

**MINUTES OF THE MEETING OF THE BOARD OF INVESTORS FOR THE  
OKLAHOMA TOBACCO SETTLEMENT TRUST FUND**

**June 18, 2025**

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

**Call to order**

Treasurer Todd Russ, Chairman of the Board, called the meeting to order at 10:00 a.m. on Wednesday, June 18th, 2025.

Confirmation of quorum

Confirmation of the Open Meetings Act

Members of the Board present at the start of the meeting were Treasurer Russ, Debbie Mueggenborg, Aaron Ackerman, and John Waldo.

Others present at the meeting were OST Chief of Staff and Deputy Treasurer of Administration Jordan Harvey; John Richer of Hall Estill; OST Director of Portfolio Accounting and Reporting Phyllis Chan; OST Manager of Portfolio Accounting and Reporting Donna Beeman; TSET Director of Public Information and Government Affairs Thomas Larson; TSET Director of Finance Megan Meers; NEPC Advisor Doug Moseley; NEPC Lead Consultant David Barnes; Wendy Dominguez and Gordon Tewell with Innovest; Liz Stevens Assistant Attorney General; OST Chief Policy Advisor Andy Ferguson; OST Digital Media Coordinator Lara Blubaugh; Paul Pustmueller, and Sean Chitwood with BOK Financial; Paul Monies with Oklahoma Watch; and OST Investment Assistant Andrew Gardner.

Andrew Gardner served as recording secretary

**Approval of March 5, 2025, and April 11, 2025, meeting minutes.**

Upon a motion by Ms. Mueggenborg and a second by Mr. Ackerman, the minutes from the Board meetings were unanimously adopted by roll call vote.

**Discussion and possible action to Convene into Executive Session pursuant to 25 O.S. § 307(B)(4) for the purpose of engaging in confidential communications between the Board and special counsel concerning *TSET BOI v. Drummond*, MA-123017.**

Mr. Ackerman made a motion for the Board and special counsel to convene into executive session. The motion was seconded by Mr. Waldo and passed unanimously by roll call vote and the Board entered into executive session.

Ms. Mueggenborg made a motion to return to open session. The motion was seconded by Mr. Ackerman and passed unanimously by roll call vote.

There were no topics other than the stated purpose discussed in executive session that were carried out in executive session. There were no actions taken other than returning to open session.

**Presentation of Tobacco Free Investments report by Bank of Oklahoma**

Chairman Russ recognized Mr. Pustmueller to present this item. Mr. Pustmueller verified that the Trust was in compliance with the no-tobacco policy for the quarter that ended March 31, 2025.

**Discussion and Possible Action regarding class action proof of claims filed by BOK Financial and/or the Chicago Clearing Corporation on behalf of the Board of Investors for the FY24 fourth quarter and FY25 first quarter.**

Chairman Russ recognized OST Investment Assistant Andrew Gardner to present this agenda item. Mr. Gardner requested after the fact approval of the filings.

Upon a motion by Ms. Mueggenborg to approve the class action claims filed in January through March 2025 and a second by Mr. Waldo the motion was accepted unanimously by a roll call vote.

**Approval of FY26 intra-agency administrative and legal contracts with the Treasurer's Office.**

Chairman Russ requested the approval of the ongoing contract with the State Treasurer's Office with the final contracted numbers to be provided at a later date. Mr. Ackerman made a motion to accept that the State Treasurer's Office will continue providing services to TSET. The motion was seconded by Ms. Mueggenborg and passed unanimously by roll call vote.

**Presentation and discussion of FY25 third quarter investment performance**

Chairman Russ recognized Doug Moseley to present the third quarter investment performance.

Mr. Moseley made a timely presentation of FY25 third quarter earnings noting a significant recovery in the markets that followed the reporting date. The U.S. equity markets had a correction in the latter half of FY25 Q3 that continued into April. The S&P was down for several weeks to the point of correction and then recovered quite a bit and finished down 4.3%. The TSET fund was positive in Q3. Down a little bit in April and is back in positive territory for the calendar year today, and for the fiscal year today. Over the same period, non-U.S. stocks were up almost seven percent. The AI theme was driving asset flows to growth stocks and chip makers and drove the market performance last year. There was a pull back when DeepSeek AI software entered the market and was cheaper to use than ChatGPT and Microsoft AI. The marketplace is going to continue to evolve with more entrants as use cases for the technology develop.

The Fund is just under \$2 billion at \$1.96 billion. This quarter performance of 0.92% was very close to the policy index of 0.94%. For the fiscal year-to-date the fund was up 5.26%. The one-year period return was 6.98%, ahead of its policy index by 0.3%, and in the top 10% of endowment funds. The fund exhibited strong performance, consistent with the policy and in the top quartile. With long run returns over the 7% objective. The portfolio and policy had a higher return, and a lower standard deviation compared to endowment funds in the peer group. A few managers underperformed, the MLP came in strong. Over five years the Fund has grown from just over \$1.1 billion to \$1.9 billion through earnings income and price appreciation while consistently distributing cash to support TSET's programs.

Mr. Waldo asked when Bitcoin would be recommended to be added to the portfolio and Mr. Moseley explained how the asset is speculative in nature, trades based on demand, and does not align with the long-term goals of the endowment.

**Discussion of estimated FY25 earnings as of March 31, 2025**

Chairman Russ recognized OST Director of Portfolio Accounting and Reporting Phyllis Chan to present the estimated earnings.

Ms. Chan presented the estimated FY25 earnings for the 9 months ending March 31, 2025. Total income was \$59.1 million, and the net gain was \$49.0 million. The total income with net gains was \$108.3 million. After deducting investment expenses of \$8.2 million and reserving \$500 thousand for auditing purposes, estimated earnings available are \$99.6 million.

#### **Discussion and Possible Action on Fund budgetary matters.**

Chairman Russ recognized OST Manager of Portfolio Accounting and Reporting Donna Beeman to present the FY25 Revised Budget and FY26 Proposed Budget.

Ms. Mueggenborg moved to approve the FY25 Revised Budget as submitted. The motion was seconded by Mr. Ackerman and passed unanimously by roll call vote.

Mr. Ackerman moved to approve the FY26 Proposed Budget as submitted. The motion was seconded by Mr. Waldo and passed unanimously by roll call vote.

#### **Discussion and review of the investment consultant request for proposal.**

Chairman Russ began to give an overview of the RFP process and the eight qualified applicants. One applicant submitted their proposal after the deadline and four firms were eliminated based on pricing.

Chairman Russ recognized OST Chief of Staff and Deputy Treasurer of Administration Jordan Harvey to provide details of the evaluation.

The eight applicants accepted and reviewed were FEG, Innovest, Keel Point, MEMCO, RVK, NEPC, SEI, and Wilshire. There was a huge price disparity between the four first eliminated with the proposed cost ranging from \$699,000 to \$2.5 million. The rest were \$300,000 and less and significantly more time was spent looking at Wilshire, NEPC, RVK, and Innovest. Wilshire's primary business model is not investing, and investment consulting is a fraction of their revenue. Wilshire charges managers a subscription fee to access their database, a significant conflict of interest. NEPC, the incumbent, proposed a low retainer fee but included additional costs for RFPs. Staff ultimately selected Innovest and NEPC to make presentations to the Board.

#### **Investment consultant finalist presentations.**

Chairman Russ recognized Douglas Moseley and David Barnes with NEPC to present their proposal for investment consulting services.

The board asked multiple questions with much interaction.

Chairman Russ recognized Wendy Dominguez and Gordon Tewell with Innovest to present their proposal for investment consulting services.

Chairman Russ stated that these proposals seem to be the two best options, and suggested the Board make a selection.

Mr. Ackerman moved to hire Innovest as the investing consulting firm. The motion was seconded by Ms. Mueggenborg and passed unanimously by roll call vote.

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

Chairman Russ recognized TSET Director of Public Information and Government Affairs Thomas Larson to present an update from the TSET Board of Directors.

Mr. Larson introduced Megan Meers, the new director of Finance. Large, transformative legacy grants are being rolled out this year of at least \$3 million, with contracts ranging from one to three years, totaling \$150 million. TSET received 169 applications with total requests of \$1.5 billion. At their May 29th meeting the Board of Directors approved the budget for FY26. The budget is approximately \$100 million, which is about \$20 million more than the current fiscal year and includes money for the first part of those legacy grants that are coming online.

TSET awarded six discovery grants totaling \$3.8 million. Those went to six different organizations, three of those organizations working in youth health and wellness. The Board also awarded \$1.2 million in built environment grants to communities around the state for projects that are going to improve access to physical activity and nutritious food. 11 communities received \$200,000 worth of healthy incentive grants. And those are grants that promote healthy policies in communities and schools across the state.

### **Comments and questions from Board members**

There were none

### **New Business**

There was none

### **Adjournment**

Upon a motion by Mr. Waldo and a second by Mr. Ackerman, the Board voted unanimously to adjourn by voice vote at 12:16 p.m.