregate Index 1.9%	MSCI:ACWI x US (Net) 9.4%	ML:High Yield CP Idx 8.4%	ML:High Yield CP Idx 7.7%
Russell:3000 Index 0.1%	3 Month T-Bill 0.0%	ML:High Yield CP Idx 6.7%	MSCI:ACWI x US (Net) 7.8%	NFI-ODCE Val Gross 6.8%
3 Month T-Bill 0.0%	ML:High Yield CP Idx (0.5%)	MSCI:Emer Markets 4.1%	MSCI:Emer Markets 4.0%	MSCI:ACWI x US (Net) 5.5%
ML:High Yield CP Idx 0.0%	MSCI:Emer Markets (4.8%)	Barclays:Aggregate Index 1.8%	Barclays:Aggregate Index 3.3%	Barclays:Aggregate Index 4.4%
Barclays:Aggregate Index (1.7%)	MSCI:ACWI x US (Net) (5.3%)	3 Month T-Bill 0.1%	3 Month T-Bill 0.1%	3 Month T-Bill 1.4%

US Equity Overview

Second Quarter 2015

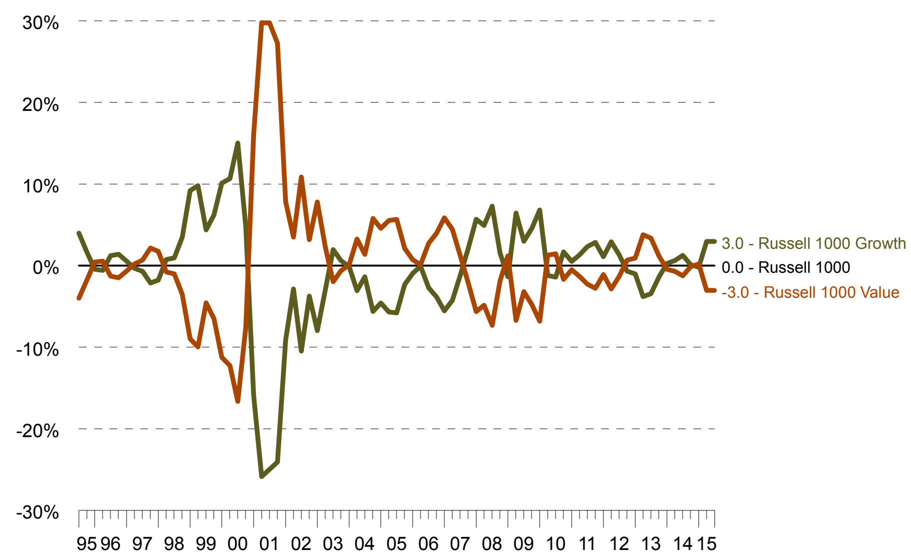
- The second quarter got off to a promising start through April and May. In June, however, broad domestic equity markets, as measured by the Russell 3000 Index, dropped 1.7%, reducing U.S. equity results for the three-month period to 0.14%.
- The extremes of the capitalization spectrum performed best as mega caps and microcaps returned more than 1% (Russell Top 50: +1.5%, Russell Microcap: +2.8%). Large and small caps lagged, but managed fractional gains (Russell 1000: +0.1%, Russell 2000: +0.4%), while midcaps trailed considerably (Russell Midcap: -1.5%). Growth maintained its lead over value in all capitalizations, but most dramatically in small caps (Russell 2000 Growth Index; +2.0% and Russell 2000 Value Index; -1.2%).

Callan Style Group Quarterly Returns



	Large Cap Growth Style vs. R1000 Growth	Large Cap Value Style vs. R1000 Value	Small Cap Growth Style vs. R2000 Growth	Small Cap Value Style vs. R2000 Value
10th Percentile	2.34	1.45	4.80	1.87
25th Percentile	1.63	1.17	3.42	1.14
Median	0.71	0.52	2.30	0.45
75th Percentile	-0.01	-0.11	1.16	-0.97
90th Percentile	-0.49	-0.72	0.01	-2.20
Benchmark ▲	0.12	0.11	1.98	-1.20

Rolling One-Year Relative Returns (versus Russell 1000 Index)

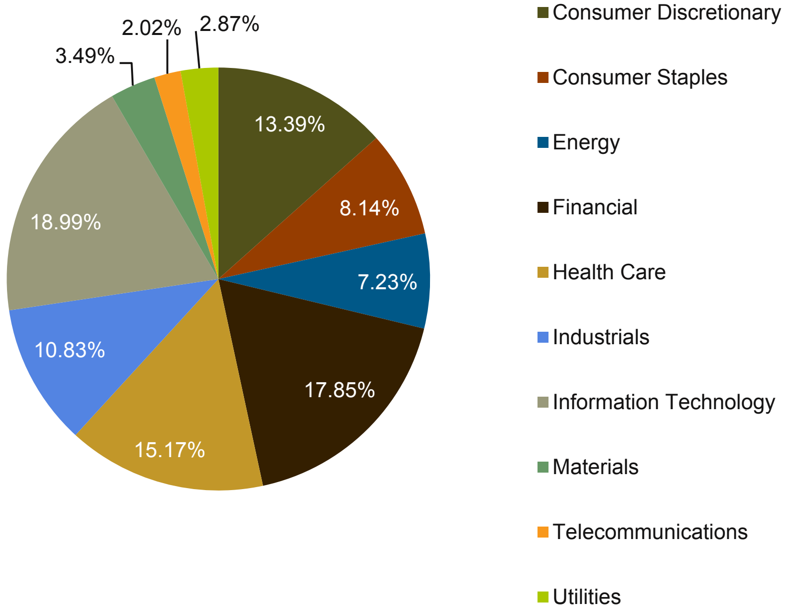


Sources: Callan, Russell Investment Group

US Equity Overview

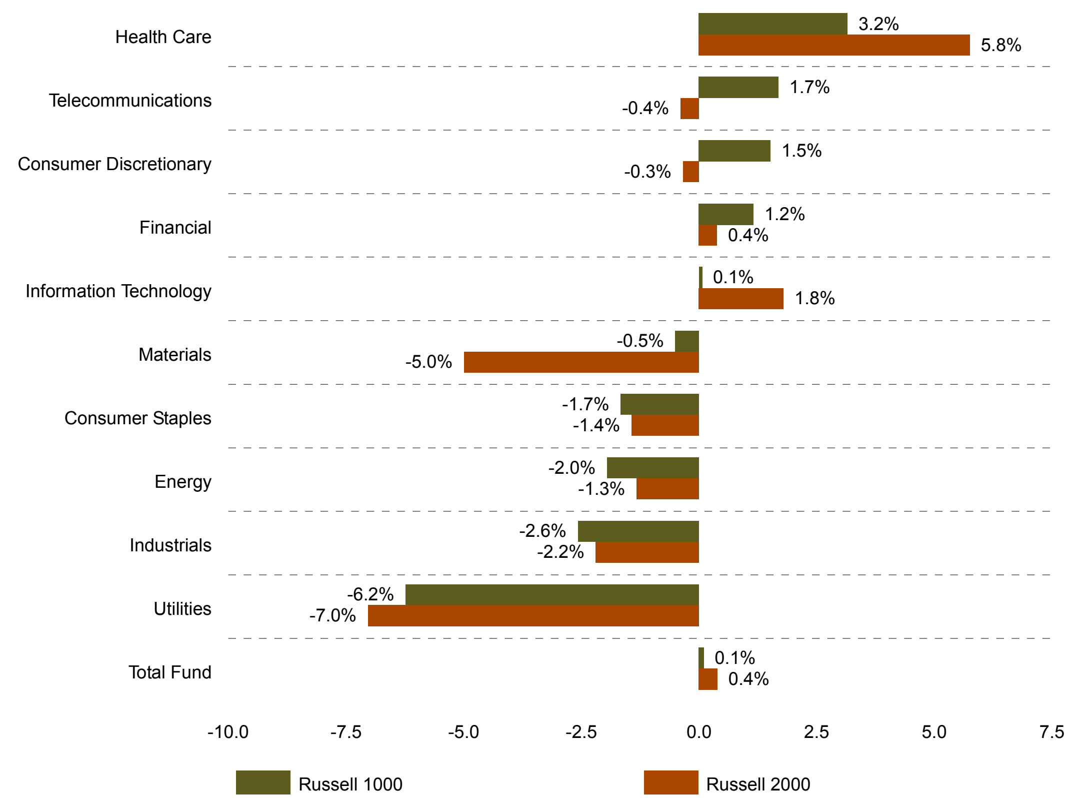
Second Quarter 2015

Economic Sector Exposure (Russell 3000)



Source: Russell Investment Group

Economic Sector Quarterly Returns (Russell 3000)



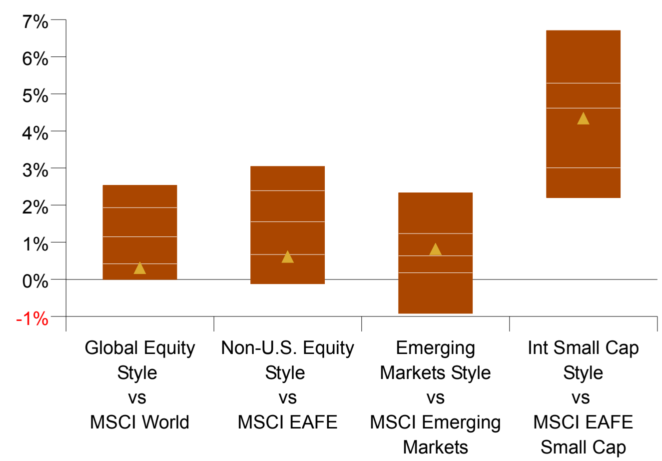
- Within the Russell 3000, the 10 economic sectors were evenly split between winners and losers; Health Care (+3.4%) and Telecommunications (+1.6%) topped the positive list while Industrials (-2.5%) and Utilities (-6.3%) were down sharply.

Non-US Equity

Second Quarter 2015

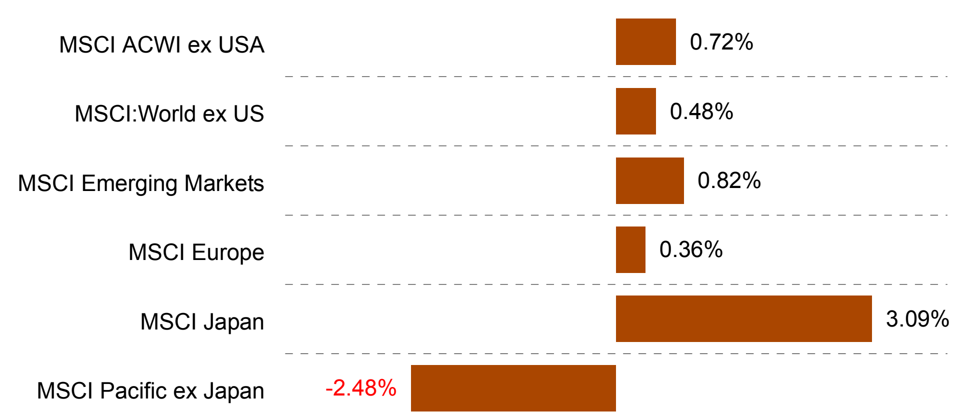
- Developed foreign equities performed in line with domestic indices in U.S. dollar terms; however, a strengthening euro and pound masked weakness in local currency equity returns. Foreign small caps outperformed all other major equity groups, up over 4% amid the macro chaos.
- Non-U.S. markets managed to eke out a slightly positive return despite heightened concerns about Greece and China. Broadly representing both developed and emerging stocks, the MSCI ACWI ex-US gained 0.7%. Regionally, Japan performed best, gaining 3.1%. Emerging market equities delivered fractionally positive results that just eclipsed developed market performance. MSCI Pacific ex Japan suffered the most, declining 2.5%.

Callan Style Group Quarterly Returns



	Global Equity Style vs MSCI World	Non-U.S. Equity Style vs MSCI EAFE	Emerging Markets Style vs MSCI Emerging Markets	Int Small Cap Style vs MSCI EAFE Small Cap
10th Percentile	2.54	3.05	2.34	6.71
25th Percentile	1.93	2.39	1.23	5.29
Median	1.15	1.56	0.64	4.62
75th Percentile	0.42	0.67	0.18	3.01
90th Percentile	0.00	-0.12	-0.92	2.20
Benchmark ▲	0.31	0.62	0.82	4.34

Regional Quarterly Performance (U.S. Dollar)

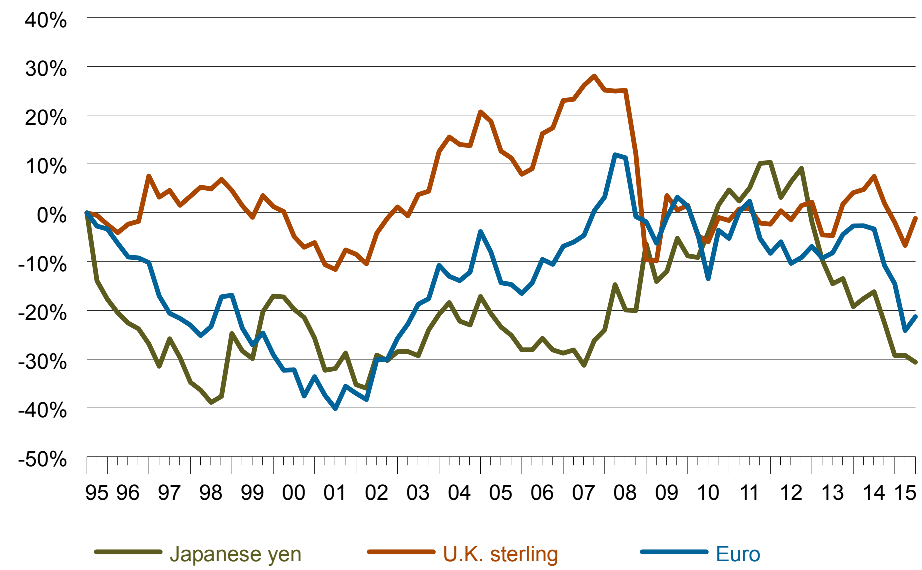


Source: MSCI

Currency and Yield Curve

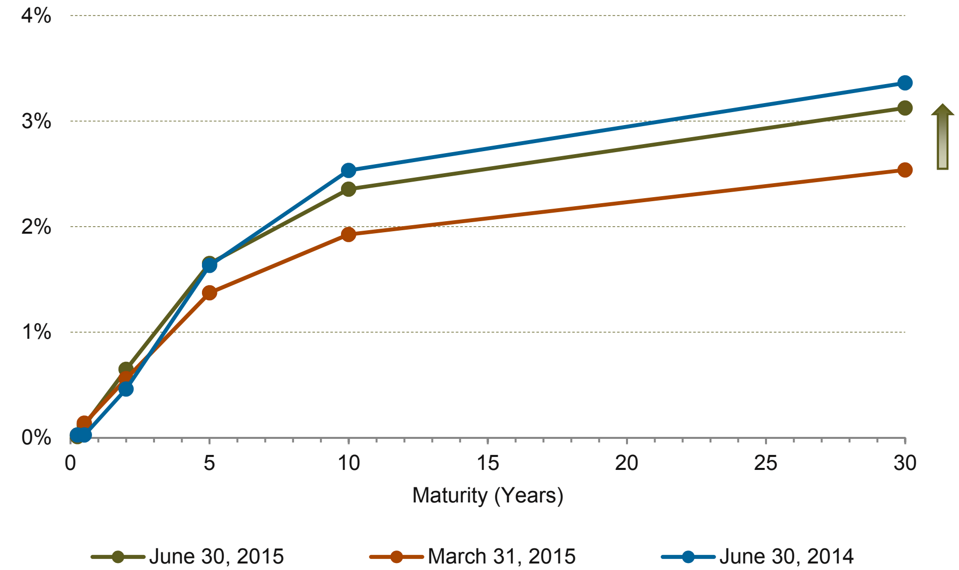
Second Quarter 2015

Major Currencies' Cumulative Returns (vs. U.S. Dollar)



*Euro returns from 1Q99. German mark prior to 1Q99.
Source: MSCI

U.S. Treasury Yield Curves



Source: Bloomberg

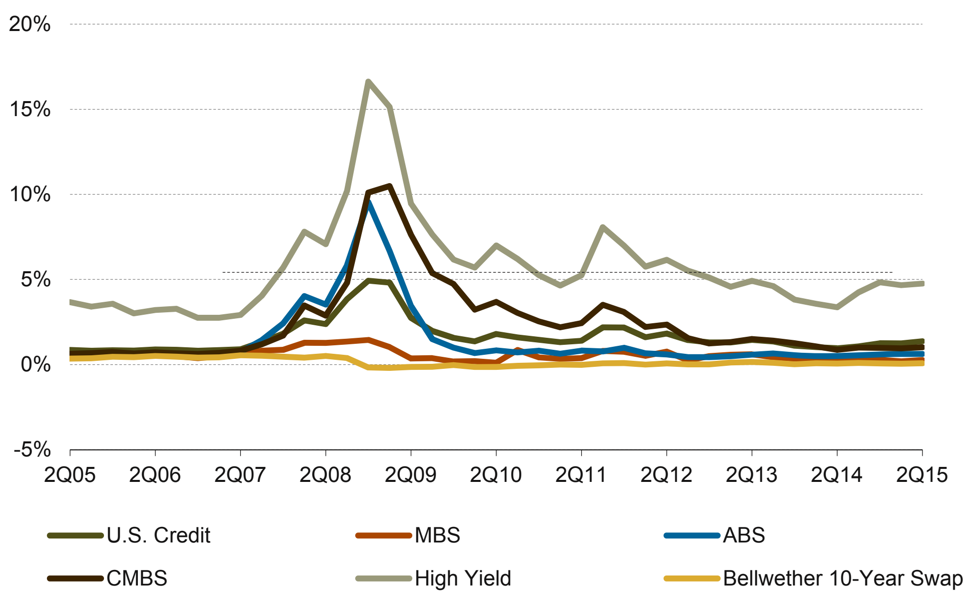
- The euro and the sterling gained ground during the quarter but the yen fell to a 12 year low versus the dollar.
- Interest rates moved higher in the second quarter given upward pressure from global interest rates as deflationary fears showed signs of relenting.
- The yield curve steepened after five consecutive quarters of flattening. The 10-year U.S. Treasury yield increased 43 bps, closing at 2.35%. Yields on longer-term bonds increased even more with the 30-year U.S. Treasury yield increasing 59 bps, resulting in a 10.4% loss for the long bond.

Fixed Income

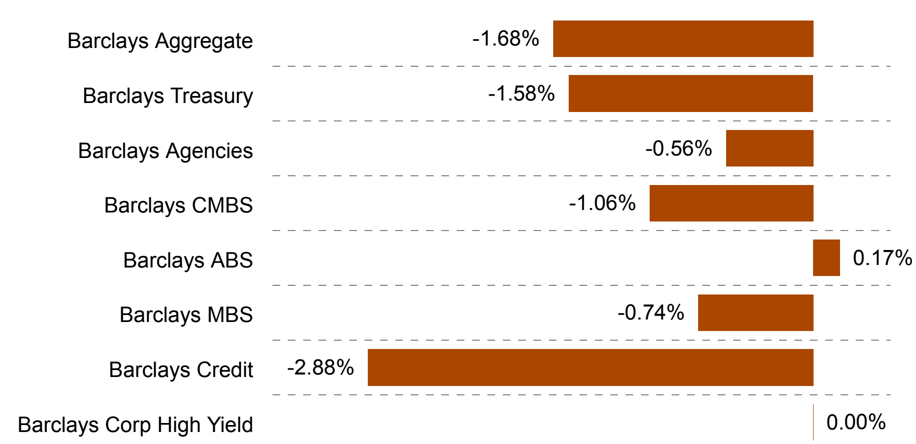
Second Quarter 2015

- Broad bond markets, as measured by the Barclays US Aggregate, fell 1.7% in the 2nd quarter, erasing most of its 1st quarter gains. Corporate bonds underperformed like-duration US Treasuries by 90 bps as spreads widened. Issuance remained robust and rising rates, worries over Greece and poor liquidity also weighed on the sector. Mortgages performed in line with Treasuries for the quarter. TIPS outperformed nominal Treasuries as inflation expectations rose roughly 10 bps over the quarter.
- High yield corporate bonds were among the best performers in the U.S. fixed income market as some energy companies rebounded strongly. The Barclays High Yield Index ended the quarter unchanged.

Effective Yield Over Treasuries



Absolute Returns for Quarter ended June 30, 2015



OPERF Total Regular Account

Performance Summary for the Second Quarter 2015

Total Fund:

For the second quarter of 2015, the Total Regular Account gained 1.03% (+0.96% net of fees),versus a return of 1.06% for the Policy Target, and ranked in the 8th percentile of the $10B+ public fund peer group. For the 12 months ended June 30, 2015, the Account gained 4.59% (+4.32% net of fees), trailing the Policy Target return of 5.47%, and ranked in the 11th percentile of Callan's $10B+ public fund peer group.

Asset Classes:

- **U.S. Equity**: The U.S. Equity Portfolio added 0.30% (+0.27% net of fees) for the quarter, just edging out the 0.14% gain in the Russell 3000 Index. This return ranked the Portfolio in the 50th percentile of Callan's Public Fund: $10B+ Domestic Equity (gross) peer group. On a trailing year basis, the Portfolio rose 7.01% (+6.83% net of fees) versus a gain of 7.29% for the benchmark, and ranked in the 43rd percentile of the peer group. 10 year results remain slightly ahead of the benchmark and rank in the top third of the peer group.

- **International Equity:** The International Equity Portfolio advanced 1.58% (+1.49% net of fees) for the quarter versus the 1.00% gain in the MSCI ACWI ex-U.S. IMI Index. This return ranked the Portfolio in the top 5th percentile of Callan's Public Fund: $10B+ International Equity (gross) peer group. For the trailing year, the Portfolio declined -2.71% (-3.07% net of fees), protecting against the 4.97% drop in the benchmark, and ranked in the 8th percentile of the peer group. 10 year results remain comfortably ahead of the benchmark and rank in the top decile of the peer group.

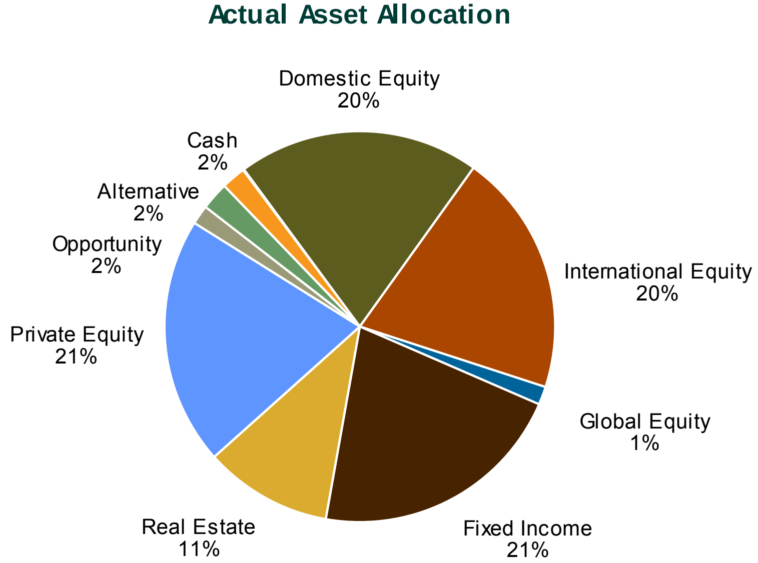
- **Fixed Income:** The Fixed Income Portfolio lost 0.37% (-0.43% net of fees) in the quarter, protecting against the 0.52% retracement in the Custom Benchmark. This return ranked the Portfolio in the 8th percentile of Callan's Large Public Funds >$10B – Domestic Fixed (Gross) peer group. For the trailing year, the Portfolio gained 1.69% (1.47% net of fees) versus 1.37% for the benchmark. This return ranked the Portfolio in the 43rd percentile of the peer group. 10 year results continue to be favorable versus both the benchmark and peer group.

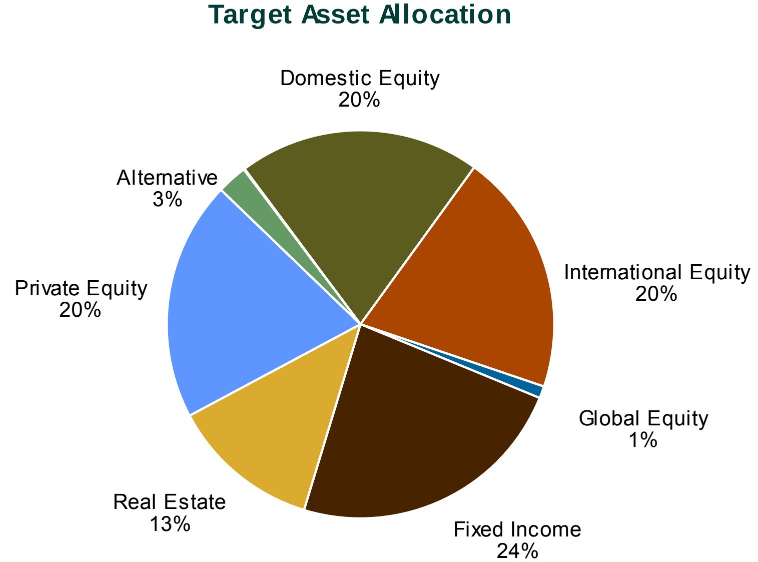
- **Private Equity:** The Private Equity Portfolio's absolute returns remain strong though the 10 year net return of 11.86% as of the end of this quarter is just slightly behind the 11.99% gain in the benchmark.

- **Real Estate:** The Real Estate Portfolio continues to show solid absolute results over the last decade with three and five year returns ahead of the benchmark; though as of this quarter, the Portfolio's 10 year gain of 8.03% is just slightly behind the 8.39% rise in the benchmark over the same time period.

OPERF Total Regular Account

Asset Allocation as of June 30, 2015





Asset Class	$000s Actual	Weight Actual	Target	Percent Difference	$000s Difference
Domestic Equity	14,030,035	20.0%	20.2%	(0.2%)	(156,832)
International Equity	14,094,335	20.1%	20.2%	(0.1%)	(92,532)
Global Equity	1,035,415	1.5%	1.0%	0.5%	334,829
Fixed Income	14,951,078	21.3%	23.5%	(2.2%)	(1,512,693)
Real Estate	7,453,515	10.6%	12.5%	(1.9%)	(1,303,810)
Private Equity	14,371,487	20.5%	20.0%	0.5%	359,766
Opportunity	1,110,087	1.6%	0.0%	1.6%	1,110,087
Alternative	1,609,581	2.3%	2.5%	(0.2%)	(141,885)
Cash	1,403,070	2.0%	0.0%	2.0%	1,403,070
Total	70,058,602	100.0%	100.0%		

OPERF Total Regular Account

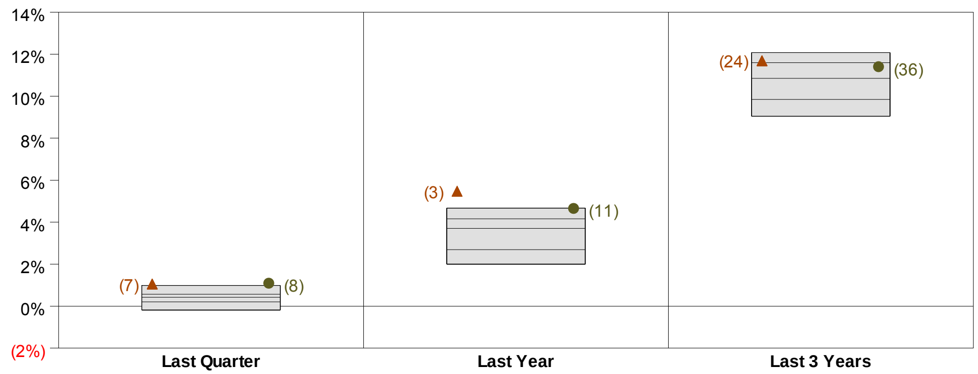
Net Performance by Asset Class as of June 30, 2015

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Total Public Equity	**0.89%**	**1.77%**	**14.64%**	**13.09%**	**6.82%**
MSCI ACWI IMI Net	0.54%	0.81%	13.34%	12.17%	6.68%
Domestic Equity	**0.27%**	**6.83%**	**17.55%**	**17.26%**	**8.02%**
Russell 3000 Index	0.14%	7.29%	17.73%	17.54%	8.15%
CAI Pub Fund:10+ Dom Eq	0.29%	6.55%	17.82%	17.59%	8.22%
International Equity	**1.49%**	**(3.07%)**	**11.60%**	**9.52%**	**7.16%**
MSCI ACWI ex-US IMI Index	1.00%	(4.97%)	9.80%	8.00%	5.96%
CAI Pub Fund:10+ Intl Eq	0.78%	(4.20%)	10.19%	8.64%	6.12%
Total Fixed Income	**(0.43%)**	**1.47%**	**3.52%**	**5.33%**	**5.69%**
Custom FI Benchmark	(0.52%)	1.37%	2.82%	3.87%	4.66%
CAI Pub Fund: 10+ US	(1.79%)	1.43%	2.65%	4.42%	4.97%
Total Real Estate	**(0.07%)**	**12.04%**	**13.03%**	**13.66%**	**8.03%**
Total Real Estate ex REITs	2.35%	14.77%	14.11%	13.63%	8.35%
NCREIF Property Index Qtr Lag	3.57%	12.72%	11.47%	12.75%	8.39%
Public Plan - Real Estate	(0.19%)	9.74%	11.12%	12.60%	6.05%
Total Private Equity	**3.30%**	**9.54%**	**13.61%**	**13.69%**	**11.86%**
Russell 3000 + 300 BPS Qtr Lag	2.55%	15.71%	19.88%	18.12%	11.99%
Total Alternative	**0.58%**	**(1.99%)**	**0.90%**	**-**	**-**
CPI + 4%	2.06%	4.13%	5.36%	-	-
Opportunity Portfolio	**1.70%**	**(0.73%)**	**11.62%**	**11.18%**	**-**
Russell 3000 Index	0.14%	7.29%	17.73%	17.54%	8.15%
CPI + 5%	2.38%	4.62%	6.14%	6.80%	7.10%
Total Regular Account	**0.96%**	**4.32%**	**11.07%**	**11.23%**	**7.34%**
Total Regular Account ex-Overlay	0.97%	4.28%	11.03%	11.11%	7.38%
OPERF Policy Benchmark*	1.06%	5.47%	11.69%	11.46%	7.49%

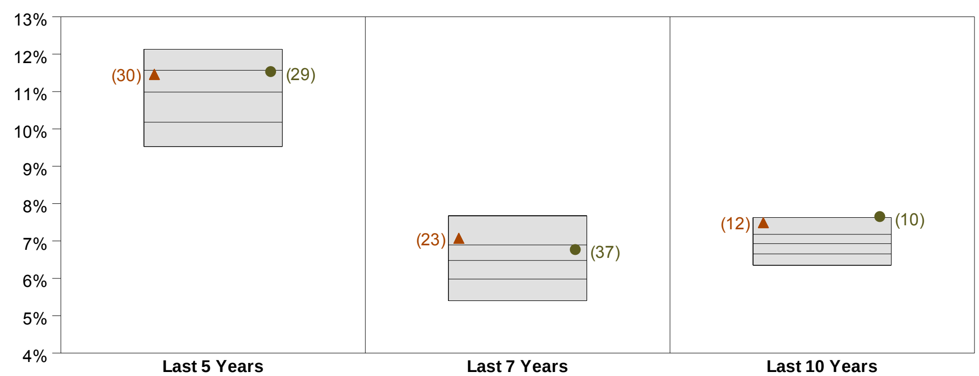
*Policy Benchmark = 41.5% MSCI ACWI-net, 23.5% Custom FI Benchmark, 20.0% Russell 3000 + 300 BPS Qtr Lag, 12.5% NCREIF Property Index Qtr Lag, 2.5% CPI + 400 bps

OPERF Total Regular Account

Gross Performance and Peer Group Rankings as of June 30, 2015*



	Last Quarter	Last Year	Last 3 Years
10th Percentile	0.98	4.67	12.07
25th Percentile	0.57	4.16	11.59
Median	0.42	3.70	10.85
75th Percentile	0.20	2.69	9.84
90th Percentile	(0.19)	2.00	9.04
Total Regular Account ** ●	1.03	4.59	11.34
Policy Target ▲	1.06	5.47	11.69



	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	12.13	7.67	7.62
25th Percentile	11.57	6.89	7.17
Median	10.99	6.48	6.93
75th Percentile	10.18	5.98	6.65
90th Percentile	9.53	5.40	6.35
Total Regular Account ●	11.50	6.73	7.61
Policy Target ▲	11.46	7.07	7.49

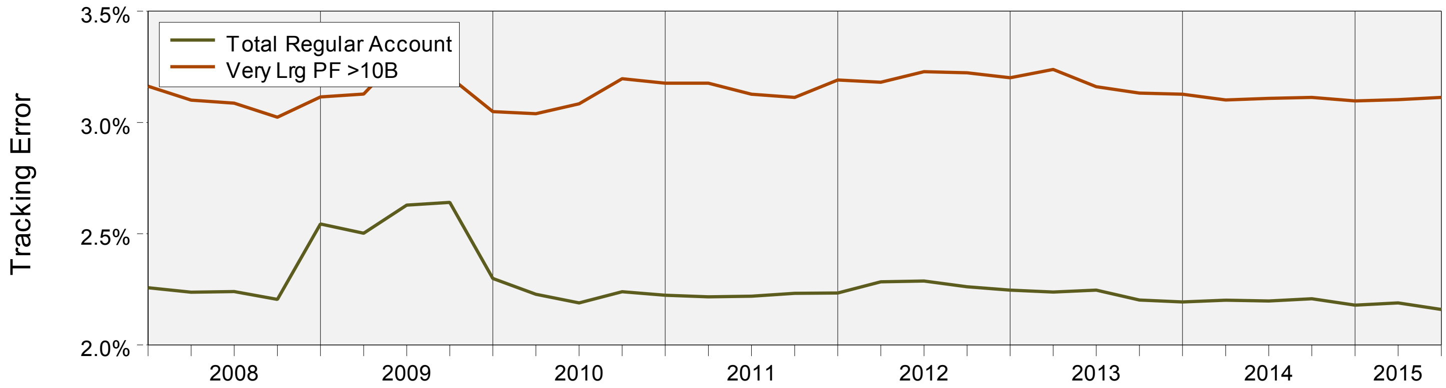
*Versus Callan's Very Large Public Funds (> $10 billion) Peer Group

Policy target= 41.5% MSCI ACWI-net, 23.5% Custom FI Benchmark, 20.0% Russell 3000 + 300 BPS Qtr Lag, 12.5% NCREIF Property Index Qtr Lag, 2.5% CPI + 400 bps

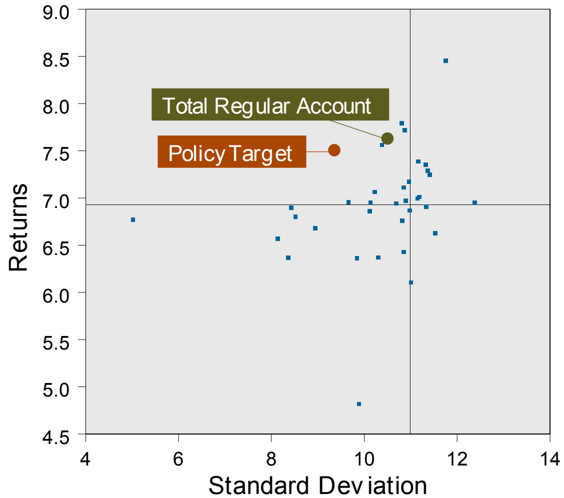
OPERF Total Regular Account

Risk Analysis vs. Very Large Public Funds (>10 billion)
Ten Years ended June 30, 2015

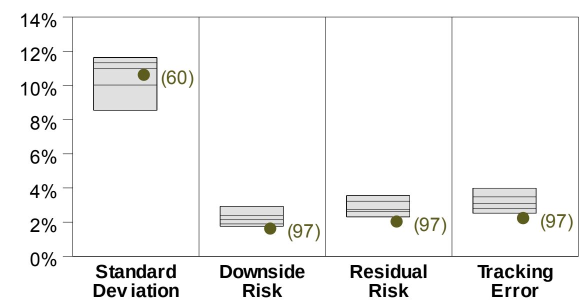
Rolling 40 Quarter Tracking Error vs Policy Target



Risk Analysis vs Very Lrg Public Funds (>10B) (Gross)
Ten Years Ended June 30, 2015



Risk Statistics Rankings vs Policy Target
Rankings Against Very Lrg Public Funds (>10B) (Gross)
Ten Years Ended June 30, 2015

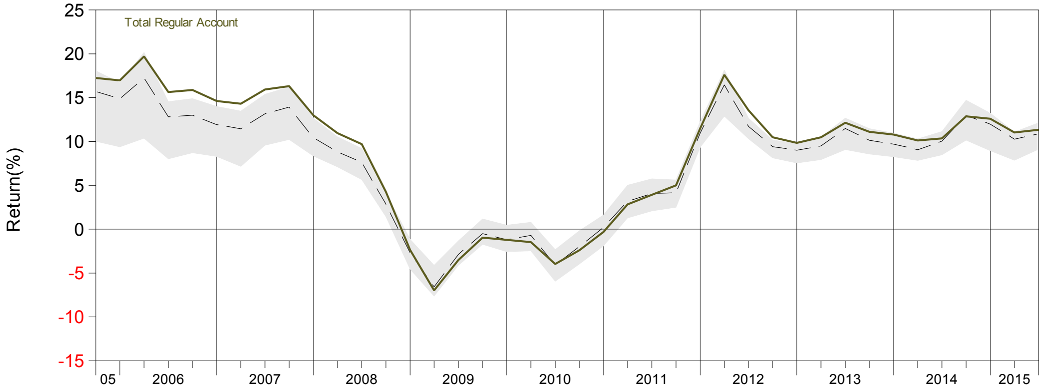


	Standard Deviation	Downside Risk	Residual Risk	Tracking Error
10th Percentile	11.63	2.93	3.55	3.99
25th Percentile	11.32	2.41	3.23	3.48
Median	10.99	2.14	2.75	3.11
75th Percentile	10.03	1.90	2.62	2.79
90th Percentile	8.55	1.76	2.31	2.52
Total Regular Account ●	10.53	1.55	1.96	2.16

OPERF Total Regular Account

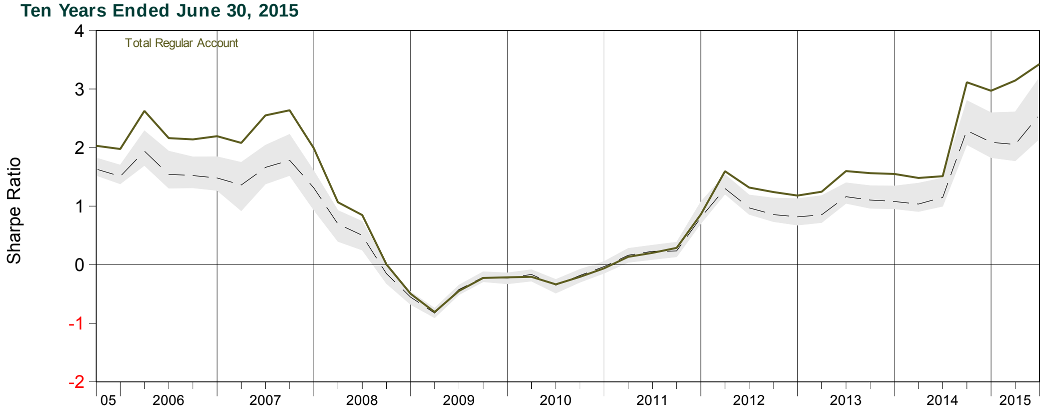
Historical Consistency Analysis vs. Very Large Public Funds (>10 billion)

Rolling Three Year Return(%) Relative to Policy Target
Ten Years Ended June 30, 2015



Rolling Three Year Period Analysis	Median	Portfolio
Average Annual Return(%)	7.71%	8.72%
% Positive Periods	80%	78%
Average Ranking	50	28

Rolling Three Year Sharpe Ratio Relative to Policy Target
Ten Years Ended June 30, 2015

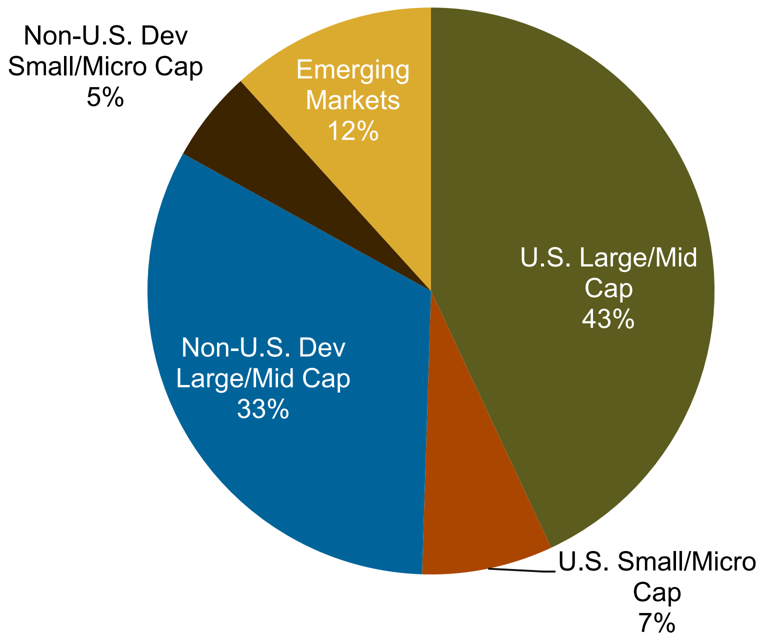


Rolling Three Year Period Analysis	Median	Portfolio
Average Annual Sharpe Ratio	0.86%	1.24%
% Positive Periods	75%	78%
Average Ranking	50	19

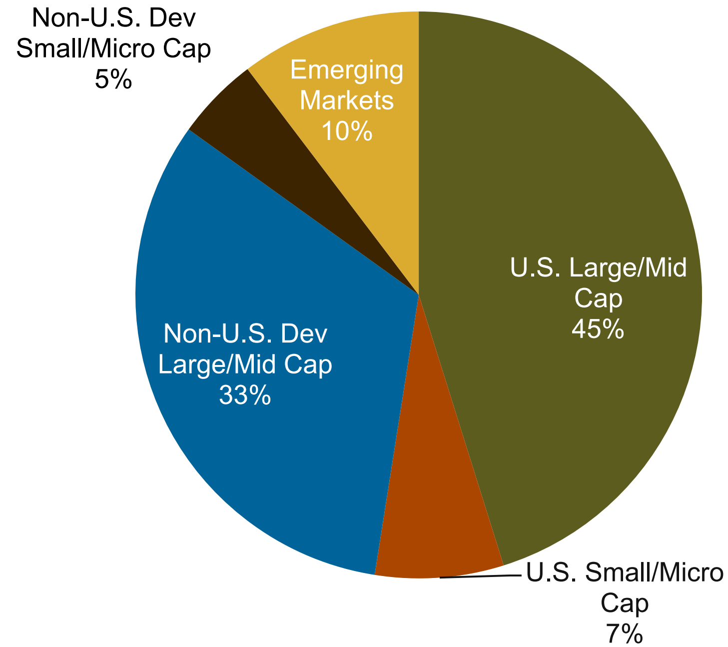
OPERF Public Equity

Regional Style Allocation as of June 30, 2015

Current Allocation



Target Allocation



Percentages may not sum to 100% due to rounding

OPERF Public Equity

Asset Distribution as of June 30, 2015

		Market Values	% of Total Fund
Total Public Equity	$	29,159,784,391	40.40%
Domestic Equity	$	14,013,805,215	19.75%
Large Cap Growth	$	2,216,346,305	3.10%
Large Cap Value	$	2,103,582,501	2.96%
Small Cap Growth	$	344,958,283	0.47%
Small Cap Value	$	778,891,350	1.10%
Market Oriented	$	8,570,026,776	12.01%
International Equity	$	14,094,334,584	19.21%
International Market Oriented (Core)	$	7,398,708,412	10.00%
International Value	$	1,798,628,631	2.48%
International Growth	$	1,466,802,985	2.03%
International Small Cap	$	1,435,134,199	1.93%
Emerging Markets	$	1,995,060,357	2.76%
Global Equity	$	1,035,415,056	1.44%
Other	$	16,229,536	0.07%

OPERF Public Equity

Style Exposure as of June 30, 2015

Style Exposure Matrix
Holdings as of June 30, 2015

	Value	Core	Growth	Total
Large	20.7% (248) 23.5% (255)	18.3% (272) 21.1% (266)	22.5% (316) 24.4% (313)	**61.5% (836)** **69.1% (834)**
Mid	6.5% (401) 5.4% (460)	8.2% (556) 6.9% (581)	8.5% (543) 7.5% (635)	**23.2% (1500)** **19.8% (1676)**
Small	2.7% (695) 2.8% (1010)	4.6% (1072) 3.6% (1324)	3.5% (613) 2.9% (1094)	**10.9% (2380)** **9.3% (3428)**
Micro	1.3% (1370) 0.7% (994)	2.1% (2395) 0.7% (960)	1.0% (487) 0.5% (676)	**4.4% (4252)** **1.8% (2630)**
Total	**31.2% (2714)** **32.4% (2719)**	**33.3% (4295)** **32.3% (3131)**	**35.5% (1959)** **35.3% (2718)**	**100.0% (8968)** **100.0% (8568)**

Style Exposure Matrix
Holdings as of June 30, 2015

	Value	Core	Growth	Total
Europe/ Mid East	5.3% (427) 6.0% (438)	7.0% (499) 7.3% (477)	8.5% (368) 8.5% (484)	**20.8% (1294)** **21.8% (1399)**
N. America	19.6% (836) 19.0% (814)	18.1% (1091) 17.1% (1134)	19.8% (684) 18.9% (895)	**57.6% (2611)** **55.0% (2843)**
Pacific	3.7% (741) 4.1% (577)	3.8% (591) 4.2% (603)	4.1% (338) 4.1% (513)	**11.6% (1670)** **12.4% (1693)**
Emerging/ FM	2.6% (710) 3.3% (890)	4.3% (2114) 3.7% (917)	3.1% (569) 3.8% (826)	**10.0% (3393)** **10.8% (2633)**
Total	**31.2% (2714)** **32.4% (2719)**	**33.3% (4295)** **32.3% (3131)**	**35.5% (1959)** **35.3% (2718)**	**100.0% (8968)** **100.0% (8568)**

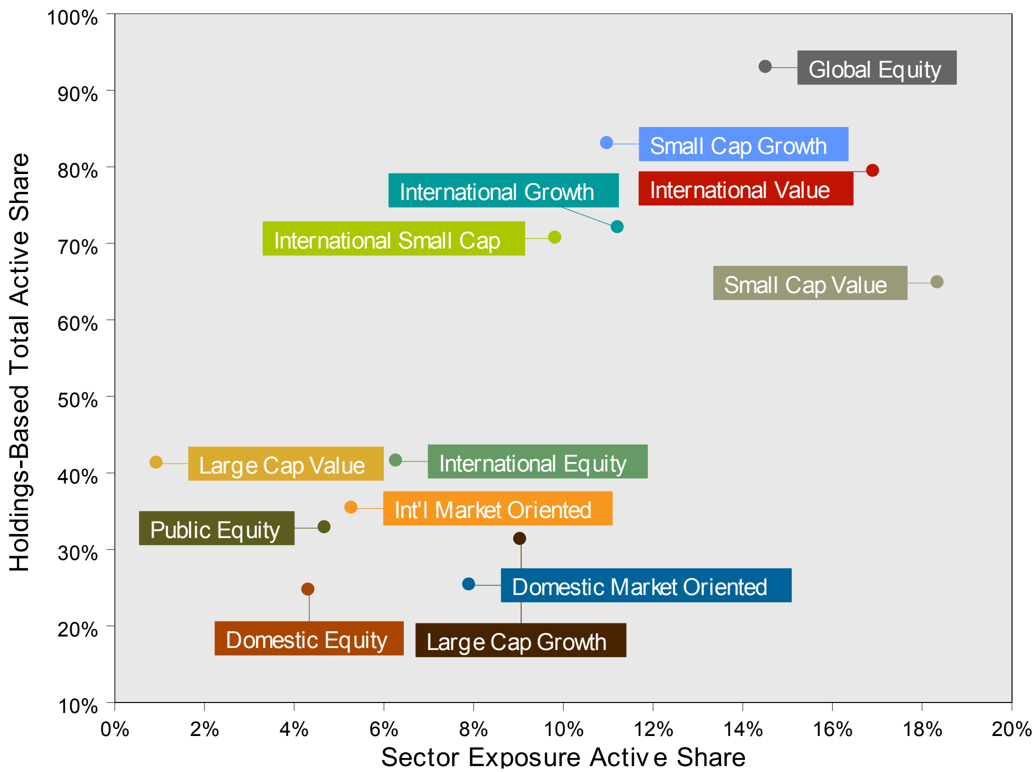
- **Public Equity**
- **MSCI ACWI IMI**

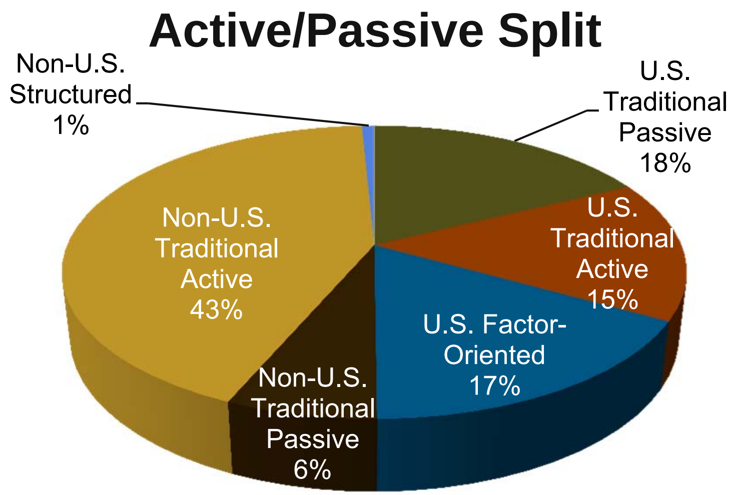
Percentages may not sum to 100% due to rounding

OPERF Public Equity

Public Market Allocation as of June 30, 2015

Active Share Analysis



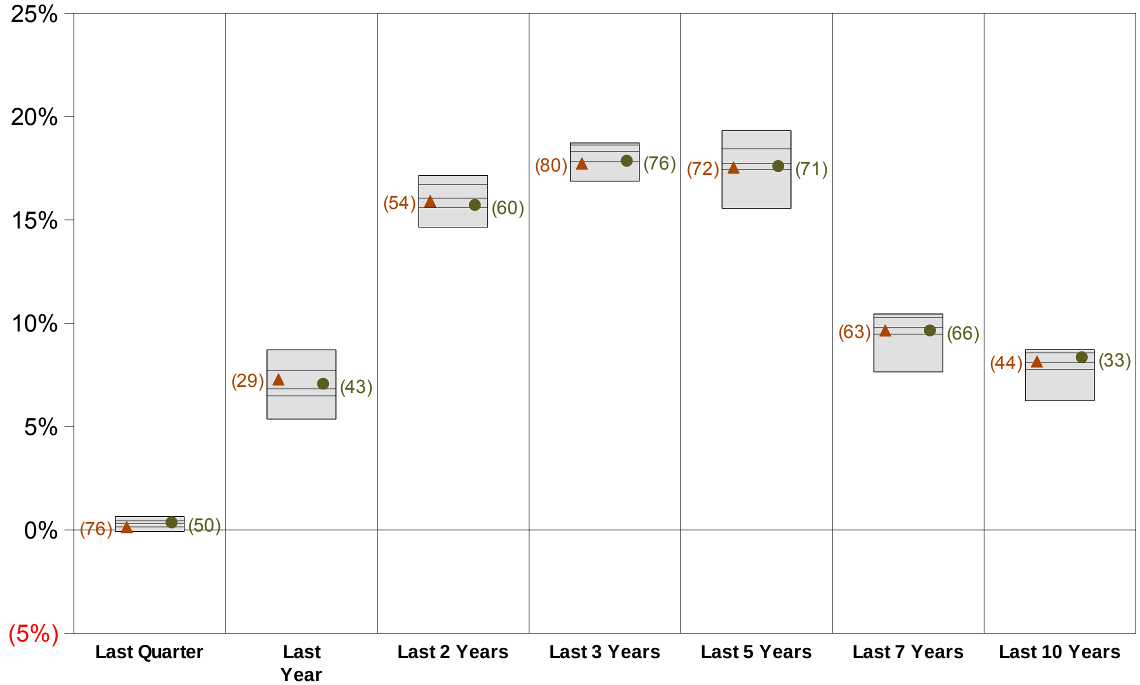


	Weight %	Index	Total Act Share	Non-Idx Act Share	Sector Act Share	Number Securities
Public Equity	100.00%	AC WORLD IMI	32.79%	2.70%	4.70%	9366

OPERF U.S. Equity

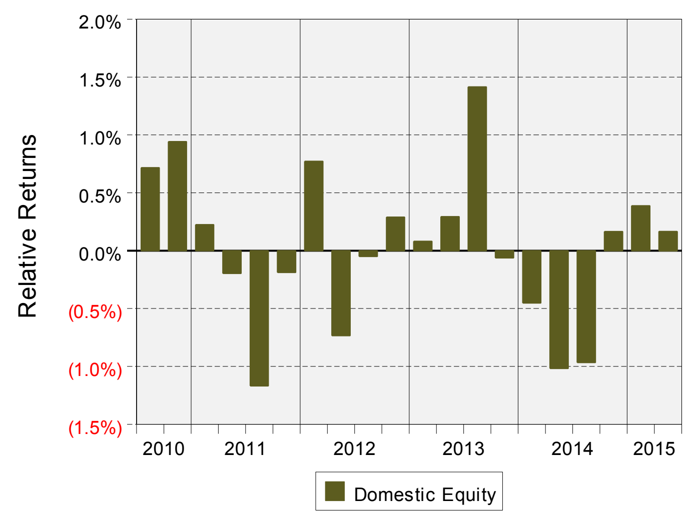
Performance Analysis as of June 30, 2015

Performance vs CAI Pub Fund:10+ Dom Eq (Gross)



	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	0.65	8.72	17.16	18.73	19.32	10.45	8.73
25th Percentile	0.44	7.70	16.71	18.62	18.44	10.28	8.57
Median	0.30	6.83	16.06	18.31	17.73	9.81	8.09
75th Percentile	0.14	6.48	15.60	17.81	17.44	9.48	7.77
90th Percentile	(0.08)	5.36	14.65	16.87	15.56	7.65	6.26
Domestic Equity ●	0.30	7.01	15.67	17.80	17.54	9.59	8.29
Russell 3000 Index ▲	0.14	7.29	15.91	17.73	17.54	9.65	8.15

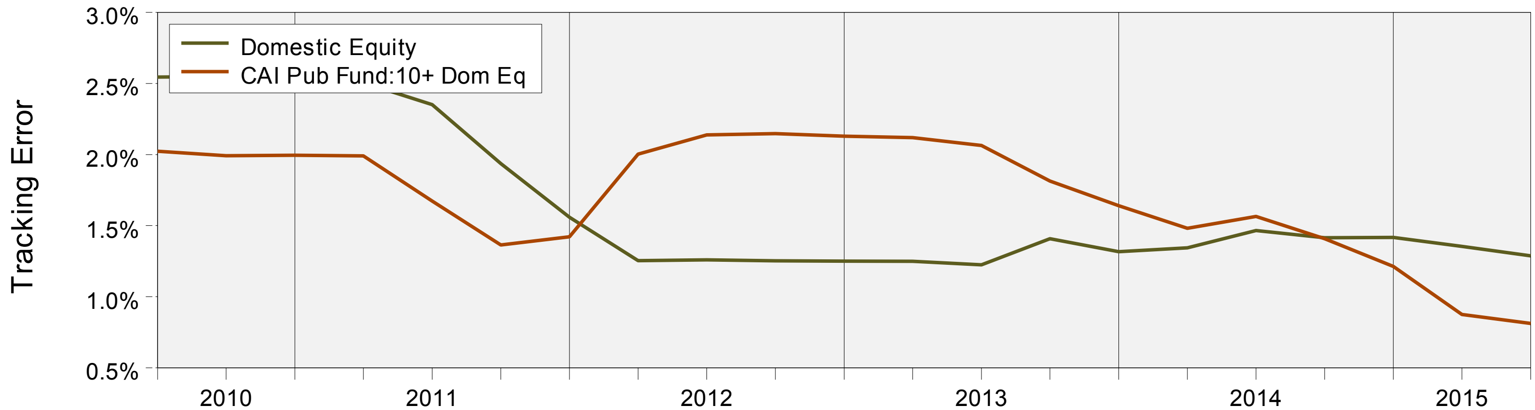
Relative Return vs Russell 3000 Index



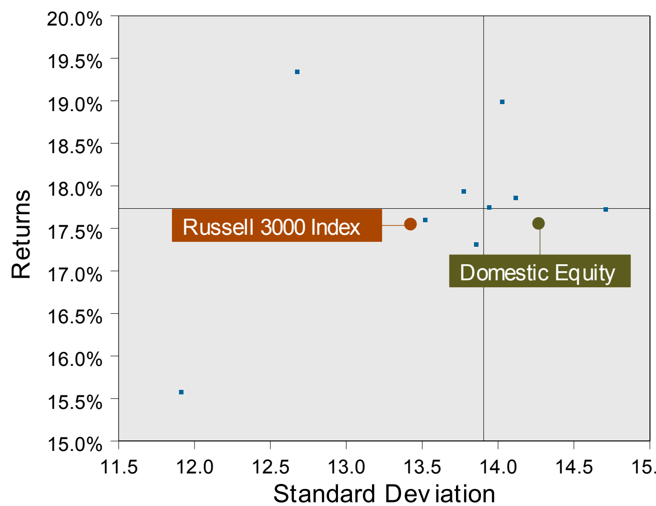
OPERF U.S. Equity

Risk Analysis as of June 30, 2015

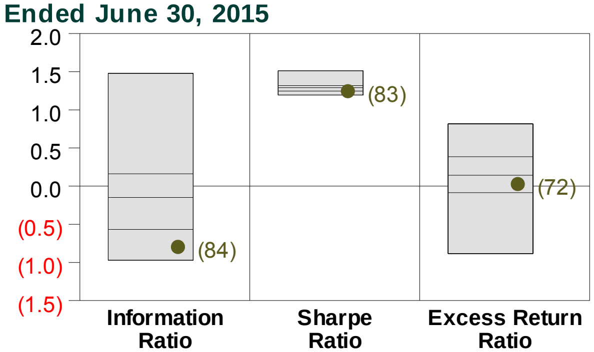
Rolling 12 Quarter Tracking Error vs Russell 3000 Index



CAI Pub Fund:10+ Dom Eq (Gross)
Annualized Five Year Risk vs Return



Risk Adjusted Return Measures vs Russell 3000 Index
Rankings Against CAI Pub Fund:10+ Dom Eq (Gross)
Five Years Ended June 30, 2015

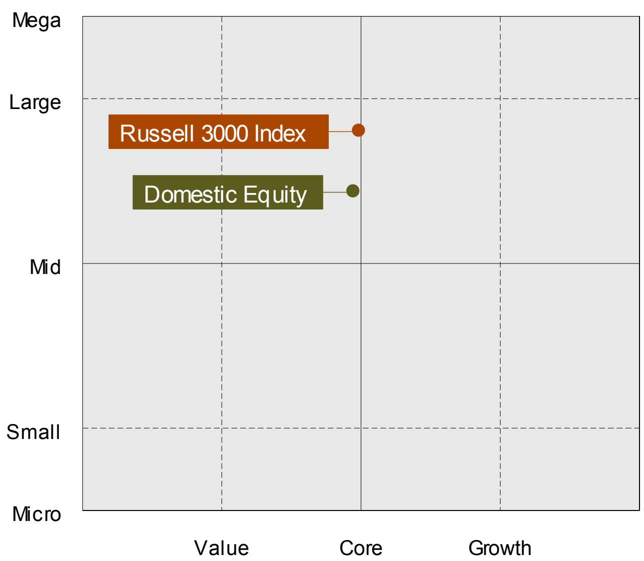


	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	1.48	1.51	0.82
25th Percentile	0.16	1.32	0.39
Median	(0.15)	1.29	0.14
75th Percentile	(0.57)	1.25	(0.09)
90th Percentile	(0.97)	1.19	(0.89)
Domestic Equity ●	(0.82)	1.22	0.01

OPERF U.S. Equity

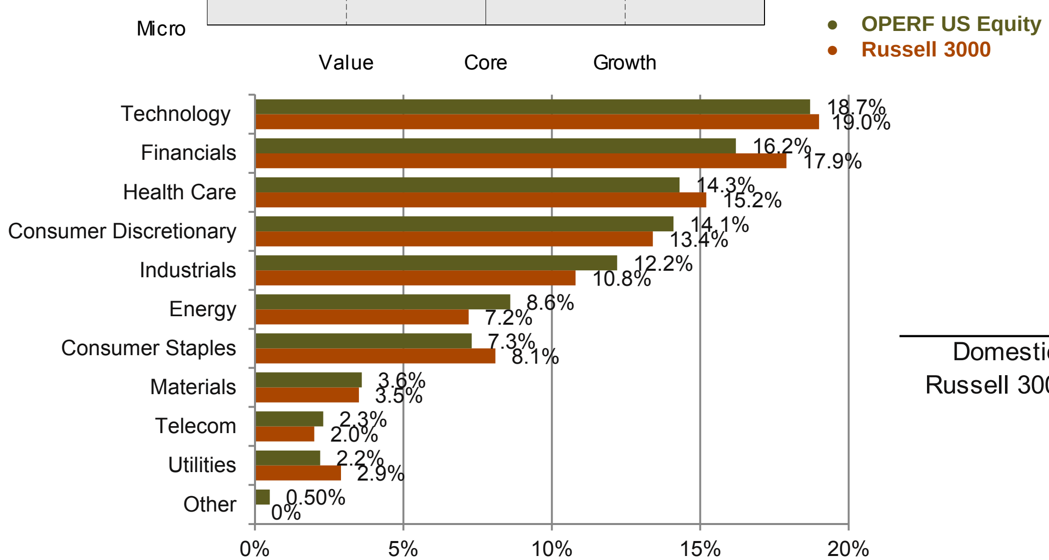
Characteristics as of June 30, 2015

Style Map vs CAI Pub Fund:10+ Dom Eq
Holdings as of June 30, 2015



Style Exposure Matrix
Holdings as of June 30, 2015

	Value	Core	Growth	Total
Large	18.4% (52) 27.1% (100)	14.1% (66) 20.1% (100)	23.0% (97) 25.6% (111)	55.5% (215) 72.9% (311)
Mid	6.2% (115) 5.3% (177)	7.2% (157) 6.6% (241)	10.5% (212) 6.3% (204)	23.9% (484) 18.2% (622)
Small	3.5% (226) 2.3% (336)	5.5% (355) 3.3% (543)	6.2% (333) 2.4% (368)	15.1% (914) 7.9% (1247)
Micro	1.3% (264) 0.3% (227)	2.4% (359) 0.4% (381)	1.7% (171) 0.2% (181)	5.5% (794) 1.0% (789)
Total	29.3% (657) 35.1% (840)	29.2% (937) 30.5% (1265)	41.4% (813) 34.5% (864)	100.0% (2407) 100.0% (2969)

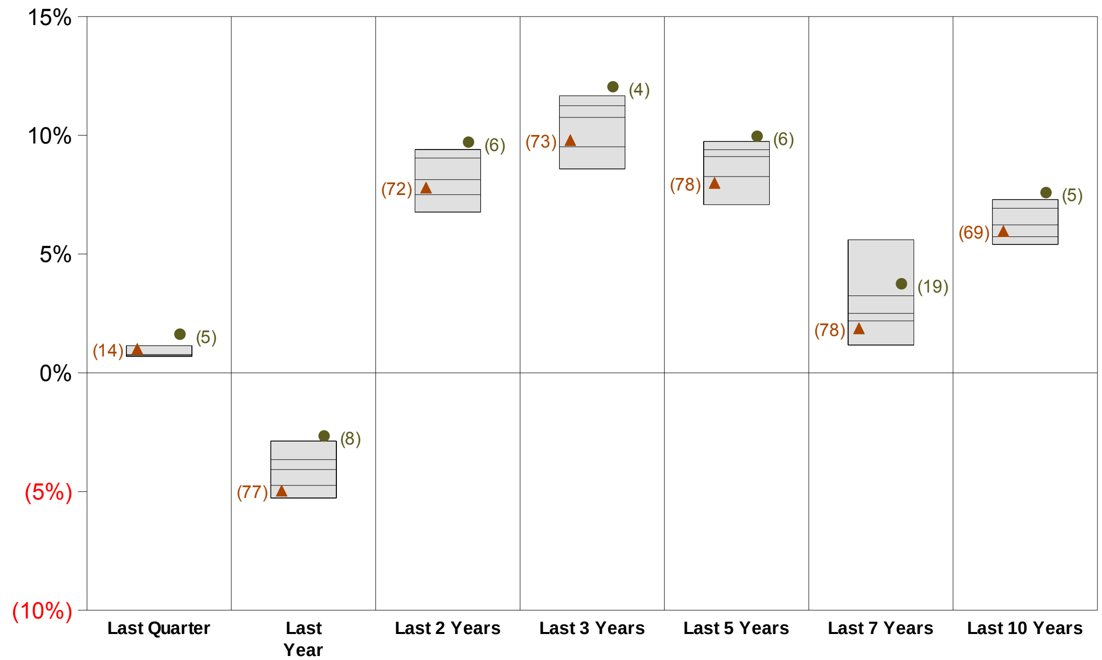


	Wtd. Median Mkt Cap	Price/Earn.	Price/Book	Forecasted Earn. Growth	Div yield	MSCI Combined Z-Score
Domestic Equity	30.75	17.04	2.54	11.06	1.79	-0.04
Russell 3000 Index	48.77	17.45	2.65	11.25	1.94	-0.01

OPERF Non-US Equity

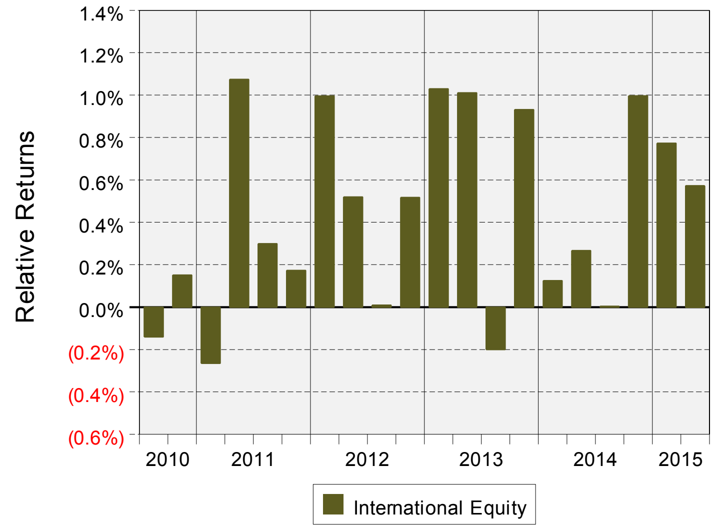
Performance Analysis as of June 30, 2015

Performance vs CAI Pub Fund:10+ Intl Eq (Gross)



	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	1.14	(2.87)	9.40	11.67	9.75	5.60	7.29
25th Percentile	0.76	(3.65)	9.05	11.25	9.40	3.25	6.93
Median	0.74	(4.08)	8.14	10.76	9.11	2.50	6.23
75th Percentile	0.71	(4.74)	7.50	9.52	8.26	2.18	5.73
90th Percentile	0.69	(5.27)	6.76	8.59	7.08	1.17	5.40
International Equity ●	1.58	(2.71)	9.66	12.00	9.91	3.69	7.54
MSCI ACWI ex-US IMI Index ▲	1.00	(4.97)	7.80	9.80	8.00	1.87	5.96

Relative Returns vs MSCI ACWI ex-US IMI Index

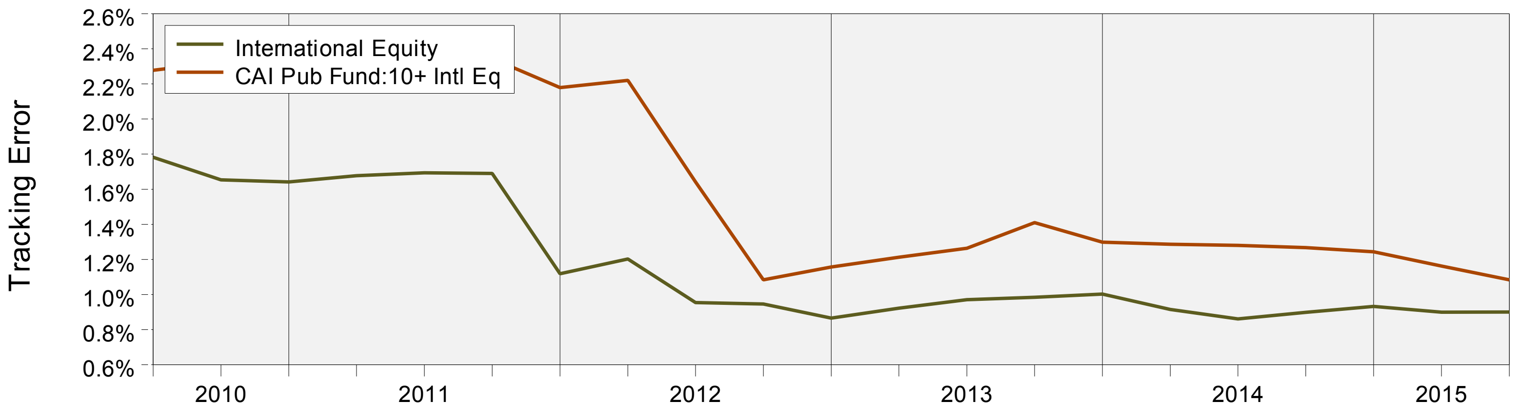


The benchmark for the International Equity portfolio was the MSCI ACWI ex US Gross Index through May 31, 2008, and the MSCI ACWI ex US IMI Net Index thereafter. Index returns above are linked.

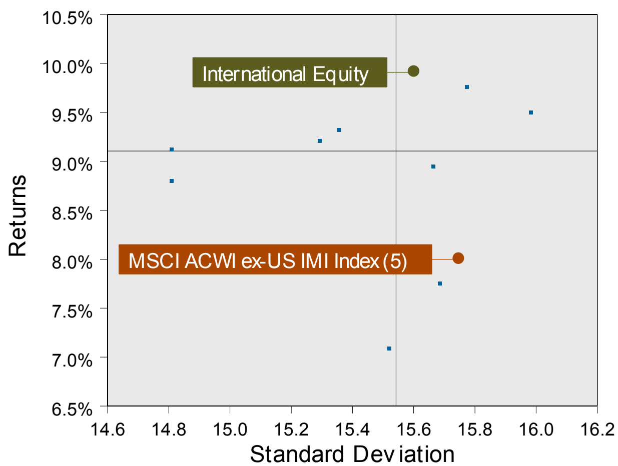
OPERF Non-US Equity

Risk Analysis as of June 30, 2015

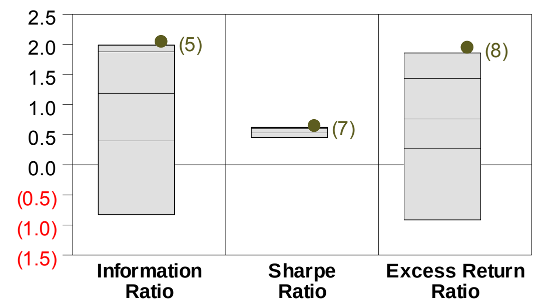
Rolling 12 Quarter Tracking Error vs MSCI ACWI ex-US IMI Index



CAI Pub Fund:10+ Intl Eq (Gross)
Annualized Five Year Risk vs Return



Risk Adjusted Return Measures vs MSCI ACWI ex-US IMI Index
Rankings Against CAI Pub Fund:10+ Intl Eq (Gross)
Five Years Ended June 30, 2015



	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	1.99	0.63	1.86
25th Percentile	1.88	0.61	1.43
Median	1.19	0.60	0.76
75th Percentile	0.40	0.53	0.27
90th Percentile	(0.83)	0.45	(0.92)
International Equity ●	2.03	0.63	1.93

The benchmark for the International Equity portfolio was the MSCI ACWI ex US Gross Index through May 31, 2008, and the MSCI ACWI ex US IMI Net Index thereafter. Index returns above are linked.

OPERF Non-US Equity

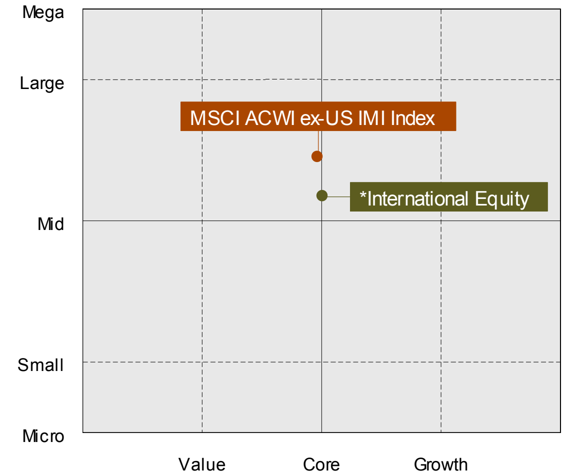
Characteristics as of June 30, 2015

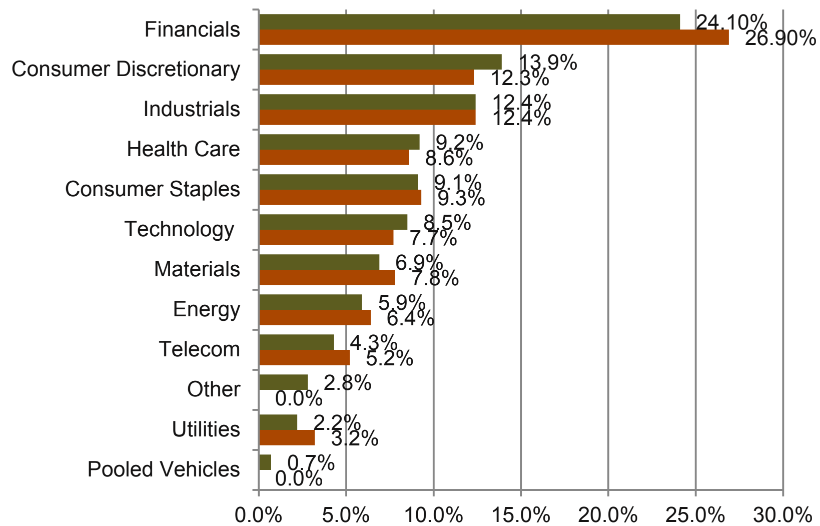
Style Exposure Matrix
Holdings as of June 30, 2015

	Value	Core	Growth	Total
Europe/ Mid East	11.7% (421) 12.3% (430)	15.9% (502) 15.5% (487)	18.5% (363) 17.3% (480)	**46.1% (1286)** **45.0% (1397)**
N. America	1.8% (96) 2.7% (116)	1.4% (83) 2.2% (118)	2.0% (61) 2.1% (101)	**5.3% (240)** **7.0% (335)**
Pacific	8.1% (729) 8.4% (564)	8.6% (603) 8.8% (619)	9.4% (337) 8.4% (510)	**26.1% (1669)** **25.7% (1693)**
Emerging/ FM	6.0% (708) 6.8% (885)	9.3% (2116) 7.7% (927)	7.2% (564) 7.7% (821)	**22.5% (3388)** **22.2% (2633)**
Total	**27.7% (1954)** **30.3% (1995)**	**35.2% (3304)** **34.1% (2151)**	**37.1% (1325)** **35.5% (1912)**	**100.0% (6583)** **100.0% (6058)**

● **International Equity**
● **MSCI ACWI ex-U.S. IMI**

Style Map vs CAI Pub Fund:10+ Intl Eq
Holdings as of June 30, 2015



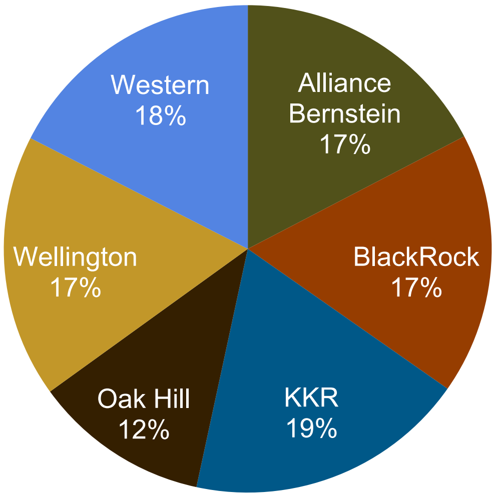


	Wtd. Median Mkt Cap	Price/Earn.	Price/Book	Forecasted Earn. Growth	Div yield	MSCI Combined Z-Score
International Equity	15.85	14.39	1.66	10.80	2.52	0.04
MSCI ACWI ex-US IMI	22.48	14.49	1.68	10.22	2.76	0.01

OPERF Total Fixed Income

Allocations as of June 30, 2015

Managers	Assets ($M)	% Allocation
AllianceBernstein	2,596,268	17.4%
BlackRock	2,595,787	17.4%
KKR Asset Mgmt	2,787,372	18.6%
Oak Hill	1,745,400	11.7%
Wellington	2,610,956	17.5%
Western Asset Mgmt	2,615,302	17.5%
Total	**$14,951,085**	**100.0%**



Percentages may not sum to 100% due to rounding

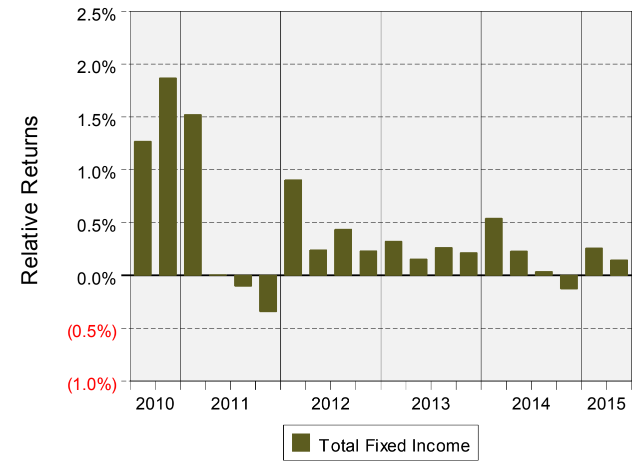
OPERF Total Fixed Income

Performance Analysis as of June 30, 2015

Performance vs Public Fund 10+ B US FI (Gross)

	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	(0.49)	2.79	5.27	4.55	6.49	7.35	6.48
25th Percentile	(1.17)	2.09	4.46	3.63	5.74	6.43	5.60
Median	(1.44)	1.62	3.75	2.57	4.76	5.42	5.05
75th Percentile	(2.68)	0.87	3.04	2.08	4.00	5.03	4.64
90th Percentile	(4.50)	(0.94)	2.25	0.83	3.60	3.24	3.46
Total Fixed Income ●	(0.37)	1.69	3.69	3.73	5.54	6.84	5.86
Oregon Custom FI Benchmark ▲	(0.52)	1.37	2.89	2.82	3.87	4.93	4.66

Relative Returns vs Oregon Custom FI Benchmark

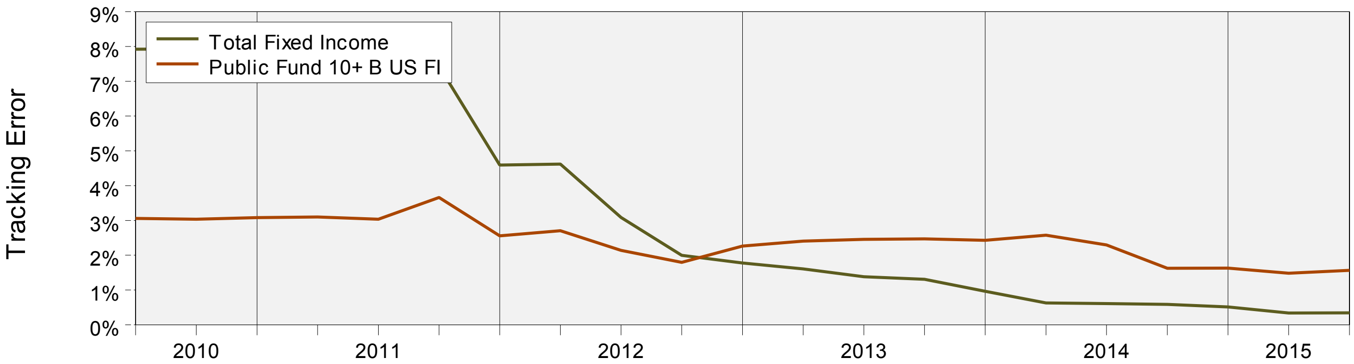


Current Benchmark = 40% Barclays Capital U.S. Aggregate Bond, 40% Barclays Capital U.S. 1-3 Govt/Credit Bond Index, 15% S&P/LSTA Leveraged Loan Index, and 5% BofA ML High Yield Master II Index

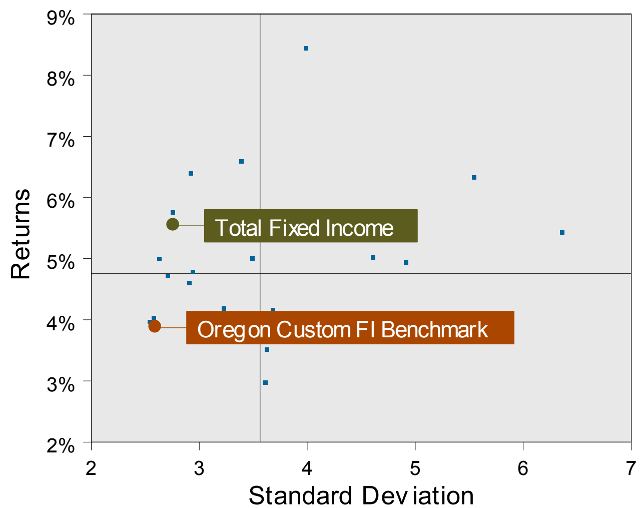
OPERF Total Fixed Income

Risk Analysis as of June 30, 2015

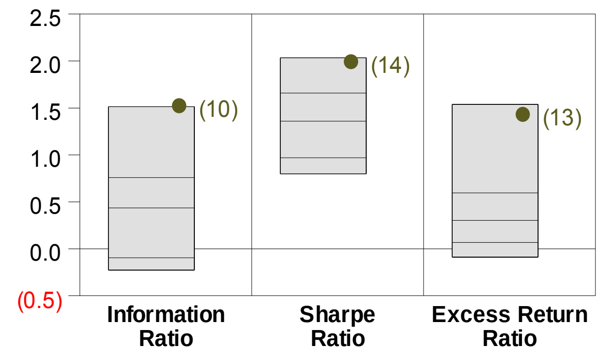
Rolling 12 Quarter Tracking Error vs Oregon Custom FI Benchmark



Public Fund 10+ B US FI (Gross) Annualized Five Year Risk vs Return



Risk Adjusted Return Measures vs Oregon Custom FI Benchmark Rankings Against Public Fund 10+ B US FI (Gross) Five Years Ended June 30, 2015



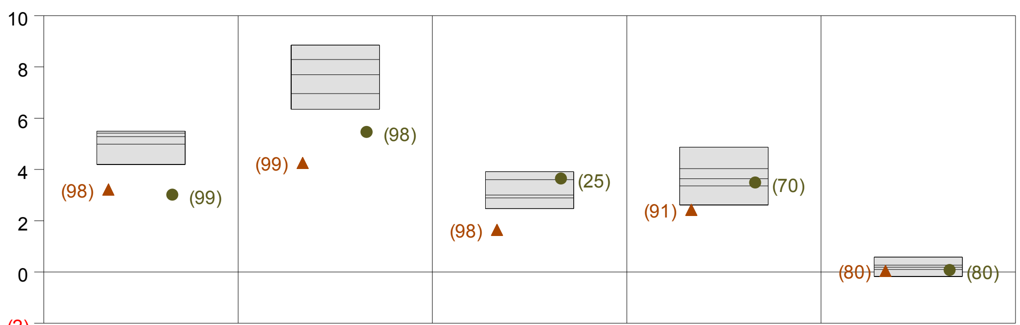
	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	1.51	2.03	1.54
25th Percentile	0.76	1.66	0.60
Median	0.44	1.36	0.30
75th Percentile	(0.09)	0.97	0.07
90th Percentile	(0.23)	0.80	(0.09)
Total Fixed Income ●	1.51	1.97	1.41

Current Benchmark = 40% Barclays Capital U.S. Aggregate Bond, 40% Barclays Capital U.S. 1-3 Govt/Credit Bond Index, 15% S&P/LSTA Leveraged Loan Index, and 5% BofA ML High Yield Master II Index

OPERF Total Fixed Income

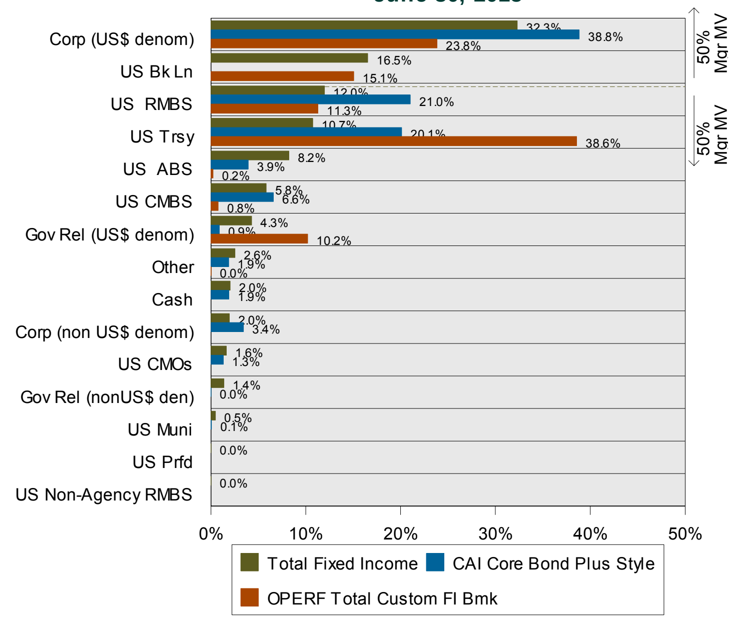
Characteristics as of June 30, 2015

Fixed Income Portfolio Characteristics
Rankings Against CAI Core Bond Plus Style
as of June 30, 2015



	Duration	Average Life	Effective Yield	Coupon Rate	OA Convexity
10th Percentile	5.49	8.86	3.92	4.87	0.58
25th Percentile	5.42	8.29	3.60	4.03	0.27
Median	5.28	7.70	3.00	3.64	0.19
75th Percentile	4.99	6.96	2.89	3.36	0.10
90th Percentile	4.19	6.35	2.47	2.62	(0.18)
Total Fixed Income ●	2.96	5.41	3.60	3.43	0.03
OPERF Total Custom FI Bmk ▲	3.22	4.26	1.65	2.43	0.04

Sector Allocation
June 30, 2015



	Quality Ratings
Total Fixed Income	A-
OPERF Total FI Bench	A

Current Benchmark = 40% Barclays Capital U.S. Aggregate Bond, 40% Barclays Capital U.S. 1-3 Govt/Credit Bond Index, 15% S&P/LSTA Leveraged Loan Index, and 5% BofA ML High Yield Master II Index

TAB 09.01

ASSET ALLOCATIONS AND NAV COMBINED

Asset Allocations at July 31, 2015

OPERF	Policy	Target[1]	Regular Account $ Thousands	Pre-Overlay	Overlay	Net Position	Actual	Variable Fund $ Thousands	Total Fund $ Thousands
Public Equity	32.5-42.5%	37.5%	29,254,350	42.0%	(660,599)	28,593,751	41.0%	722,330	29,316,081
Private Equity	13.5-21.5%	17.5%	14,378,328	20.6%		14,378,328	20.6%		14,378,328
Total Equity	**50.0-60.0%**	**55.0%**	**43,632,678**	**62.6%**	**(660,599)**	**42,972,079**	**61.7%**		**43,694,409**
Opportunity Portfolio			1,124,236	1.6%		1,124,236	1.6%		1,124,236
Fixed Income	**15-25%**	**20.0%**	**15,004,610**	**21.5%**	**1,432,863**	**16,437,473**	23.6%		**16,437,473**
Real Estate	**9.5-15.5%**	**12.5%**	**7,543,153**	**10.8%**	**(13,700)**	**7,529,453**	10.8%		**7,529,453**
Alternative Investments	**0-12.5%**	**12.5%**	**1,601,298**	**2.3%**		**1,601,298**	2.3%		**1,601,298**
Cash[2]	**0-3%**	**0.0%**	**781,124**	**1.1%**	**(758,564)**	**22,560**	0.0%	9,389	**31,949**
TOTAL OPERF		**100%**	**$ 69,687,099**	**100.0%**	**$ -**	**$ 69,687,099**	**100.0%**	**$ 731,719**	**$ 70,418,818**

[1]Targets 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.

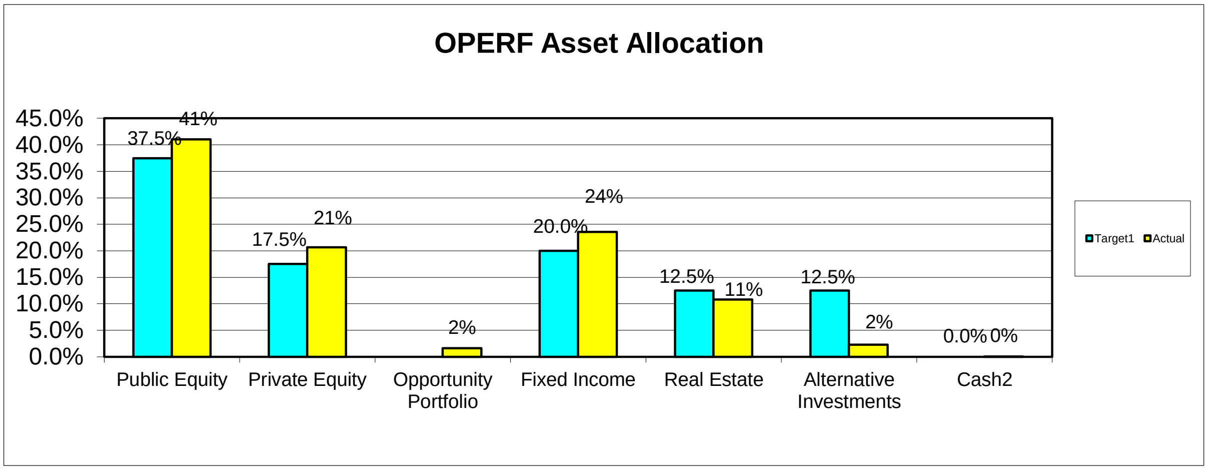
[2]Includes cash held in the policy implementation overlay program.

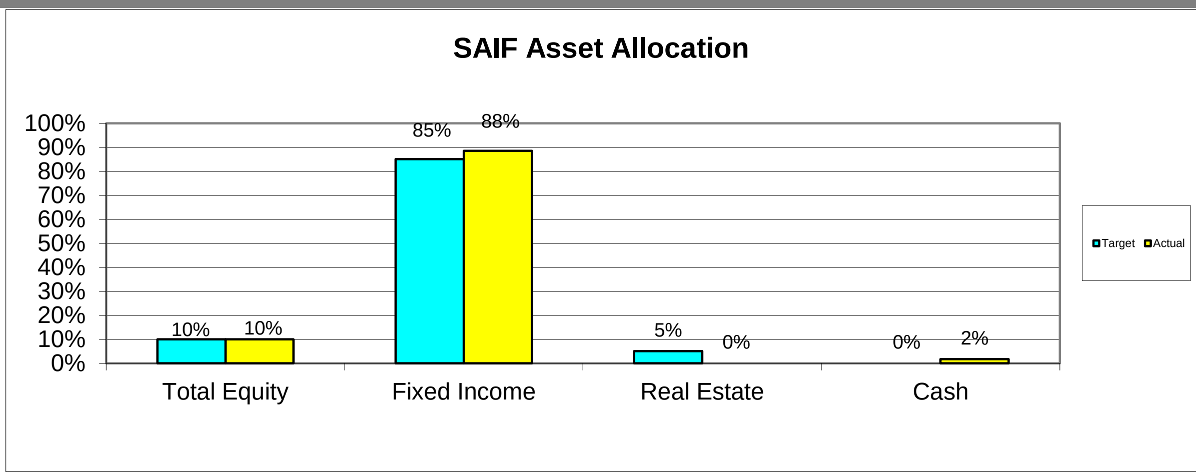
SAIF	Policy	Target	$ Thousands	Actual
Total Equity	**7-13%**	**10.0%**	**461,589**	**9.9%**
Fixed Income	**80-90%**	**85.0%**	**4,120,020**	**88.5%**
Real Estate	**0-7%**	**5.0%**	**0**	**0.0%**
Cash	**0-3%**	**0%**	**75,706**	**1.6%**
TOTAL SAIF			**$4,657,315**	**100.0%**

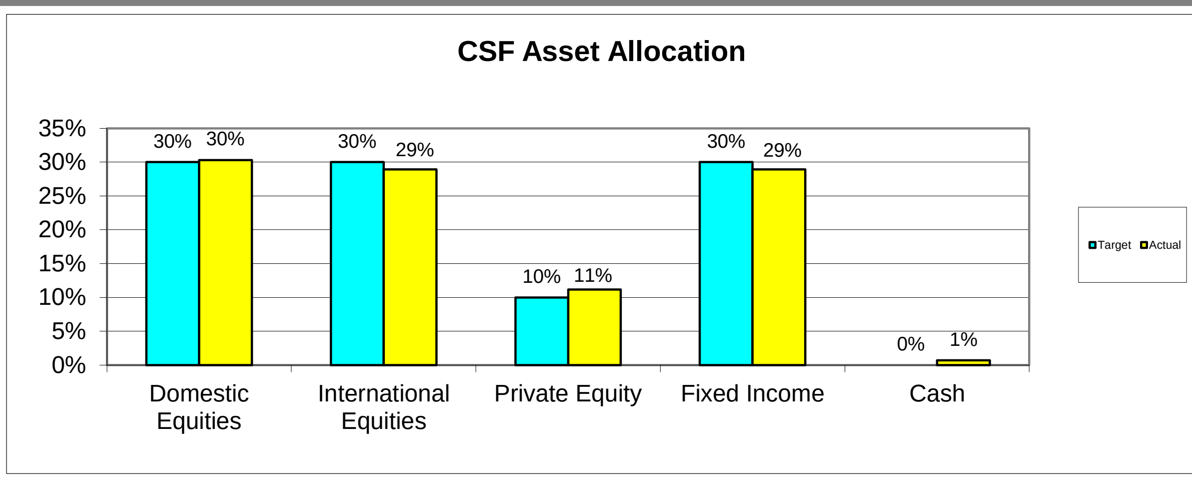
CSF	Policy	Target	$ Thousands	Actual
Domestic Equities	25-35%	30%	$441,393	30.3%
International Equities	25-35%	30%	421,353	28.9%
Private Equity	0-12%	10%	162,244	11.1%
Total Equity	**65-75%**	**70%**	**1,024,990**	**70.4%**
Fixed Income	**25-35%**	**30%**	**421,209**	**28.9%**
Cash	**0-3%**	**0%**	**9,878**	**0.7%**
TOTAL CSF			**$1,456,077**	**100.0%**

SOUE	Policy	Target[3]	$ Thousands	Actual
Global Equities	65-75%	70%	1,364	64.8%
Growth Assets	**65-75%**	**70%**	**1,364**	**64.8%**
Fixed Income	25-35%	30%	594	28.2%
Cash	0-3%	0%	146	6.9%
Diversifying Assets	**25-35%**	**30%**	**740**	**35.2%**
TOTAL HIED			**$2,104**	**100.0%**

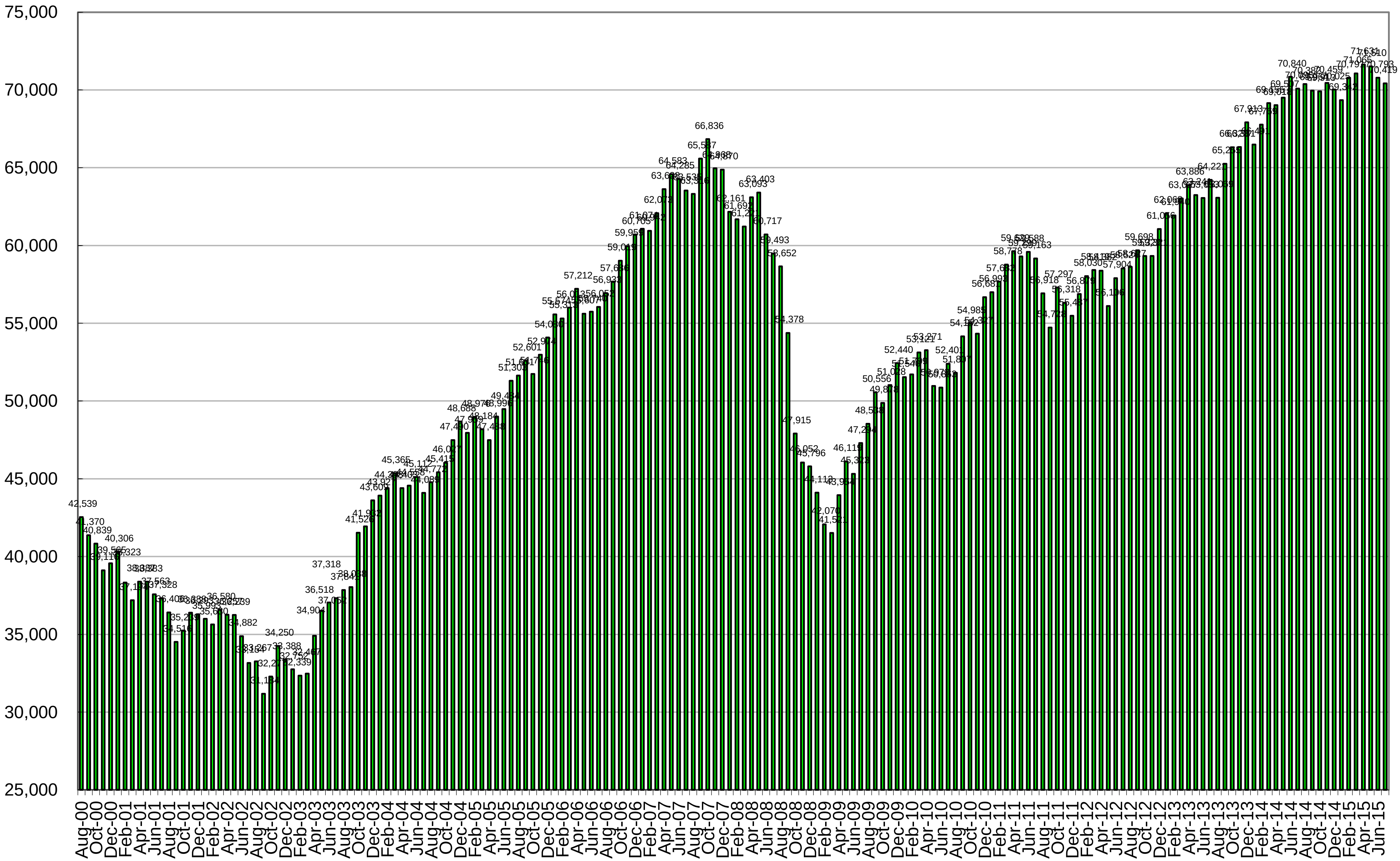
[3]Revised asset allocation adopted by OIC, March 2015.


OPERF Asset Allocation
45.0%
40.0%
35.0%
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
37.5%
41%
17.5%
21%
2%
20.0%
24%
12.5%
11%
12.5%
2%
0.0%
0%
Public Equity
Private Equity
Opportunity Portfolio
Fixed Income
Real Estate
Alternative Investments
Cash2
Target1
Actual

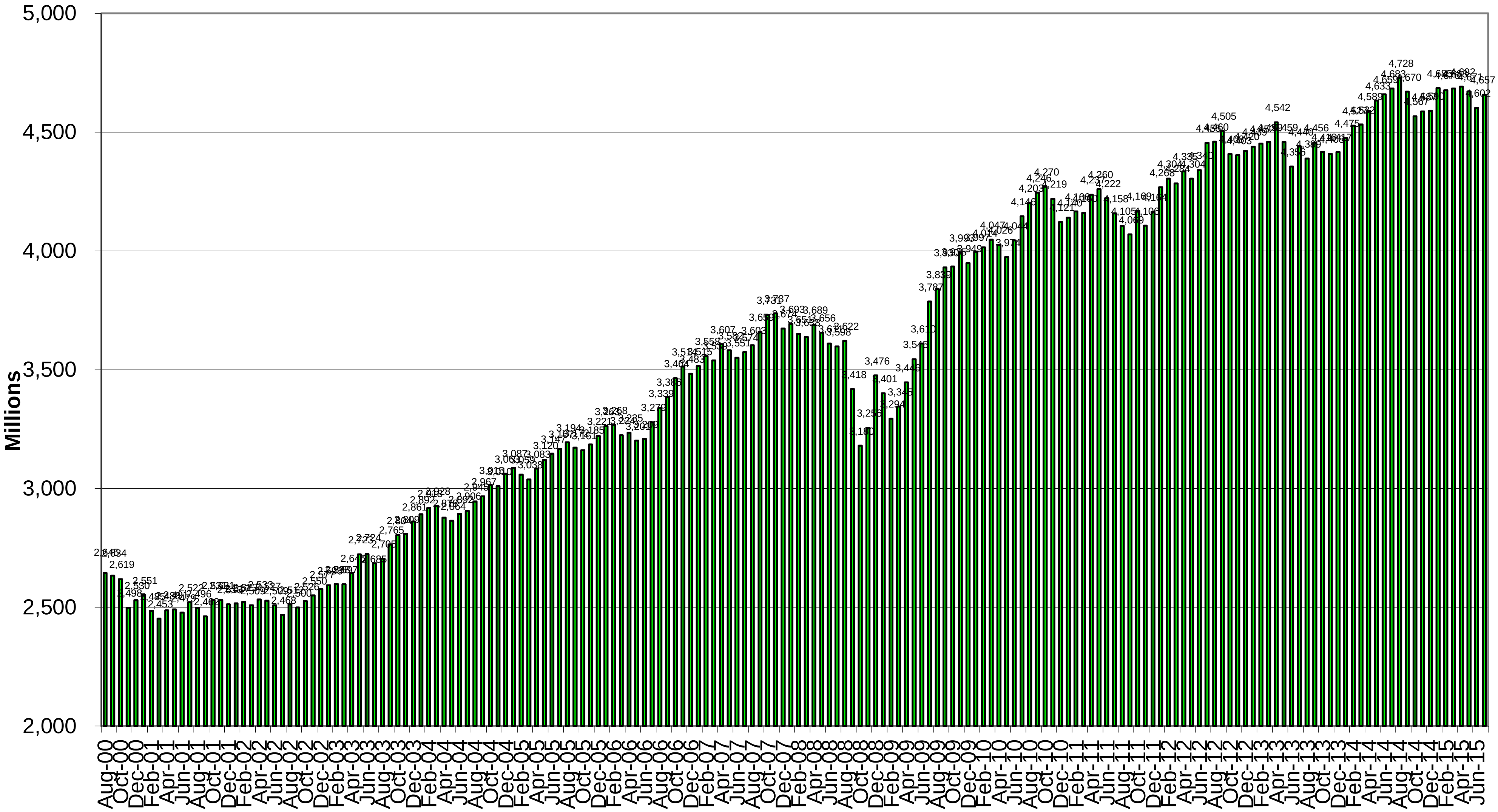

SAIF Asset Allocation
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
10%
10%
85%
88%
5%
0%
0%
2%
Total Equity
Fixed Income
Real Estate
Cash
Target
Actual


CSF Asset Allocation
35%
30%
25%
20%
15%
10%
5%
0%
30%
30%
30%
29%
10%
11%
30%
29%
0%
1%
Domestic Equities
International Equities
Private Equity
Fixed Income
Cash
Target
Actual

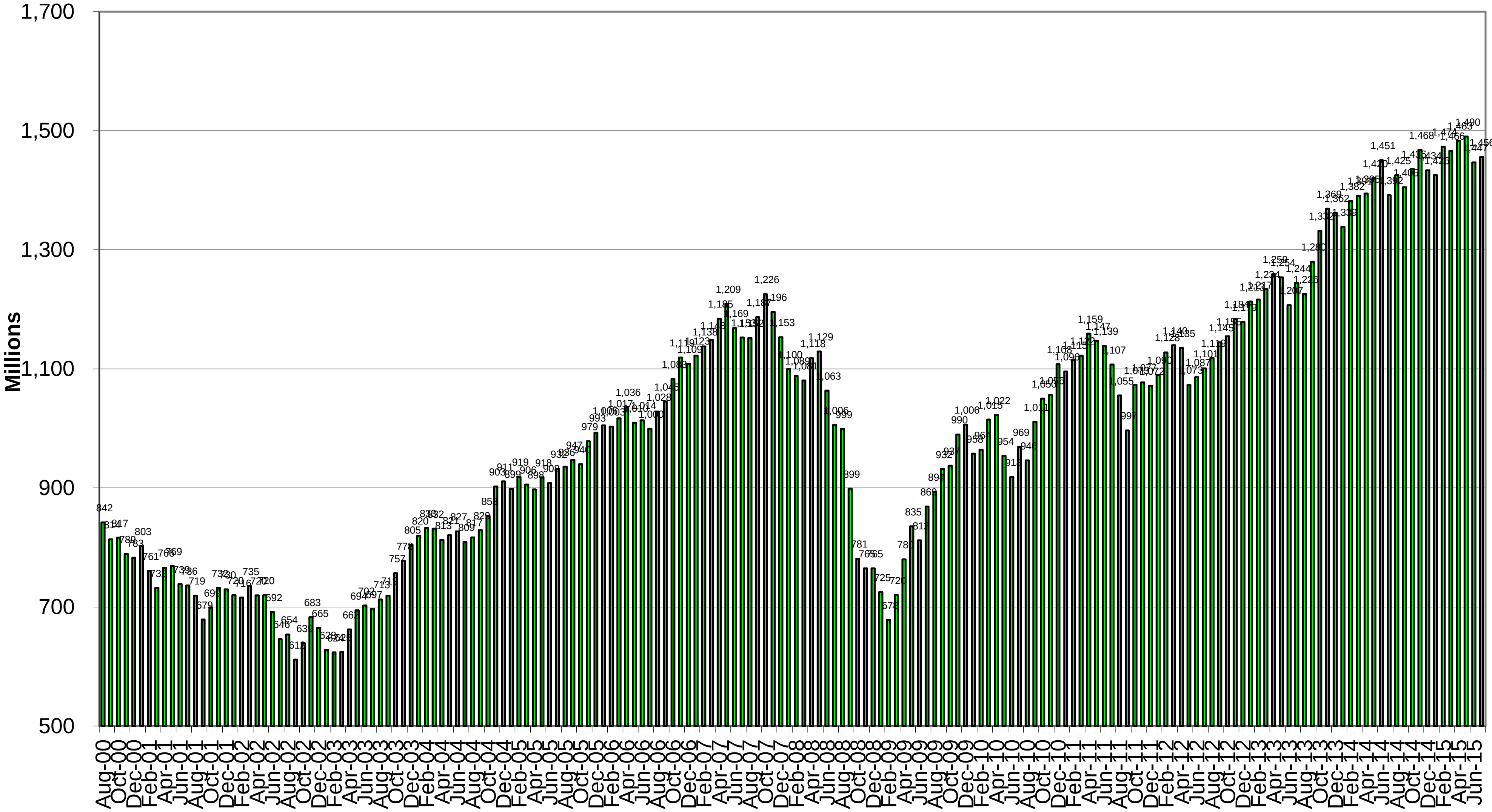
OPERF NAV
15 years ending July 2015
($ in Millions)



SAIF NAV
15 years ending July 2015
($ in Millions)



CSF NAV
15 years ending July 2015
($ in Millions)



TAB 10.01

FORWARD TOPICS

2015 OIC Forward Agenda Topics

October 28: OPERF Private Equity Manager
OPERF Alternative Investment
OSTF Annual Review
OSGP Annual Update
OPERF CEM Benchmarking Report

December 9: OPERF Opportunity Portfolio Review
OPERF Alternative Portfolio Review
OPERF Real Estate Review
OPERF Fixed Income Update
SAIF Annual Review
CSF Annual Review
OIC Election of Chair/Vice-Chair
OPERF Q3 2015 Performance Report