

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF INVESTORS FOR THE OKLAHOMA
TOBACCO SETTLEMENT ENDOWMENT TRUST FUND**

November 28, 2018

Oklahoma State Capitol Building
2300 N. Lincoln, Governor's Large Conference Room
Oklahoma City, Oklahoma

Call to order

Treasurer Ken Miller, board chair, called the meeting to order at 10:33 a.m. on Wednesday, November 28, 2018.

Conformation of quorum

Members of the Board present for the meeting were Chair Miller, Vice Chair Brenda Bolander, and Todd Dobson. The two remaining board positions were vacant.

Others present were OST Chief Investment Officer Lisa Murray, Sandra Rochelle with Bank of Oklahoma, OST Director of Portfolio Accounting and Reporting Charles Hover, John Woods and Julie Bisbee with the staff of the TSET Board of Directors, Assistant Attorney General Matthew LaFon, counsel to the board, and Dan Bledsoe with Finley & Cook.

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

Presentation honoring Treasurer Miller

TSET Executive Director John Woods presented outgoing chair, Treasurer Miller, with a plaque honoring him for his eight years of serve to the board and the state of Oklahoma.

Approval of minutes from the meetings on August 23, 2018

Mr. Dobson moved to approve the minutes of the August 23, 2018 meeting of the board. Ms. Bolander provided a second, and the motion was unanimously adopted by voice vote.

Presentation of report in regard to Tobacco Free Investments

Ms. Sandra Rochell, Senior Vice President, Bank of Oklahoma, verified the fund was in compliance with the no-tobacco policy for the quarter ending September 30, 2018.

Presentation of annual audit for FY18 by Finley & Cook

Dan Bledsoe, partner with Finley & Cook, made the presentation of the annual report to the Board. He stated said the audit went well and Finley & Cook provided its unqualified opinion. The financial statement presented fairly and in all material respects the financial position of the Trust as of June 30, 2018.

Discussion and possible action regarding revised earnings based on the audit report

Ms. Bolander moved to approve certification of an additional \$490,548.97 in FY-18 earnings to the Board of Directors as calculated according to the language in Article X, Section 40 of the Oklahoma Constitution. Mr. Dobson provided a second to the motion, which was unanimously adopted by voice vote.

The additional certification brought to a total of \$65,762,313.04 in certified earnings for FY-18.

Discussion and possible action on certifying reserve funds as specified in the Settlement Agreement and Release of all Claims

Mr. Dobson moved that no funds would be required for certification for FY-18 from the reserve, as established in the agreements between the Board of Investors and Board of Directors as executed on February 16, 2012. Treasurer Miller provided a second to the motion, which was unanimously adopted by voice vote.

Presentation and discussion of third quarter investment performance and current asset allocation

Don Stracke of NEPC began by providing a brief economic and market environment overview. He said current Federal Reserve rates are below long-term averages, but they are still quite attractive in developed markets outside of the U.S. The Trust's quarterly return as of September 30, 2018 was 2.5% and the one year return came in at 6.7%, which ranked in the 46th percentile of the InvestorForce all endowment universe. The total market value for the Trust was \$1,250,738,247. Over the last three and five years the TSET portfolio return was 9.2% and 6.7%, respectively. It is important to note the returns were net of fees and the portfolio continued to have a low risk adjusted return.

Mr. Stracke recommended that Reams, the unconstrained bond fund manager, be asked to make a presentation at the next meeting in regard to their lackluster returns and to ensure the Board remains confident in their strategy. In addition, he will provide an analysis in regard to the disappointing returns earned by Medley, private debt manager

Discussion of estimated FY19 earnings as of September 30, 2018

Charles Hover, OST Director of Portfolio Accounting and Reporting, said that as of September 30, 2018, the estimated earnings for the first quarter of FY-19 were \$13,659,999.

Discussion and possible action regarding the revised FY19 budget

Mr. Hover said a budget amendment is required to reflect the manager estimated expenses of the new MLP investment with Tortoise Capital. Mr. Dobson made a motion to approve the revised FY-19 budget as presented, which was seconded by Ms. Bolander and unanimously adopted by voice vote.

Update on the status of the SJC Onshore Direct Lending and SJC Offshore Capital Finance Fund

A letter was provided by SJC which provided a quarterly update as of September 30 on the status of the wind-down of the Onshore and Offshore funds.

Election of vice chair for 2019

Chairman Miller made a motion to approve Mr. Dobson as vice chair of the board of investors for 2019. Ms. Bolander provided the second and the motion was unanimously approved by voice vote.

Discussion and possible action on meetings for 2019

Staff recommended the board meet on February 26, June 25, August 20, and November 19 of 2019. Mr. Dobson moved approval and Chairman Miller provided a second. The motion was unanimously adopted by voice vote.

New business

There was none.

Adjournment

Mr. Dobson moved to adjourn the meeting and Ms. Bolander provided a second. The motion was unanimously approved by voice vote at 11:40 a.m.

Randy McDaniel, Chair
Tobacco Settlement Endowment Trust Fund Board of Investors