

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

June 19, 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 10:01 a.m. on Wednesday, June 19, 2024.

Confirmation of quorum

Members of the Board present at the start of the meeting were Treasurer Russ, Aaron Ackerman 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; Evan Walter and Paul Pustmueller with BOK Financial; TSET Executive Director Julie Bisbee, TSET Director of Finance Trish Bryant, and OST Investment Assistant Luke Currier.

Luke Currier served as recording secretary.

Approval of minutes from the meeting on March 20, 2024.

Upon a motion by Ms. Bolander and a second by Mr. Ackerman, the minutes from the March 20, 2024, 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 March 31, 2024.

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 third 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 January and March of 2024. Ms. Murray recommended the after-the-fact approval of these filings. A motion was presented by Mr. Ackerman and seconded by Ms. Bolander to approve the claims report. The motion was unanimously adopted by the Board's roll-call vote.

Approval of FY25 intra-agency administrative and legal contracts with the Treasurer's Office.

Ms. Murray presented proposed contracts to the TSET Board of Investors for administrative and legal services through the Office of the State Treasurer. The administrative services contract for FY-25 totals \$170,838 annually and the legal services contract totals \$1,875 monthly. Upon a

motion by Ms. Bolander and a second by Mr. Ackerman, the contracts were unanimously adopted by roll-call vote.

Presentation and discussion of FY 2024 third quarter investment performance.

Treasurer Russ recognized Mr. Moseley to present items 6 – 8. Mr. Moseley reported that the market value of the trust as of March 31, 2024, was \$1,859,181,377. The quarterly return was 4.11% and the one-year return came in at 13.21%, both net of fees. The one-year return was ranked in the 60th percentile but underperformed relative to the policy index by 0.72%. The three-year return was 5.85% net of fees, ranking in the 8th percentile and underperforming the policy index by 0.26%. Finally, the five-year return was 8.25% net of fees, ranking in the 23rd percentile and outperforming the policy index by 0.17%. Of the \$1.86 billion in total assets, \$74.8 million comes from an investment gain within the last calendar quarter, and \$223 million was gained within the last year.

Discussion and Possible Action regarding elimination of the commission recapture program.

Mr. Moseley proposed eliminating the commission recapture program that TSET has with State Street Global Markets. This program is only recapturing \$2,000 - \$4,000 annually, compared to \$20,000 - \$40,000 earlier in the program's life. NEPC contacted three managers for their feedback on the program, and all three said that the use of recapture programs has declined across the industry, and that they may end up costing more to use, rather than simply executing trades at the lowest cost. As electronic trading and low-cost transactions have become the standard in the marketplace, it is less effective to execute step-out trades. A motion was presented by Mr. Ackerman to eliminate the commission recapture program and seconded by Ms. Bolander. The motion was unanimously adopted by the board's roll-call vote.

Notification to extend the Medley Fund II liquidation term by Upwelling Group.

Mr. Mosely stated that Upwelling is the liquidation manager for the remaining assets in the Medley Fund. The remaining fund value was approximately \$7 million of which \$6 million is still in cash. The position for TSET is around \$600,000. Upwelling received the requisite consent of the Limited Partners and has extended the liquidation agreement until May 2025.

Discussion of estimated FY 2024 earnings as of March 31, 2024.

Ms. Chan reported that the estimated earnings available for certification through the third quarter of FY24 were \$64,967,902.16.

Discussion and Possible Action on Fund budgetary matters.

Ms. Beeman said the FY 2024 budget amount of \$5,304,142 had not changed, but it did reflect the termination of State Street and replacement by new manager Alliance Bernstein. The proposed TSET Board of Investors budget for FY2025 was increased by 9.27% to \$5,795,844. Mr. Ackerman made a motion to approve the proposed FY 2025 budget as submitted. The motion was seconded by Ms. Bolander and then 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. Ms. Bisbee introduced TSET's new Director of Finance, Trish Bryant. She noted that Ms. Bryant had previously served as the Director of Finance for the Oklahoma City Housing Authority and has over 20 years of experience. The TSET Board of Directors met June 6, 2024, and approved an FY25 budget of \$81.9 million, an approximate \$3 million increase from FY24. A highlight of this budget is \$5.7 million in new grants through the Discovery program. Some of the grantees include the Oklahoma Senior Games, New View Oklahoma, and the Oklahoma State University Student Farm. Ms. Bisbee also said that the Tobacco Helpline will be working with two of the three managed care entities that will be replacing SoonerCare.

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 Mr. Ackerman, the Board voted unanimously to adjourn at 10:56 a.m.

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