

**MEETING OF THE
BOARD OF INVESTORS OF THE
TOBACCO SETTLEMENT ENDOWMENT TRUST FUND
June 8, 2016**

Oklahoma State Capitol Building
2300 N. Lincoln Blvd., Room 512A
Oklahoma City, Oklahoma

MINUTES

Call to Order

Vice-chair Brenda Bolander called the meeting to order at approximately 10:30 a.m. on Wednesday, June 8, 2016.

Confirmation of quorum

Members of the Board present for the meeting were Vice-chair Brenda Bolander, Donald Pape, Todd Dobson and Scott Vaughn. Chairman Ken Miller, State Treasurer, was absent.

Others present were Paul Pustmueller, Kris Neuhold and Robert Kindt with the Bank of Oklahoma; Julie Bisbee with the TSET Board of Directors; Matthew Lafon with the Office of the Attorney General; and Kiran Nallayahgari, Lisa Murray, Andrew Messer and Phyllis Chan with the Office of the State Treasurer.

Tim Allen, OST Deputy Treasurer for Communications and Program Administration, served as recording secretary.

Approval of minutes of the regular meeting on February 24, 2016

Mr. Vaughn moved to approve the minutes of the February 24, 2016 meeting. Ms. Bolander provided a second of the motion, which was unanimously approved by voice vote.

Presentation of report in regard to Tobacco Free Investments

Mr. Paul Pustmueller, Senior Vice President, Bank of Oklahoma, verified that the fund was in compliance with the no-tobacco policy for the quarter ending March 31, 2016.

Approval of intra-agency administrative and legal contracts

Mr. Dobson moved to approve intra-agency administrative and legal contracts as submitted with the Office of the State Treasurer and the Office of the Attorney General. Mr. Vaughn provided a second to the motions, which was unanimously adopted by voice vote.

Discussion and possible action on Fund budgetary matters

Mr. Paper moved to approve the Fiscal Year 2017 budget for the Board of Investors as submitted. Mr. Pape provided a second to the motion, which was unanimously adopted by voice vote.

Discussion and possible action for approval and issuance of the investment consulting services request for proposals

Mr. Pape moved to approve issuance of a Request for Proposals for investment consulting services to the Board of Investors. Mr. Dobson provided a second to the motion, which was unanimously approved by voice vote.

Discussion and possible action on manager contract renewal and extension for the custodian contract with Bank of Oklahoma

Mr. Pape moved to approve the letter of extension after amending it to extend the contract through June 30, 2017 from the originally-proposed end date of January 31, 2017 to provide sufficient time for the board consultant to conduct a competitive search for custodial services. Mr. Vaughn provided a second to the motion, which was adopted by unanimous vote.

Presentation and discussion of first quarter investment performance by Don Stracke of NEPC

Mr. Stracke joined the meeting via conference call. The market value of the Fund as of March 31, 2016 was \$951,308,603 with first quarter returns of 1.5%, in comparison to the policy and allocation benchmarks each yielding 1.3%. For the quarter, the S&P 500 earned 1.3%, the Barclays Aggregate 3.0% and the MSCI EAFE returned -3.0%. Mr. Stracke talked about the Due Diligence Monitor, a new report which summarizes each manager's quarterly performance, review of changes, announcements and due diligence events. GMO and PIMCO were discussed, but NEPC recommended no action be taken and would continue to monitor any future updates. Mr. Pape requested NEPC ask Barrow Hanley to provide a written response at the next regular meeting of the board explaining the performance of the firm's investments versus the performance of index/passive investments. The board expressed interest in receiving information and possibly an educational presentation on potential use of private equity investment for the Fund.

Discussion and possible action regarding revisions to the Investment Policy Statement

Mr. Pape moved to adopt the updated investment policy statement as presented. Mr. Dobson provided a second to the motion, which was adopted by unanimous voice vote.

Comments and questions from board members

Ms. Murray told the board a special meeting would need to be held on July 11 at 9:30 a.m. for the purpose of interviewing bid finalists for European Direct Lending.

Ms. Bisbee provided an update on legislation proposed during the recently-completed legislative session. She said seven pieces of legislation were introduced to change the way funds are expended by the board of directors, but none of the measures were enacted.

New Business

There was none.

Adjournment

Upon a motion by Mr. Pape and a second by Mr. Dobson, the board approved adjournment of the meeting by voice vote at approximately 12:00 p.m.

Ken Miller, Chairman
Tobacco Settlement Endowment Trust Fund Board of Investors