

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

August 17, 2022

State Capitol Building, Room 217
2300 N. Lincoln Blvd.
Oklahoma City, OK 73105

Call to order

Treasurer Randy McDaniel, board chair, called the meeting to order at 10:08 a.m. on Wednesday, August 17, 2022.

Confirmation of quorum

Members of the Board present at the start of the meeting were Chairman McDaniel, Brenda Bolander and Debbie Mueggenborg.

Others present were OST Chief Investment Officer Lisa Murray, OST Director of Portfolio Accounting and Reporting Phyllis Chan, OST Manager of Portfolio Accounting and Reporting Donna Beeman, Assistant Attorney General Ben Graves, NEPC Advisor Don Stracke, Paul Pustmueller and Evan Walter with BOK Financial, and TSET Executive Director Julie Bisbee.

Tim Allen, OST Deputy Treasurer for Communication & Program Administration, served as recording secretary.

Approval of minutes from the meeting on June 15, 2021

Upon a motion by Ms. Mueggenborg and a second by Ms. Bolander, the minutes of the June 15, 2022, meeting of the board were unanimously adopted by roll-call vote.

Presentation of report regarding Tobacco Free Investments

Mr. Walter with Bank of Oklahoma verified the Trust was in compliance with the no-tobacco policy for the quarter ending June 30, 2022.

Discussion and Possible Action regarding class action proof of claims filed by BOK Financial and/or Chicago Clearing Corporation on behalf of the Board of Investors for the Fourth Quarter of FY-22

Ms. Murray presented reports from BOK Financial/Chicago Clearing Corporation listing class action proof of claims filed between April 1, 2022, and June 30, 2022. Upon a motion by Ms. Bolander and a second by Ms. Mueggenborg, the reports were unanimously approved by roll-call vote.

Discussion and Possible Action on FY 2022 Certified Earnings

Ms. Chan presented reports showing earnings during the preceding fiscal year available for certification totaled \$110,158,509.85. Additional earnings are being held until completion of the annual audit and are expected to be presented at the November meeting. Ms. Mueggenborg made a motion to certify the earnings, with a second provided by Ms. Bolander. The motion was unanimously adopted by roll-call vote.

Mr. Goetz arrived at 10:13

Presentation and discussion of FY22 fourth quarter investment performance.

Don Stracke began with an economic environment update and reported the second quarter gross domestic product decreased at an annual rate of -0.9%, the unemployment rate was 3.6%, the Fed Funds rate increased by 1.25% and inflation continues to be high. It was a very challenging quarter for equity and fixed income markets, with only the 3-month T-bill reflecting a positive return of 0.11% and safe-haven assets were negative.

The performance of the Trust was down for both the quarter and 1-year by -9.28% and -7.12%, respectively. The Trust's assets totaled \$1.58 billion. The portfolio continued to have a robust asset allocation but was still under-weight in private debt and real estate allocations. Mr. Stracke said there were pending capital calls from private debt managers and at the Board meeting in February, considerations in the real estate market and potential opportunities will be discussed. The Board requested that the benchmarks which are currently tied to LIBOR be updated at the meeting in November.

Presentation and discussion of NEPC's recent capital market assumptions and market outlook.

Mr. Stracke said that since the markets have been so volatile that NEPC decided to provide mid-year capital markets assumptions, as normally this information is revised on an annual basis. He provided an overview of the historical equity market corrections and the relationship between Fed Funds and inflation. NEPC is projecting a more benign outlook with 10-year core asset class returns improving.

Notification of extension of AEW Partners VII fund

AEW Partners requested a contract extension to August 22, 2024 in order to liquidate the remaining investments and maximize Partnership's returns. The consent was executed, to continue the disposition of fund assets.

Update regarding the Medley Opportunity Fund II

Mr. Stracke said that Medley fixed assets have been placed in a liquidating trust, with 6 assets remaining, and are trying to be disposed with the receipts being distributed to the limited partners. Medley as a firm has not completed their 2021 audit and no longer has any employees. An experienced, outside independent firm will be hired by the limited partners to liquidate the remaining assets. The TSET remaining Medley funds are \$3.8 million and will receive a return of a portion of these funds.

Update on TSET Board of Directors activities

Ms. Bisbee provided an update on activities by the TSET Board of Directors. She reported the board increased its budget for FY-23, but she said a committee of the board meets quarterly to review the status of the fund.

She said a Request for Proposals was issued to provide character development services for grades three through eight as part of the third phase of the board's youth initiative. She said

several media campaigns are performing well that are geared toward youth and their parents helping children understand they can make a healthier choice.

The board, she said, will receive a report at the end of August showing vapor products are the number one used tobacco product among youth. Recent data shows a slight uptick in tobacco use, after trending downward during the earlier months of the pandemic, she said.

Comments and questions from Board members

There were none.

New Business

There was none.

Adjournment

Upon a motion by Mr. Goetz and a second by Ms. Mueggenborg, the board voted unanimously to adjourn at 11:24am.

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