

**MEETING OF THE
BOARD OF INVESTORS OF THE
TOBACCO SETTLEMENT ENDOWMENT TRUST FUND
August 24, 2016**

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

MINUTES

Call to Order

Treasurer Ken Miller called the meeting to order at 10:32 a.m. on Wednesday, August 24, 2016.

Confirmation of quorum

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

Others present were Paul Pustmueller and Sandra Rochell with the Bank of Oklahoma, Julie Bisbee with the TSET Board of Directors, Matthew LaFon with the Office of the Attorney General, and Lisa Murray, Kiran Nallayahgari, and Andrew Messer 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 June 8, 2016 and the special meeting on July 11, 2016

Mr. Pape moved to approve the minutes of the June 8, 2016 and July 11 meetings. Ms. Bolander provided a second of the motion, which was unanimously approved by voice vote.

Board member Scott Vaughn arrived at 10:35 a.m.

Presentation of report in regard to Tobacco Free Investments

Ms. Sandra Rochell, Senior Vice President, Bank of Oklahoma, verified that the fund was in compliance with the no-tobacco policy for the quarter ending June 30, 2016.

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

Mr. Stracke presented a report on market conditions and performance of the TSET investment fund during the second quarter of calendar year 2016. The Trust market value as of June 30, 2016 was \$1,014,915,957. The investment return for FY16 was 1.5%, which ranked the Trust in the twelfth percentile of the InvestorForce All-Endowment universe. Target allocations consisted of 40% equities, 31% fixed income and 29% for alternatives. The Trust returned 5.7% over the last three years and ranked in the forty-second percentile. Over a five year period, the Trust earned 6.0% with risk-adjusted returns ranking very favorably and being in the top quartile.

Discussion and possible action on FY 2016 Certified Earnings

Ms. Nallayahgari presented data showing investment performance by the TSET fund during the just-ended fiscal year. Mr. Pape moved to preliminarily certify investment earnings of \$26,330,290.31 from FY 2016 for use by the TSET Board of Directors, as recommended by staff. Ms. Bolander provided a second of the motion, which was unanimously approved by roll-call vote.

Discussion and possible action for authorization for Chairman Miller to negotiate and execute a contract for the Clareant EDL II USD Feeder SCSp (European Direct Lending), to request any necessary approvals required by law and to employ legal counsel to assist in this matter.

Ms. Murray stated that she and Matt LaFon, Assistant Attorney General, had been working with the Alcentra Clareant management and legal team in regard to the review of the contract. They became aware of two major concerns, first being the short closing date of September 15 for the Clareant EDL II USD Feeder SCSp fund. Secondly, the contract is governed by the jurisdiction and laws of the country of Luxembourg. Mr. LaFon said Attorney General Pruitt would need to review and approve any contract of this nature. As such, he suggested outside counsel be hired who has specialization in the laws of Luxembourg. Mr. Pape moved to approve the authorization for Chairman Miller to negotiate and execute a contract with Clareant, with sign-off from the Attorney General, if the closing time frame of the Fund can be met. Mr. Vaughn provided a second to the motion, which was unanimously adopted by voice vote.

Discussion and review of investment consultant RFP by Lisa Murray

Ms. Murray gave an overview of the Request for Proposals process and said that after reviewing all submissions, staff had recommended the Board interview three finalists – NEPC, The Bogdahn Group, and Callan Associates – for a five-year contract beginning in December 2016.

Investment consultant presentation by NEPC

Mr. Stracke and Mr. Anthony Ferrara presented information on their company with questions from the Board.

Investment consultant presentation by The Bogdahn Group

Mr. Gregory T. Weaver and Mr. Doug Anderson presented information on their company with questions from the Board.

Investment consultant presentation by Callan Associates

Mr. Jay Kloepfer, Mr. Gordon Weightman, and Mr. William Howard presented information on their company with questions from the Board.

Discussion and possible action on the selection of the Fund's investment consultant

Upon discussion of the relative merits of the three finalists, and due to the absence of one board member, the Board decided to table the matter for further reflection and to schedule a special meeting when all members of the board could be present for a decision. A motion to that effect was made by Mr. Pape and seconded by Chairman Miller. It was unanimously approved by voice vote.

Comments and questions from board members

There were none.

New Business

There was none.

Adjournment

Upon a motion by Chairman Miller and a second by Ms. Bolander, the board approved adjournment of the meeting by voice vote at 1:58 p.m.

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