

COMMISSIONERS OF THE LAND OFFICE

Regular Investment Meeting Minutes

Wednesday, June 13, 2018, at 1:00 p.m.
Large Conference Room
Commissioners of the Land Office – Ninth Floor
Oklahoma City, Oklahoma

Notice was posted online with the Secretary of State on December 15, 2017. Public notice was also posted on the Commissioners of the Land Office website and at the Commissioners of the Land Office on Monday, June 11, 2018, at 4:00 p.m.

PRESENT:

Mathangi Shankar, Investment Committee Member
Steve Tinsley, Investment Committee Member
Joe Williams, Investment Committee Member

CLO STAFF PRESENT:

Keith Kuhlman, Assistant Secretary
Karen Johnson, Chief Financial Officer
Deborah Jacobson, Asst. General Counsel
Diana Nichols, Internal Auditor
Mike Lyons, Assistant Director of Financial Services
Edward Romero, Financial Manager/Comptroller
Emma Thomas, Financial Manager
Katy Payne, Executive Assistant/HR Director

VISITORS:

Mark Higgins, RVK
Sandra Rochell, BOK

Karen Johnson called the meeting to order at 1:04 p.m., confirmed proper posting of the meeting notice, ensured the presence of a quorum, and called the roll.

Shankar: Present
Tinsley: Present
Williams: Present

1. Request Approval of Minutes for Regular Meeting held May 9, 2018

- a. *Presented by Karen Johnson, CFO*
- b. *Discussion*
- c. *Action in which the Committee may approve or disapprove the matter and/or direct staff to take further action*

This agenda item was presented by Karen Johnson, CFO. A MOTION was made

by Committee Member Tinsley and seconded by Committee Member Williams to approve the minutes of the May 9, 2018 meeting.

Tinsley Aye
Shankar Aye
Williams Aye Motion Carried

2. **Presentation by Prudential Global Investment Management (PGIM), Investment Grade Bond Manager**
3. **Presentation by Legal and General Investment Management America (LGIMA), Investment Grade Bond Manager**
4. **Presentation of May 2018 Quarterly Performance Review by RVK (Informational Purposes Only)**

- a. *Presented by Mark Higgins, RVK*
- b. *Discussion*

Mark Higgins, reported the total value of the CLO Permanent Trust as of May 2018 was \$2.34 billion.

5. **Presentation of Performance Review by Newmark Grubb Levy Strange Beffort (Informational Purposes Only)**

- a. *Presented by Mark Beffort*
- b. *Discussion*

Mark Beffort reported the current market value of the commercial real estate properties managed by Newmark is \$47.1 million as of April 30, 2018. Current return on investment is 7.60%.

6. **Consideration and Possible Action for Approval of Operational and Capital Budgets for Management of Commercial Investment Property.**

The following commercial investment properties with the associated operating expenses and capital budgets and reserve funds are presented for FY 2019 approval:

| <u>Building Address</u> | <u>Operating Expenses</u> | <u>Capital Budget</u> |
|------------------------------|---------------------------|-----------------------|
| 3017 N. Stiles Av. | \$174,299.00 | \$175,000.00 |
| 119 N. Robinson | \$998,490.00 | \$1,032,424.00 |
| 5005 N. Lincoln | \$242,431.00 | \$83,350.00 |
| City Place Floors 4,8,9 & 10 | \$270,115.00 | \$0.00 |

5727 S. Lewis (Tulsa) \$733,385.00 \$1,037,905.00

Yukon Industrial Properties \$20,224.00 \$0.00

Capital Reserve Fund for seven (7) Trusts - \$1,333,391. 00

Expected total net income for the commercial investment properties is \$3,307,418.00.

- a. *Presented by Keith Kuhlman, Assistant Secretary*
- b. *Discussion*
- c. *Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action.*

A MOTION was made by Committee Member Tinsley and seconded by Committee Member Shankar to approve the operational and capital budgets and reserve funds for the listed commercial investment property.

| | | |
|----------|-----|----------------|
| Tinsley | Aye | |
| Shankar | Aye | |
| Williams | Aye | Motion Carried |

7. Discussion and Possible Action for review of recommended revisions to the CLO Investment Plan, Policy and Commercial Real Estate Guidelines

- a. *Presented by Karen Johnson, CFO, and Mark Higgins, RVK*
- b. *Discussion*
- c. *Action in which the Committee may approve, disapprove or table the matter and/or direct staff to take further action*

A MOTION was made by Committee Member Tinsley and seconded by Committee Member Williams to approve the CLO Investment Plan and Commercial Real Estate Guidelines.

| | | |
|----------|-----|----------------|
| Tinsley | Aye | |
| Shankar | Aye | |
| Williams | Aye | Motion Carried |

8. Discussion and Possible Action for Reallocation and Rebalance of CLO Permanent Trust funds

- a. *Presented by Mark Higgins, RVK*
- b. *Discussion*
- c. *Action in which the Committee may approve, disapprove or table the matter and/or direct staff to take further action*

A MOTION was made by Committee Member Williams and seconded by Committee Member Tinsley to approve the CLO Reallocation and Rebalance of CLO Permanent Trust funds of \$25 million.

| | | |
|----------|-----|----------------|
| Tinsley | Aye | |
| Shankar | Aye | |
| Williams | Aye | Motion Carried |

9. Finalist Recommendations for Contingent Search to Replace Guggenheim Commercial Mortgage Backed Securities (Informational Purposes Only)

- a. *Presented by Mark Higgins, RVK*
- b. *Discussion*

RVK is putting in place a contingency plan that would enable the expedited replacement of Guggenheim, if future circumstances require it. RVK recommends continuing the existing agreement. RVK believes it is prudent to pre-select two finalist candidates to interview at the August 2018 meeting.

10. Request Approval to Renew the Following Investment Manager Contracts for the Fiscal Year 2019:

- Allianz Global Investors
- Aronson+Johnson+ Ortiz (AJO)
- Blackrock Russell 1000 Index Fund
- CenterSquare Investment Management
- Cohen & Steers Capital Management, Inc.
- Cutwater Asset Management (Insight Investment)
- Dodge & Cox Investment Managers
- Fort Washington Investment Advisors
- Guggenheim Partners, LLC
 - Bond – BBB
 - Bond - CMBS
- Harvest Fund Advisors
- J.P. Morgan Asset Management
- Robeco Investment Management (Boston Partners)
- Silvercrest Asset Management
- Tortoise Capital Advisors
- Vanguard Institutional Investor Group

- International Stock
- Hi Dividend Yield Index
- Newmark, Grubb, Levy, Strange & Beffort

- a. *Presented by Karen Johnson, CFO*
- b. *Discussion*
- c. *Action in which the Committee may approve, disapprove or table the matter and/or direct staff to take further action*

A MOTION was made by Committee Member Tinsley and seconded by Committee Member Shankar to approve the contract renewals of the listed investment managers.

| | | |
|----------|-----|----------------|
| Tinsley | Aye | |
| Shankar | Aye | |
| Williams | Aye | Motion Carried |

11. Consideration and Possible Action to Approve Contracts in Excess of \$50,000 in Fiscal Year 2019

| | |
|------------------|-----------|
| Bank of Oklahoma | \$165,000 |
| RVK | \$275,000 |

- a. *Presented by Karen Johnson, CFO*
- b. *Discussion*
- c. *Action in which the Committee may approve, disapprove or table the matter and/or direct staff to take further action*

A MOTION was made by Committee Member Tinsley and seconded by Committee Member Shankar to approve the listed contract renewals in excess of \$50,000 for fiscal year 2019.

| | | |
|----------|-----|----------------|
| Tinsley | Aye | |
| Shankar | Aye | |
| Williams | Aye | Motion Carried |

A MOTION was made by Committee Member Tinsley and seconded by Committee Member Shankar to adjourn the meeting.

| | | |
|----------|-----|----------------|
| Tinsley | Aye | |
| Shankar | Aye | |
| Williams | Aye | Motion Carried |

The meeting was adjourned at 3:06 p.m.