

**Oklahoma Tobacco Settlement Endowment Trust**

**Investment Consulting Services RFP**

**Responses to Bidder Questions**

**June 30, 2016**

1. Why is the Fund looking for a consultant as this time?  
***OTSET is required to bid professional services every five years.***
  
2. Who is the current investment consultant and what is their annual fee?  
***The investment consultant is NEPC and the annual fee is \$100,000.***
  
3. Please describe any recent projects that have been completed. When was the last asset/spending study done?  
***There was a recent RFP for a European Direct Lending money manager mandate of \$20-\$30 million. Finalist will be interviewed at a special Board of Investor meeting in July.***
  
4. Are there project in process are expected to begin in the next 12-months?  
***The consultant will bid investment custodial and security lending services on behalf of OTSET.***
  
5. In addition to what is written in the Investment Policy Statement, does the spending policy require a certain percentage of Fund assets be appropriated annually? Is the spending percentage based on a smoothed Fund asset balance? If so, over what time period?  
***There is no additional spending policy requirement for the Fund.***
  
6. Please list the amount of funds received from the tobacco settlement over the last few calendar or fiscal years? What inflows are you expecting in the new few years? Are the cash inflows expected in perpetuity, or is there a known ending point?  
***The tobacco fund payments were as follows-***

<b><i>Fiscal Year</i></b>	<b><i>Annual Payment</i></b>
2012	\$58,062,948
2013	\$85,057,305

2014	\$57,887,005
2015	\$57,645,300
2016	\$57,006,973

***It is estimated the Fund will receive approximately \$55-60 million in annual tobacco payments. Settlement payments will be received as long as the sale of tobacco continues.***

7. Are there topics or areas in which the Investment Committee would like to receive education?

***The Board of Investors have focused on alternative investments over the last 3-5 years and requested several educational presentations in regard to this asset space.***

8. Does the Fund have a set quarterly meeting schedule when the investment consultant is required to attend?

***The Board of Investors regular scheduled meetings are in February, June, August and November. Special meetings are called on an as-needed basis and occur infrequently.***

9. Are you satisfied with your current consultant and will your current consultant be participating in the search?

***The Board of Investors is satisfied with our current consultant and they will be submitting a bid proposal.***

10. Please provide the current fee arrangement for your existing consultant.

***See response to question #2.***

11. Are you planning on conducting a custodian search in the coming year?

***See response to question #4.***

12. Can you describe the amount of exposure the Fund has today to alternative assets that are in a draw-down, private structure as opposed to a separate account? Are you considering an increase in that amount of exposure in the future?

***The Fund currently has two private debt money managers, totaling approximately 8% of the portfolio, in which private structured accounts are utilized. The private debt allocation will be soon be increased from 8%-10% when the European Direct Lending manager is hired.***

13. We have been registered with the SEC under the Investment Advisor Act of 1940 for over 30 years, but are not currently registered with the Oklahoma Department of Securities. Does this disqualify us from this investment consulting mandate or can we still submit a proposal with the intention of registering with the Oklahoma Department of Securities if our firm is selected and prior to the execution of contracts?

**Registration with the Oklahoma Department of Securities is not a prerequisite to submit a proposal. It is, however, a prerequisite to secure the contract.**

14. Can you please provide your most recent quarterly performance report?

**The Fund's quarterly performance report as of March 31, 2016 is available at [https://www.ok.gov/treasurer/documents/TSET\\_Invest\\_Rpt\\_Mar-16.pdf](https://www.ok.gov/treasurer/documents/TSET_Invest_Rpt_Mar-16.pdf).**

15. Can you please provide the name of your current investment consultant? Can you please disclose the fees paid to your consultant?

**See response to question #2.**

16. Can you please provide your current Investment Policy Statement?

**The Investment Policy was included with the request for proposal and can be found at [https://www.ok.gov/treasurer/documents/Exhibit-A\\_TSET\\_Invest\\_Policy\\_Jun-16.pdf](https://www.ok.gov/treasurer/documents/Exhibit-A_TSET_Invest_Policy_Jun-16.pdf).**

17. Are there any initiatives being planned for the next 12-16 months?

**See responses to questions #3 and #4.**

18. Can you please advise as to the expected contract duration?

**It will be an annual contract, which can be renewed each year for up to four years at the discretion of the Board.**

19. For how long has NEPC served as the Fund's investment consultant? Is there any dissatisfaction with the NEPC consulting relationship? If so, in what areas? If not, why is the search being conducted at this time?

**NEPC has been the Fund's investment consultant since 2001. There is no dissatisfaction with the consulting relationship. The Fund is required to competitively bid investment consulting services every five years.**

20. What is the current annual fee being paid to NEPC? Is this an all-inclusive fee? If not, what other services are provided and at what additional fee? Is there a budget for annual investment consultant fees going forward?

**NEPC charges annually charges a fee of \$100,000 which covers all services. The Fund's fiscal year operating budget encompasses all investment consultant fees.**

21. What important qualities or characteristics in a consultant candidate might cause the Board and staff to make a change?

**The successful investment consulting firm will have strong communication and technical skills, provide excellent customer service and have experience consulting with similar sized or larger funds.**

22. Besides this search, please describe any current topics or initiatives in progress or being discussed by staff and the Board members.

**See responses to questions #3 and #4.**

23. The RFP discusses consultant attendance at quarterly Board meetings and other special meetings; can you provide an estimate on the anticipated number of special meetings annually?

**See response to question #8.**

24. Section IV, Scope of Services, item 15 states that, "The consultant will participate in the conduct of searches for investment service providers (primarily but not exclusively managers and custodian banks)..” Can you clarify which other investment service/providers/types might be included?

**Additional service providers could be utilized, such as transition managers.**