

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

March 20, 2024

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 10:05 a.m. on Wednesday, March 20, 2024.

**Confirmation of quorum**

Members of the Board present at the start of the meeting were Treasurer Russ, Debbie Mueggenborg (Vice Chair), 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 Doug Moseley; Sean Chitwood and Ronnie Jobe with BOK Financial; TSET Executive Director Julie Bisbee, TSET Interim Director of Finance Nafees Rashid, and OST Investment Assistant Luke Currier.

Lisa Murray served as recording secretary.

**Approval of minutes from the meeting on November 15, 2023.**

Upon a motion by Ms. Bolander and a second by Ms. Mueggenborg, the minutes from the November 15, 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. Chitwood to present this item. Mr. Chitwood verified that the Trust was in compliance with the no-tobacco policy for the quarter that ended December 31, 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 second quarter of FY 2024.**

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 2023. Ms. Murray recommended the after-the-fact approval of these filings. A motion was presented by Ms. Mueggenborg and seconded by Ms. Bolander to approve the claims report. The motion was unanimously adopted by the Board's roll-call vote.

**Presentation and discussion regarding NEPC's 2024 observations and forecasts.**

Treasurer Russ recognized and welcomed Mr. Doug Moseley to present this item. Mr. Moseley replaced Mr. Michael Malchenko as the NEPC investment consultant for TSET. He provided

information about his experience in the consulting field and with NEPC. Mr. Moseley reviewed NEPC's asset class forecasting process and discussed implications for the Trust's potential returns. Mr. Moseley said NEPC's outlook on equities over the next 10 years was more bearish than other firms. He noted that the market has performed very well over the last few years. Due to such a high starting point, NEPC believes that the market will begin to correct itself. Based upon the Trust's current target asset allocation mix and considering their assumptions, NEPC estimated a 10-year expected return of 6.0%, down from a 6.5% expected return in 2023.

**Discussion and Possible Action regarding the private credit pacing plan and a manager search recommendation.**

The Board approved increasing the allocation to private debt from 10% to 13% at the August 2023 meeting. The current allocation was at 6.9% for private debt as of December 31, 2023. The most recent request for proposal for US direct lending private debt was issued in 2020. Mr. Moseley discussed several approaches to increase funds placed in this allocation based upon analysis done by NEPC through a pacing plan and taking into consideration the TSET Investment Policy. NEPC recommended that up to \$100 million be committed to this asset class. The difference between closed-end and continuous-fund private debt investment vehicles were addressed. Discussion ensued regarding a search for private debt managers. A motion was made by Ms. Bolander and seconded by Ms. Mueggenborg to approve the issuance of a request for proposal for a private debt investment manager search. The motion was unanimously adopted by the Board's roll-call vote.

**Presentation and discussion of FY 2024 second quarter investment performance.**

Mr. Moseley reported that the market value of the Trust as of December 31, 2023 was \$1,808,852,216. The quarterly return was 7.44% and the one-year return came in at 13.29%, both net of fees. The one-year return was ranked at the 53rd percentile but underperformed relative to the policy index by 1.02%. The three-year return was 5.83% net of fees, ranking in the 8<sup>th</sup> percentile and underperforming the policy index by 0.54%. Lastly, the five-year return was 9.05% net of fees, ranking in the 21<sup>st</sup> percentile and outperforming the policy index by 0.32%. Of the \$1.81 billion in total assets, \$125 million comes from an investment gain within the last calendar quarter, and \$216 million was gained within the last year.

**Presentation and discussion of the fee schedule analysis by NEPC.**

NEPC provides clients with a study of investment management fees and cost effectiveness. The objective of the study was to provide an overview of different types of fees paid across asset classes and evaluate cost effectiveness of the Fund's portfolio structure. Mr. Moseley said that one area of above-average fees was on the large cap grow index assets which were reduced by competitively bidding and changing from State Street to Alliance Bernstein. This change reduced fees from an average of 8 basis points to 2 basis points on \$216 million. Mr. Moseley noted that most managers in the TSET portfolio have below-average fees, with the exception of real estate, private debt, and GTAA managers. Private debt and real estate are areas that perform well and are typically worth the higher fees, according to Mr. Moseley. Areas of consideration for possible fee reductions were also discussed.

**Discussion of estimated FY 2024 earnings as of December 31, 2023.**

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 2024 as of December 31, 2023 are \$30,662,818.24.

**Update on TSET Board of Directors activities.**

Treasurer Russ recognized Ms. Bisbee to present this item. Ms. Bisbee acknowledged the 20<sup>th</sup> anniversary of the TSET Helpline. According to Ms. Bisbee, the Helpline has helped over 300,000 Oklahomans quit smoking. TSET recently awarded grants to Healthy Schools Oklahoma and the Riversport Foundation. The grant awarded to the Riversport Foundation will aid in the completion of walking trails in Tulsa by Summer 2025. The TSET Board of Directors meets March 28, and they intend to award incentive grants to schools and communities and disperse grants through the Discovery program.

**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 11:25 a.m.

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