

**MINUTES OF THE MEETING OF THE BOARD OF INVESTORS FOR THE
OKLAHOMA TOBACCO SETTLEMENT ENDOWMENT TRUST FUND (TSET)**

March 3, 2023

State Capitol Building, Room 216.5
2300 N. Lincoln Blvd.
Oklahoma City, OK 73105

Call to order

Treasurer Todd Russ, Chair of the Board, called the meeting to order at 10:05 a.m. on Friday, March 3, 2023.

Confirmation of quorum

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

Others present at the meeting 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 Michael Malchenko; Paul Pustmueller, Evan Walter, and Sean Chitwood with BOK Financial; and Lauren Ford, Allison McMichael, and Michael Clark with TSET.

Chris Biggs of the State Treasurer's Office served as recording secretary.

Approval of minutes from the meeting on November 16, 2022.

Upon a motion by Ms. Bolander and a second by Ms. Mueggenborg, the minutes of the November 16, 2022 meeting of the Board were unanimously adopted by roll-call vote.

Discussion and Possible Action regarding the recommendation of firm selection for auditing services.

Treasurer Russ recognized Ms. Chan to present this item. Ms. Chan informed the Board that Finley & Cook, PLLC was the only firm to submit an RFP and that the TSET Audit Committee reviewed Finley & Cook's proposal and determined the firm met the minimum service requirements. A motion was presented by Ms. Mueggenborg and seconded by Ms. Bolander to keep Finley & Cook as the Trust's auditing services provider. The motion was unanimously adopted by the Board's roll-call vote.

Discussion and Possible Action regarding class action proof of claims filed by BOK Financial and/or Chicago Clearing Corporation on behalf of the Board for the 2nd quarter of FY 2023.

Treasurer Russ recognized Ms. Murray to present this item. Chicago Clearing Corporation provided a summary of the class action claims filed between October and December of 2022. After discussion, a motion was presented by Ms. Bolander and seconded by Ms. Mueggenborg to approve the claims report. The motion was unanimously adopted by the Board's roll-call vote.

Presentation of report regarding Tobacco Free Investments by BOK Financial.

Ms. Mueggenborg took over duties of the Chair and recognized Mr. Walter to present this item. Mr. Walter verified that the Trust was in compliance with the no-tobacco policy for the quarter ending December 31, 2022.

Presentation and discussion regarding NEPC's 2023 observations and discussions.

Ms. Mueggenborg recognized and welcomed Mr. Michael Malchenko to present this item. Mr. Malchenko replaced Don Stracke as the NEPC investment consultant for TSET. He provided information about his experience in the consulting field and with NEPC. Mr. Malchenko reviewed NEPC's asset class forecasting process and discussed implications for the Trust's potential returns. The firm's expectation for inflation is to be elevated over the near-term, but the long-term outlook reflected a more subdued inflation environment with a 10-year assumption of 2.5%. Based upon the Trust's current target asset allocation mix and taking into account their assumptions, NEPC estimated a 10-year expected return of 6.3% with an expected volatility range of 12%. Mr. Malchenko then introduced key investment themes expected to impact capital markets.

Presentation and discussion of the investment performance for 2nd quarter of FY 2023.

Mr. Malchenko reported that the market value of the Trust as of December 31, 2022 was \$1,601,396,546. The quarterly return was 6.44% and the one-year return came in at -8.40%, both net of fees. The one-year return was ranked at the 14th percentile, with 86% of the All Endowments benchmarking universe earning a lower return than the Trust. The total fund asset allocation continued to be under target in private debt and real estate, which will be addressed by NEPC at the next quarterly board meeting.

Announcement of Tyson Goetz's resignation from the Board.

Ms. Mueggenborg recognized Ms. Murray to present this item. Mr. Goetz indicated via email dated February 9, 2023 to Chairman Russ of his immediate intentions to leave the Board. Staff will contact the Governor's office to ensure they are aware of Mr. Goetz resignation and to secure a new appointee to the Board.

Discussion of estimated FY 2023 earnings as of December 31, 2022.

Ms. Mueggenborg recognized Ms. Chan to present this item. Ms. Chan estimated the earnings available to the TSET Board of Directors for FY 2023 as of December 31, 2022 to be \$16,478,807.92.

Update on TSET Board of Directors activities.

Ms. Mueggenborg recognized Lauren Ford, TSET Policy Manager, who provided the update. Ms. Ford said their January meeting of the Board of Directors approved several large grants focused on improving health in rural Oklahoma. The first grant was \$4.5 million over 3 years to the OSU Center for Health Sciences to help support the Extension for Community Health Care Outcomes. A second grant was to fund the Stephenson Cancer Center with \$1.7 million to create a mobile lung cancer screening bus, which will travel to rural areas of the state where lung cancer

screening is not available. Lastly, the Oklahoma Association of Youth Services received a \$1.7 million grant to launch the Healthy Kids and Healthy Communities program.

Comments and questions from Board members.

There were none.

New Business

There was none.

Adjournment

Upon a motion by Ms. Bolander and a second by Ms. Mueggenborg, the Board voted unanimously to adjourn.

Todd Russ, Chair
Tobacco Settlement Endowment Trust Fund Board of Investors