

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

August 9, 2023

State Capitol Building, Room 230
2300 N. Lincoln Blvd.
Oklahoma City, OK 73105

Call to order

Treasurer Todd Russ, Chair of the Board, called the meeting to order at 10:07 a.m. on Wednesday, August 9, 2023.

Confirmation of quorum

Members of the Board present at the start of the meeting were Treasurer Russ, Debbie Mueggenborg (Vice Chair), Brenda Bolander, and Aaron Ackerman.

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 TSET Executive Director Julie Bisbee.

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

Approval of minutes from the meeting on June 21, 2023.

Upon a motion by Mr. Ackerman and a second by Ms. Bolander, the minutes from the June 21, 2023 Board meeting were unanimously adopted by the Board's roll-call vote.

Presentation of report regarding Tobacco Free Investments by BOK Financial.

Treasurer Russ recognized Mr. Walter to present this item. Mr. Walter verified that the Trust was in compliance with the no-tobacco policy for the quarter that ended June 30, 2023.

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 fourth 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 April and June of 2023. Ms. Murray recommended the after-the-fact approval of these filings. 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.

Discussion and Possible Action on FY 2023 Certified Earnings.

Treasurer Russ recognized Ms. Chan to present this item. Ms. Chan reported that the earnings available for certification to the TSET Board of Directors for FY 2023 are \$62,024,806.56. A motion was presented by Ms. Mueggenborg and seconded by Mr. Ackerman to approve the FY

2023 certified earnings as presented. The motion was unanimously adopted by the Board's roll-call vote.

Presentation and discussion of FY 2023 fourth quarter investment performance.

Treasurer Russ recognized Mr. Malchenko to present this item. The Trust's performance over the last five years was 6.77% net of fees, ranking in the 17th percentile and outperforming the Policy Index by 0.08%. Over the last three years, the Trust earned 9% net of fees, ranking in the 11th percentile and outperforming the Policy Index by 0.66%. The one-year return was 10.66% net of fees, ranking in the 22nd percentile and outperforming the Policy Index by 0.26%. The Trust's assets total \$1.74 billion which includes an investment gain of \$49.8 million over the last calendar quarter and an investment gain of \$170 million over the past year.

Discussion and Possible Action regarding revising the current asset allocation of the TSET portfolio.

Mr. Malchenko recommended that the TSET portfolio adopt the Mix A asset allocation, which is expected to earn a higher yield than the current asset allocation. With the Mix A, the Total Equity allocation would remain at 40% of the portfolio, the Total Fixed Income allocation would increase to 44% from 36% of the portfolio, the Total Real Assets allocation would decrease to 12% from 15% of the portfolio, and the Global Asset Allocation would decrease to 4% from 9% of the portfolio. A motion was presented by Ms. Mueggenborg and seconded by Ms. Bolander to approve NEPC's recommended revised asset allocation (Mix A) for the TSET portfolio. The motion was unanimously adopted by the Board's roll-call vote.

Discussion and Possible Action regarding revisions to TSET's Investment Policy Statement.

Mr. Malchenko explained that in the November 16, 2022 meeting the Board recommended changes to the investment policy benchmarks. NEPC has updated the designated benchmark indexes listed in the Investment Policy Statement to more closely align with the corresponding asset classes. A motion was presented by Mr. Ackerman and seconded by Ms. Mueggenborg to approve NEPC's recommended changes to the Investment Policy Statement and to make any necessary changes to reflect the updated asset allocation. The motion was unanimously adopted by the Board's roll-call vote.

Update on the issuance of the request for proposal (RFP) for a large cap growth index fund money manager.

Mr. Malchenko said that the RFP was issued on July 17, 2023, with advertisements placed in the publication *Pensions & Investments* as well as on the NEPC website. Evaluation and diligence meetings with prospective applicants are tentatively scheduled for September and October, and interviews with prospective applicants in front of the Board are scheduled for the next Board meeting on November 15. Five or more applicants are expected to apply.

Discussion and Possible Action regarding the Assignment & General Partnership Change of Angelo Gordon by TPG Inc.

Mr. Malchenko recommended through a memo prepared by NEPC that the Board take no action as a result of TPG's acquisition of Angelo Gordon. As of March 31, 2023, TSET had a \$48.5 million allocation to Angelo Gordon Direct Lending Fund IV within the Private Debt asset

class. A motion was presented by Ms. Bolander and seconded by Mr. Ackerman to ratify Chairman Russ's decision to formally consent to TPG's acquisition of Angelo Gordon. The motion was unanimously adopted by the Board's roll-call vote.

Update on TSET Board of Directors activities.

Treasurer Russ recognized Ms. Bisbee to present this item. According to Ms. Bisbee, the FY 2023 goals for the TSET Helpline are outpacing the goals for the previous year. There were 29,000 calls taken, which is almost to pre-pandemic levels. In addition, there are currently two open RFPs. One is for grant funding to build sidewalks and parks in communities to promote physical activity. The other is for media providers for TSET. Lastly, Ms. Bisbee announced that tobacco retailers will soon start posting corrective tobacco warning statements near the checkout that are more visible.

Comments and questions from Board members.

There were none.

New Business

There was none. A Board member asked if the Speaker's appointment to the Board would be soon, but the answer is considered undetermined.

Adjournment

Upon a motion by Mr. Ackerman and a second by Ms. Bolander, the Board voted unanimously to adjourn at 11:15 a.m.

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