

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

November 15, 2023

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

Call to order

Treasurer Todd Russ, Chair of the TSET Board of Investors (“the Board”), called the meeting to order at 10:01 a.m. on Wednesday, November 15, 2023.

Confirmation of quorum

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

Others present at the meeting were OST Chief Deputy Treasurer Randy McDaniel; 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; Aaron Montano and John Lisser with AllianceBernstein; Theodore Bair Jr. with Mellon Investments Corporation; Leonard J. Oremland and Sumali Sanyal with Xponance Inc; Paul Pustmueller, Sean Chitwood, and Lacie Richardson with BOK Financial; Dan Bledsoe with Finley & Cook, PLLC; 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 August 9, 2023.

Upon a motion by Ms. Mueggenborg and a second by Ms. Bolander, the minutes from the August 9, 2023 Board meeting were unanimously adopted by the Board’s roll-call vote.

Presentation of annual audit for FY 2023 by Finley & Cook.

Treasurer Russ recognized Mr. Bledsoe to present this item. Mr. Bledsoe reported that the audited financial statements fairly present TSET’s financial position for fiscal year 2023.

Discussion and Possible Action regarding revised earnings based on the Audit Report.

Treasurer Russ recognized Ms. Chan to present this item. Ms. Chan presented reports showing additional earnings totaling \$4,678,074.79 were available for certification from FY 2023 investment earnings upon completion of the audit of the FY 2023 financial statements. This amount was in addition to the \$62,024,806.56 certified by the Board at the August meeting. Total certified earnings for the period were \$66,702,881.35. A motion was made by Ms. Bolander and seconded by Ms. Mueggenborg to approve the certification of the additional FY 2023 earnings for the TSET Board of Directors. The motion was unanimously adopted by the Board’s roll-call vote.

Discussion and review of the large cap growth index investment manager search.

Treasurer Russ recognized Mr. Malchenko to present this item. According to Mr. Malchenko, the search process went as follows: TSET received nine proposals to become the Russell 1000 Growth

ex Tobacco investment management service provider. After a review against the minimum requirements set forth by TSET, three firms were disqualified. Six firms were evaluated based on a scoring method that aligns with the TSET Investment Policy Statement. TSET staff and NEPC conducted due diligence calls with three semi-finalist firms. The three finalist firms were invited to be interviewed by the Board.

Large cap growth index investment manager presentations.

- a) Treasurer Russ recognized AllianceBernstein to make its presentation. Alliance Bernstein was represented by Mr. Montano and Mr. Lisser.
- b) Treasurer Russ recognized Mellon Investments Corporation to make its presentation. Mellon was represented by Mr. Bair.
- c) Treasurer Russ recognized Xponance Inc to make its presentation. Xponance was represented by Mr. Oremland and Ms. Sanyal.

Discussion and Possible Action on the selection of a large cap growth index investment manager.

The Board deliberated and determined that all three finalist firms were capable and competent. After further deliberation, the Board concluded that AllianceBernstein had the most impressive presentation. A motion was made by Ms. Mueggenborg and seconded by Ms. Bolander to select AllianceBernstein as the new large cap growth index investment manager for TSET. The motion was unanimously adopted by the Board's roll-call vote.

Presentation of report regarding Tobacco Free Investments by BOK Financial.

Treasurer Russ recognized Ms. Richardson to present this item. Ms. Richardson verified that TSET was in compliance with the no-tobacco policy for the quarter that ended September 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 first quarter of FY 2024.

Treasurer Russ recognized Mr. McDaniel to present this item. Mr. McDaniel summarized the Chicago Clearing Corporation's class action claims report filed between July and September of 2023, which included the total recovery of \$41,666.68 from claims. A motion was made by Ms. Bolander and seconded by Ms. Mueggenborg to approve the report. The motion was unanimously adopted by the Board's roll-call vote.

Presentation and discussion of FY 2024 first quarter investment performance.

Treasurer Russ recognized Mr. Malchenko to present this item. TSET's total fund performance over the last five years was 5.85% net of fees, ranking in the 14th percentile and outperforming the Policy Index by 0.01%. Over the last three years, the fund earned 6.75% net of fees, ranking in the 9th percentile but underperformed relative to the Policy Index by 0.03%. The one-year return was 12.16% net of fees, ranking in the 46th percentile but underperformed relative to the Policy Index by 0.35%. TSET's assets total \$1.70 billion which includes an investment loss of \$28.7 million over the last calendar quarter and an investment gain of \$188 million over the last year.

Discussion and update on increased cash position in the TSET portfolio.

Treasurer Russ recognized Mr. McDaniel to present this item. Mr. McDaniel reported that TSET's cash position has increased to \$7 million to ensure that there is enough liquidity to meet expenses.

This amount is still well below the administrative expense limit established by statute. Mr. Malchenko added that operational decisions from TSET staff have been very economical.

Discussion of estimated FY 2024 earnings as of September 30, 2023.

Treasurer Russ recognized Ms. Chan to present this item. Ms. Chan reported that the estimated earnings available to the TSET Board of Directors for FY 2024 are \$17,209,468.72.

Update on TSET Board of Directors activities.

Treasurer Russ recognized Ms. Bisbee to present this item. Ms. Bisbee announced that the TSET Board of Directors has a new board member, Jennifer Needham, who was appointed by the State Auditor and Inspector. Ms. Bisbee also announced new data showing that 21% of Oklahoma high school students vape. The My Life, My Quit program is a great resource for teens who want to quit vaping.

Election of Vice Chair for the 2024 statutory requirement.

Treasurer Russ asked Ms. Mueggenborg if she wanted to continue serving as the Board's Vice Chair for 2024, and she agreed to continue serving in that role. A motion was made by Ms. Bolander and seconded by Treasurer Russ to approve Ms. Mueggenborg as Vice Chair of the TSET Board of Investors for 2024. The motion was unanimously adopted by the Board's roll-call vote.

Discussion and Possible Action on meetings for 2024.

Treasurer Russ announced that the Board was provided a list of proposed quarterly meeting dates in 2024. The proposed meeting dates were February 21, June 19, August 21, and November 20. All dates are on a Wednesday, and the meetings will begin at 10:00 a.m. in a room at the State Capitol Building. A motion was made by Ms. Mueggenborg and seconded by Ms. Bolander to approve the proposed Board meeting schedule for 2024. The motion was unanimously adopted by the Board's roll-call vote.

Comments and questions from Board members.

There were none.

New Business

There was none.

Adjournment

Upon a motion by Ms. Mueggenborg and a second by Ms. Bolander, the Board voted unanimously to adjourn at 12:50 p.m.

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