Tobacco Settlement Endowment Trust Fund

Financial Statements

June 30, 2024 and 2023
(With Independent Auditors' Report Thereon)

F&C CPAs

FINANCIAL STATEMENTS

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F&C CPAs

Finley & Cook, PLLC
405-878-7300
Finley-Cook.com
1421 East 45th Street
Shawnee, OK 74804

INDEPENDENT AUDITORS' REPORT

Board of Directors and Board of Investors
Tobacco Settlement Endowment Trust Fund

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities and the permanent fund of the Tobacco Settlement Endowment Trust Fund (the "Fund"), which is a part of the State of Oklahoma financial reporting entity, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the permanent fund as of June 30, 2024 and 2023, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Fund, a permanent fund of the State of Oklahoma, are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and permanent fund of the State of Oklahoma that is attributable to the transactions of the Fund. They do not purport to, and do not, present fairly the financial position of the State of Oklahoma as of June 30, 2024 and 2023, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States. Our opinions are not modified with respect to this matter.

(Continued)

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages I-1 through I-18 and the schedule of the Fund's proportionate share of the net pension liability—Oklahoma Public Employees Retirement Plan, schedule of the Fund's contributions—Oklahoma Public Employees Retirement Plan, schedule of the Fund's proportionate share of the net OPEB liability, Oklahoma Public Employees Health Insurance Subsidy Plan, schedule of the Fund's contributions-Oklahoma Public Employees Health Insurance Subsidy Plan, schedule of the Fund's changes in total OPEB liability and related ratios-Implicit Rate Subsidy of Health Insurance Plan, and notes to the required supplementary information on pages 71 through 78 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2024, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

Finley + Cook, PLLC

Shawnee, Oklahoma
September 30, 2024

TOBACCO SETTLEMENT ENDOWMENT TRUST FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

June 30, 2024 and 2023

The Management's Discussion and Analysis (MD&A) of the Tobacco Settlement Endowment Trust Fund (the "Fund") provides an overview and overall review of the Fund's financial activities for the fiscal years ended June 30, 2024 and 2023. The intent of the MD&A is to look at the Fund's financial performance as a whole. It should, therefore, be read in conjunction with the Fund's financial statements and the notes thereto.

The Fund was established pursuant to the Constitution of the State of Oklahoma. The Fund's principal was established with funds received by the State of Oklahoma (the "State") on or after July 1, 2001, pursuant to any settlement with or judgment against any tobacco companies. The principal funds are invested, and the earnings (see Note 7) may be expended for operations; tobacco prevention and cessation programs; research and treatment efforts in Oklahoma to prevent and combat cancer and other tobacco-related diseases; and programs to maintain or improve the health of Oklahomans or to enhance health care services provided to Oklahomans, with a particular emphasis on children and senior adults.

A Board of Investors was created to manage the investments of the Fund and to annually certify the earnings that are available for program expenditures. A Board of Directors was created to oversee the Fund's operating and program expenditures.

Through the joint effort of both Boards in 2011, the Board of Investors requested an official Attorney General Opinion regarding conflicting language between Article X of the Constitution and the statutory language in Title 62, Section 2307 in defining earnings available for certification by the Board of Investors. An opinion was issued by the Attorney General on August 31, 2011, stating that earnings for the annual certification by the Board of Investors includes, but is not limited to, interest, dividends, and realized capital gains from investments, minus costs and expenses of the investments, and minus any losses realized by the Fund.

Since this method is reflective of the constitutional language, and the Board of Investors has historically used the definition within the statutory language to certify earnings, additional earnings were certified by the Board of Investors for the year ended June 30, 2011, inclusive of net realized gains. The recalculation according to the Attorney General's opinion resulted in $36,023,061 being certified by the Board of Investors at their meeting on November 17, 2011.

At this joint meeting of both the Board of Investors and the Board of Directors, there was discussion of a possible action on the earnings previously certified between FY 2001 and FY 2010. It was determined that an additional $42,898,847 would have been certified during this period had the Board of Investors calculated available earnings under the constitutional language. Upon the request of the Board of Directors, the Board of Investors voted to hold the $42,898,847 in reserve to be certified when future earnings calculations were below 5% of the corpus of the Fund.

In consideration of this, the Board of Directors approved the execution of a settlement agreement and release of all claims signed on February 16, 2012. This reserve was to be invested in the same manner as the Fund. According to the agreement, some or all of the reserve funds were to be available for spending when the current year earnings calculation was below 5% of the corpus of the Fund. The certification of reserve funds was limited to the 5% cap, inclusive of the initial calculation based upon the constitutional language. This agreement was in effect until the total amount of the reserve had been certified by the Board of Investors, which occurred at the November 12, 2020, Board of Investors meeting. At their November 14, 2012, meeting, the Board of Investors defined the corpus of the Fund as the custodial market value of the Fund as of June 30, less any previous certified earnings (current year and previous years' certified earnings that remain invested) within the Fund at June 30.

At their August 21, 2024, meeting, the Board of Investors certified $86,838,423, reserving $500,000 for possible audit adjustments. It is anticipated that the Board of Investors will certify additional amounts at their November 2024 meeting. The estimated earnings available for certification for the period ended June 30, 2024, were $88,776,976.

USING THIS ANNUAL REPORT

The basic financial statements presented in the annual report include both government-wide and fund financial statements.

Government-Wide Statements: The government-wide financial statements include the statements of net position and the statements of activities. These statements display information about the Fund as a whole. The government-wide financial statements of the Fund are presented on a full accrual economic resource basis, which includes all assets and liabilities whether current or noncurrent. These statements provide both short-term and long-term information about the Fund's overall financial status.

Fund Statements: The fund financial statements include the governmental fund's balance sheets and the statements of revenues, expenditures, and changes in fund balance. In the fund financial statements, the revenues and expenditures of the Fund are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Under these accounting methods, revenues and assets are recognized when they become both measurable and available, and expenditures and liabilities are recognized when obligations are incurred as a result of the receipt of goods or services.

FINANCIAL HIGHLIGHTS

Statements of Net Position

The statements of net position provide an indication of the Fund's financial condition at the end of the 2024, 2023, and 2022 fiscal years; the statements report all assets and liabilities using the accrual basis of accounting.

Tobacco Settlement Endowment Trust Fund
Statements of Net Position

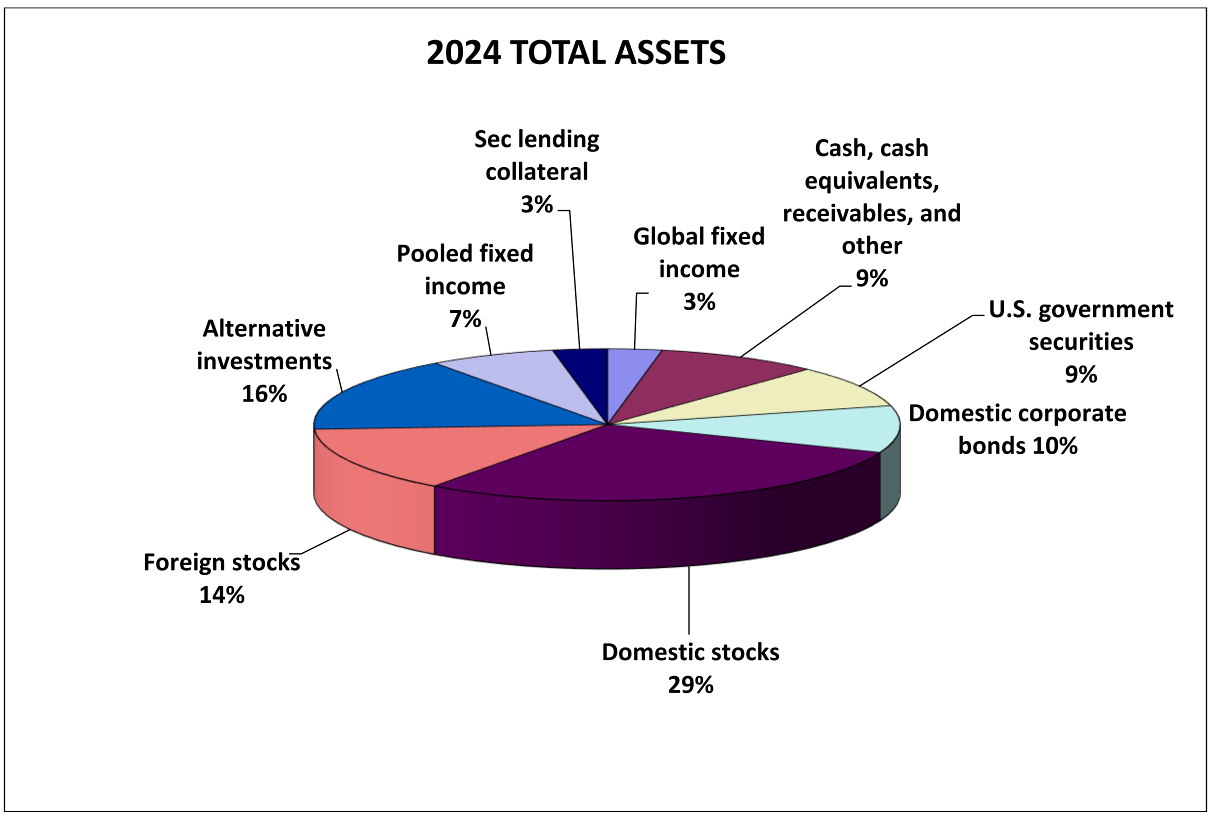
	2024	2023	2022
Assets			
Current assets	$ 192,972,413	168,403,450	204,272,489
Investments, at fair value	1,837,666,173	1,702,125,726	1,541,897,835
Securities lending collateral—non-cash	52,458,035	48,670,512	31,154,345
Net pension asset—settled in more than 1 year	-	-	1,086,778
Net OPEB asset—settled in more than 1 year	117,726	86,298	111,322
Capital assets	240,313	82,023	61,814
Total assets	2,083,454,660	1,919,368,009	1,778,584,583
Deferred outflows of resources:			
Deferred amounts related to the pension and OPEB	740,296	1,072,760	288,492
Liabilities			
Current liabilities	40,611,515	17,548,480	19,798,811
Liability under securities lending	123,277,200	158,142,260	182,831,924
Noncurrent liabilities	741,083	995,061	220,181
Total liabilities	164,629,798	176,685,801	202,850,916
Deferred inflows of resources:			
Deferred amounts related to the pension and OPEB	67,120	102,864	1,334,801
Net Position			
Net investment in capital assets	240,313	82,023	61,814
Restricted for investment	1,618,902,268	1,467,113,771	1,306,413,242
Unrestricted	300,355,457	276,456,310	268,212,302
Total net position	$ 1,919,498,038	1,743,652,104	1,574,687,358

FINANCIAL HIGHLIGHTS, CONTINUED

Statements of Net Position, Continued

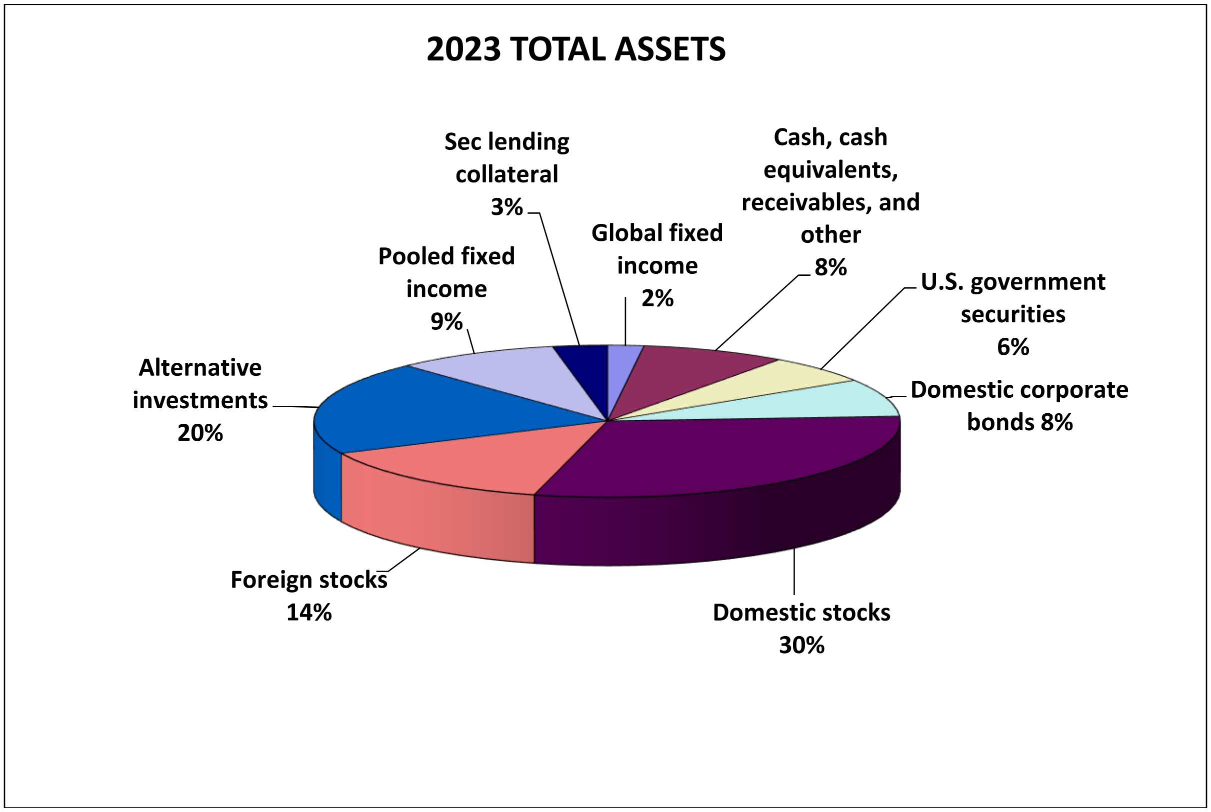
The Fund's total net position increased $175.85 million during the year, as the Fund invested an additional $46.54 million in settlement receipts, recognized $193.96 million as net investment gains, and expended $68.72 million on programs and operations. Total investments increased from $1,702.13 million at the beginning of the year to $1,837.67 million as of year-end, as the Board of Investors invested cash and cash equivalents held at the beginning of the year and additional settlement receipts were deposited during the year. The Fund recognized $126.27 million from the net appreciation of the fair value of the portfolio and earned $67.31 million in interest and dividends, net of investment management fees. The Fund's investment policy establishes investment goals and objectives and provides specific investment guidelines for investment managers, including a prohibition from investing in securities issued by companies engaged in the manufacture of tobacco products.

Cash balances also include restricted cash of approximately $70.82 million, which represents cash collateral presented to the Fund by security borrowers through the Board of Investors' securities lending effort. Use of this cash is restricted unless the borrowers were to default in the return of the securities borrowed.



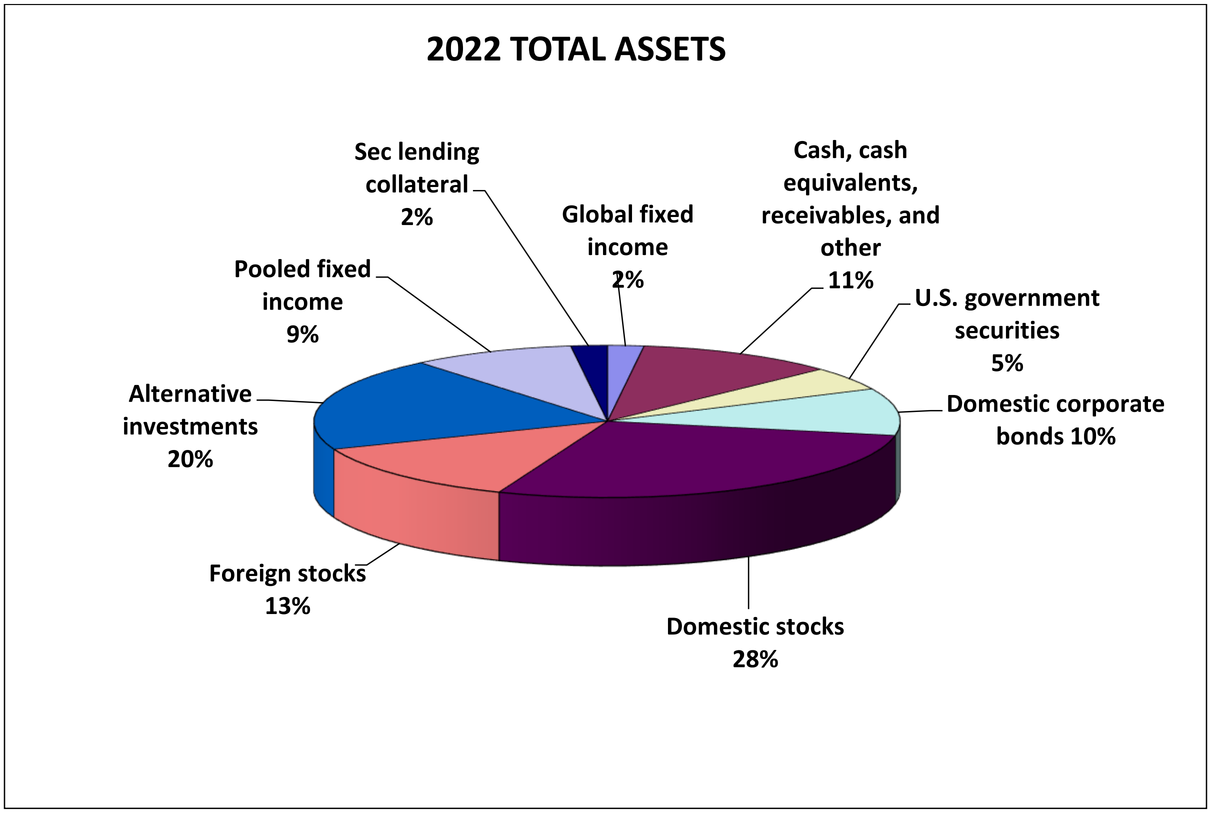
FINANCIAL HIGHLIGHTS, CONTINUED

Statements of Net Position, Continued



FINANCIAL HIGHLIGHTS, CONTINUED

Statements of Net Position, Continued



FINANCIAL HIGHLIGHTS, CONTINUED

Statements of Activities—Income and Expenses

The statements of activities report all of the income and expenses during the time periods indicated.

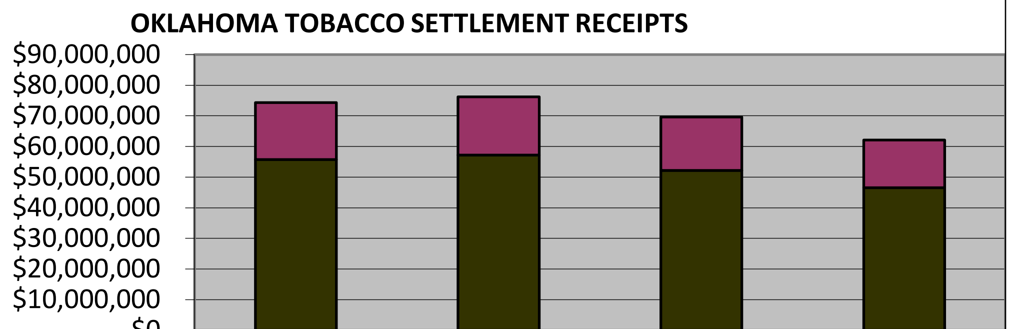
Tobacco Settlement Endowment Trust Fund
Statements of Activities

	2024	2023	2022
Investment income:			
Interest and dividend income	$ 77,965,237	67,886,728	60,065,107
Securities lending income	384,658	395,062	184,926
Net appreciation (depreciation) in fair value of investments:			
Net unrealized gains (losses)	105,181,528	108,500,976	(233,833,355)
Net realized gains	21,085,305	8,403,088	62,797,539
	126,266,833	116,904,064	(171,035,816)
Total investment income (losses)	204,616,728	185,185,854	(110,785,783)
Investment expenses	(10,658,224)	(9,981,997)	(9,993,218)
Net investment income (losses)	193,958,504	175,203,857	(120,779,001)
Other income:			
Contract income	4,000,000	4,400,000	4,000,000
Miscellaneous income	57,899	12,188	35,729
Total other income	4,057,899	4,412,188	4,035,729
Expenses:			
Program	66,477,229	60,828,207	48,711,941
Operating	2,242,310	2,010,457	1,388,716
Total expenses	68,719,539	62,838,664	50,100,657
Changes in net position before settlement receipts	129,296,864	116,777,381	(166,843,929)
Contribution to fund principal:			
Other miscellaneous receipts	7,518	-	4,922
Settlement receipts	46,541,552	52,187,365	57,171,146
Changes in net position	175,845,934	168,964,746	(109,667,861)
Net position, beginning of year	1,743,652,104	1,574,687,358	1,684,355,219
Net position, end of year	$ 1,919,498,038	1,743,652,104	1,574,687,358

FINANCIAL HIGHLIGHTS, CONTINUED

Statements of Activities—Income and Expenses, Continued

Revenues from settlement receipts are restricted for investment purposes. During both the fiscal years ended June 30, 2024 and 2023, 75% of settlement receipts paid to the State were deposited by the State into the Fund. The percentage of the State's settlement receipts to be received by the Fund increased by 5% annually until it reached 75% during the fiscal year ended June 30, 2007, where it remains. As reflected below, settlement receipts deposited by the Fund decreased by $5,645,813 from 2023.



	2021	2022	2023	2024
Balance to State	$18,573,817	$19,057,049	$17,395,788	$15,513,850
Fund Deposit	$55,721,453	$57,171,146	$52,187,365	$46,541,552

There are no guarantees regarding the State's continued receipt of funds in the settlement of claims against the tobacco companies. The amount received by the State can be attributed to several factors. An independent auditor calculates and determines the amount of all payments based in part on the market share of cigarette consumption.

As settlement receipts were deposited and invested and the portfolio was diversified during the fiscal year ended June 30, 2024, net investment income increased by $18.75 million. Interest and dividend income increased $10.08 million, while the net appreciation of investments in the Fund's portfolio increased $9.36 million over the prior year. Fees paid to investment managers, consultants, and custodians increased $676,227.

As previously noted, the Fund's principal is restricted for investment purposes only. According to a recent Attorney General's opinion, interest, dividends, and realized capital gains from investments minus costs and expenses of the investments, and minus any losses realized by the Fund may be expended for operations; tobacco use prevention and cessation programs; research and treatment efforts in Oklahoma to prevent and combat cancer and other tobacco-related diseases; and other programs to improve the health and wellbeing of Oklahomans, with a particular emphasis on children and senior adults.

FINANCIAL HIGHLIGHTS, CONTINUED

Overview

Established by voters, the Oklahoma Tobacco Settlement Endowment Trust (TSET) is a state grantmaking trust devoted to preventing cancer and cardiovascular disease, Oklahoma's leading causes of death. By awarding grants to schools, communities, state agencies, and partner organizations, TSET works to improve the health of Oklahoma's citizens. It also funds research and emerging opportunities in the public and private sectors. TSET's initiatives are addressing Oklahoma's most pressing public health issues — and creating healthier places for all Oklahomans to live, work, learn, and play.

Since TSET's inception, more than 47,000 lives have been saved and Oklahoma's smoking rate has dropped 10x faster than similar states. However, new and emerging products threaten to curb this progress, and tobacco kills more than 7,500 Oklahomans each year, indicating the need for long-term strategies to prevent young people from starting tobacco use and to help people quit.

Operations

In FY24, TSET's total budget was $77,698,520, with administrative costs accounting for 4.3% of the total budget. By statute, the administration budget is capped at 15% of certified earnings. The TSET Board of Directors uses a 3-year rolling average of previous years' certified earnings to guide budget decisions. The TSET Board of Directors has had this policy in place since FY16.

TSET focuses on programs that improve health behaviors, focus on youth, and achieve measurable improvements in the health of Oklahomans. The TSET Board of Directors and agency management developed and adopted a 3-year strategic plan in FY24. The process includes listening sessions, focus groups, and key informant interviews.

Improve Healthy Behaviors

Prevention programs focus on reducing risk factors for cancer and cardiovascular disease, Oklahoma's leading causes of death, through comprehensive programs that aim to prevent and reduce tobacco use, physical inactivity, poor nutrition, and obesity.

TSET funds programs in healthcare settings that support tobacco-use prevention and cessation, and improving health. Under the Health Systems Initiative portfolio, the Oklahoma Health Care Authority, the Oklahoma Hospital Association, and the Oklahoma Department of Mental Health and Substance Abuse Services work to implement best practice interventions to address tobacco, nutrition, and physical activity among patients and clients. Over the course of the grant, nearly 85,000 referrals have been made to the Oklahoma Tobacco Helpline through TSET's work with the Oklahoma Department of Mental Health and Substance Abuses Services. Oklahoma's mental health system and all contract behavioral health facilities adhere to best-practice policy to be tobacco-free for patients and staff.

FINANCIAL HIGHLIGHTS, CONTINUED

Improve Healthy Behaviors, Continued

TSET Healthy Incentive Grants are designed to encourage school sites, districts, and communities to adopt policies that promote tobacco-free environments, good nutrition, active lifestyles, and employee wellness. Grant funds can be used for a variety of projects, including capital improvements, equipment, training, and curriculum. In FY24, TSET awarded a total of $927,000 in Healthy Incentive Grants. This includes $579,000 distributed among 37 school districts and school sites, and $348,000 awarded to 11 communities.

Since the inception of the Healthy Incentive Grants, TSET has awarded a total of $5,307,000 to communities and $3,765,750 to schools and school districts. These investments are instrumental in fostering environments that support healthier lifestyles for Oklahomans. By continuing to back innovative and effective health initiatives, TSET is helping to build a healthier future for the state.

The TSET Healthy Living Program (HLP) seeks to lessen the burden of unhealthy behaviors before they take root. The TSET HLP currently partners with 27 lead agencies working in 28 counties to improve health and wellness, especially in parts of the state with higher rates of tobacco use and obesity.

In FY24, the TSET HLP grantees worked with 19 cities and towns across Oklahoma to create tobacco-free ordinances for city-owned property. Across the state, the TSET HLP work led to the adoption of 73 wellness policies, 24 school cafeteria enhancements, 19 park enhancements, 11 pedestrian wayfinding projects, and other health-promoting polices and projects. Since FY22, the TSET HLP has reached more than 1.6 million Oklahomans and engaged 731 partners around the state.

The TSET HLP budget for FY24 was $5.9 million.

In FY24 TSET continued to fund grants supporting infrastructure projects that promote physical activity and healthier lifestyles, such as sidewalks and streetscapes, trails, and park improvements. The Built Environment and Innovation grants fund both shovel-ready projects and planning for future projects. In FY24, the TSET Board of Directors funded more than $4.1 million in such projects across the state.

Since 2008, Tobacco Stops With Me (TSWM) has educated Oklahomans about the negative effects of tobacco use and secondhand smoke, with the goal of preventing and reducing chronic disease and premature death. TSWM continued efforts to protect Oklahoma kids from the tobacco industry's deceptive marketing of its deadly products and renewed the push for clean indoor air.

In FY24, TSWM debuted two new campaigns to build awareness of the dangers of secondhand smoke in Oklahoma. "Apartments" used stop-motion animation to show how smoke can travel through multiunit housing, endangering unsuspecting residents.

The second campaign, titled "The Cloud," highlighted how Oklahoma's lack of comprehensive smokefree laws leaves children unprotected. Exposure to secondhand smoke is detrimental to a child's development and is linked to children becoming addicted to tobacco.

FINANCIAL HIGHLIGHTS, CONTINUED

Improve Healthy Behaviors, Continued

According to the FY24 cross-sectional survey, TSWM remains well-received by Oklahomans, as 75% reported TSWM ads motivated them to talk with their children about tobacco and 71% report the TSWM ads motivated them to talk with their children about electronic cigarette use.

Shape Your Future (SYF) promotes a healthier lifestyle for Oklahomans, emphasizing eating better, staying active, drinking water, getting more sleep, and living tobacco-free through its award-winning campaigns.

In FY24, SYF supported educators with new resources for their classrooms and launched a new recipe site, enabling users to save recipes, plan meals, compile grocery lists, and more. A partnership with Oklahoma Gardening launched, bringing the SYF brand and messaging to Oklahomans across the state. SYF also utilized various media channels, including TV spots, billboards, print ads, grocery store signage, and more to encourage Oklahomans to make healthier choices.

The 2024 cross-sectional survey conducted by the University of Oklahoma Health Sciences Center found awareness of SYF remains high. Survey results showed 17% ensured their family filled half their plates with fruits and vegetables, up from 15% in FY23, and 34% made sure their children got 60+ minutes of daily physical activity, up from 31% in FY23.

Youth

Oklahoma consistently ranks among the states with the highest number of youth consuming highly addictive nicotine through vapor devices, according to the national Youth Risk Behavior Survey. Oklahoma youth are also facing rising rates of obesity. To help tackle these trends, TSET launched the TSET Healthy Youth Initiative to educate Oklahoma teens and help them make informed choices about their health.

The initiative includes statewide public health education messaging, a youth-led advocacy program, and character-building to reduce tobacco use and obesity. The initiative also gives parents resources to support their children in maintaining or developing healthy habits for a lifetime.

Two statewide media campaigns, "Behind the Haze" and "Down and Dirty," address vape and tobacco use among Oklahoma youth ages 13–18. "Behind the Haze" aims to reach teenagers throughout the state, while "Down and Dirty" delivers its focused message to rural teens. In FY24, a total of four new message packages were launched as part of these two campaigns, collectively generating over 47 million views.

"Quit the Hit" is a free Instagram-based program offering expert-led support to young Oklahomans looking to quit vaping. It provides a five-week online support program for groups of 10–15 participants. More than 1,000 young Oklahomans have successfully reduced or quit vaping with the program. Follow-up surveys reported satisfaction levels over 95%.

FINANCIAL HIGHLIGHTS, CONTINUED

Youth, Continued

"Quit the Hit" produced a testimonial campaign showcasing Oklahomans who used the service. One of the testimonial participants was also featured on NPR's podcast "Life Kit."

My Life, My Quit™ offers free one-on-one support through live texting, web chat, and telephone coaching to help teenagers combat various forms of tobacco use, including vaping. In FY24, 153 young Oklahomans completed enrollment. The two programs can be used individually or together.

Oklahoma has one of the highest youth obesity rates, with over one-third of children being overweight or obese. TSET's Swap Up campaign continues to engage teens aged 13–18, promoting lifelong healthy habits by emphasizing the immediate benefits of healthier choices, like drinking water instead of soda.

Surveys show teens who knew about Swap Up linked better sports performance, clearer thinking, and improved mood to drinking more water and fewer sugary drinks. Notably, 62% of campaign-aware teens were more likely to consume fruit versus 24% of those unaware, and 56% were more likely to consume vegetables versus 21% who were unaware of the campaign.

Empowering youth to make and support healthy choices is foundational to improving health in Oklahoma. Investing in youth reduces risky health behaviors before they take root. Youth Action for Health Leadership (YAHL) is a youth-led program available to high school student clubs and organizations across Oklahoma.

Through YAHL, teens learn invaluable leadership skills and gain resources to advocate for healthy changes in their communities. In FY24, YAHL expanded its impact, partnering with 45 schools representing 26 counties across the state, engaging 1,162 Oklahoma youth who collectively contributed 11,028 volunteer hours to enhance nutrition, active living habits, and tobacco-free policies.

Elevate Student Health , a YAHL campaign, hosted 69 events, engaging with 40 principals, collecting 7,463 surveys, conducting 30 school district wellness assessments, and meeting with 38 legislators. These efforts resulted in youth participation in 24 school board meetings, with two districts adopting comprehensive health policies.

Additionally, TSET continued a grant to the Oklahoma Association of Youth Services to develop and administer the TSET Successful Futures Program, a program to equip Oklahoma youth with the skills and tools needed to make healthy choices in an effort to lower the number of unhealthy adults in the future.

FINANCIAL HIGHLIGHTS, CONTINUED

Measurable Improvements

The Oklahoma Tobacco Helpline (OTH) celebrated 20 years of helping Oklahomans quit tobacco at an event in the State Capitol in February 2024.

Established in 2003, OTH is a free service available 24/7 to Oklahomans who are 18 years of age and older who are interested in quitting tobacco. Services through OTH include free text or email support, mailed materials, and phone and web coaching. Coaching includes setting a quit date, developing a quit plan, stress management strategies, and a relapse prevention plan. OTH is collaboratively funded by the TSET, the Oklahoma State Department of Health (OSDH), Centers for Disease Control and Prevention (CDC), the Oklahoma Employees Group Insurance Division (EGID), and the Oklahoma Health Care Authority (OHCA).

The North American Quitline Consortium ranks OTH among the highest quitlines in the country for reaching tobacco users in need of treatment. The FY24 Helpline budget was $5.2 million. OTH has consistently met or exceeded national benchmarks for reaching tobacco users in need of treatment and outpaces other states in the total number of people using the free cessation services.

In addition to OTH, TSET funds several research programs focused on decreasing the burden of cancer, supporting research, and reducing the toll of tobacco and obesity-related diseases.

TSET supported Phase 1 clinical trials at the Peggy and Charles Stephenson Cancer Center ("Stephenson") with an annual grant that totaled $5.5 million in FY24. Stephenson has over 566 clinical trials open for patients, providing treatment options for all types and stages of cancer.

With support from TSET, Stephenson supports a Statewide Clinical Trials Network which provides access to National Cancer Institutes (NCI)-sponsored clinical trials for Oklahomans across the state. This Statewide Clinical Trials Network brings NCI clinical trials to community oncology sites throughout Oklahoma. Through this network, more than 75% of Oklahomans reside within easy access to an oncology clinical site that provides access to NCI-sponsored clinical trials.

Thanks in part to TSET funding, Stephenson was awarded NCI Designation in FY18 and was re-designated in FY23. This places Stephenson among an elite group of 72 NCI-Designated Cancer Centers nationwide. NCI-Designated Cancer Centers represent only the top two percent of cancer centers in the United States. Stephenson Cancer Center is the only NCI-Designated Cancer Center in Oklahoma.

TSET further partnered with Stephenson to improve the rate of cancer screenings in rural Oklahoma. A $1.7 million grant awarded in FY23 is funding a lung cancer screening bus. The bus will travel to areas of the state where lung cancer screening is not accessible, with the goal of increasing early detection of this deadliest of cancers in FY25.

FINANCIAL HIGHLIGHTS, CONTINUED

Measurable Improvements, Continued

TSET continued support of the TSET Health Promotion Research Center (HPRC) at $3.8 million per year. The mission of the TSET-HPRC is to reduce the burden of disease in Oklahoma by addressing modifiable health risk factors such as tobacco use, sedentary lifestyle, poor diet, and risky alcohol and other substance use through research, novel intervention development, and dissemination of research findings.

The Oklahoma Center for Adult Stem Cell Research (OCASCR), established in FY10, is governed by the research directors of the Oklahoma Medical Research Foundation, the University of Oklahoma, and the Oklahoma State University (OSU), with the Oklahoma Medical Research Foundation serving as the fiscal agent. OCASCR's mission is to promote and encourage adult stem cell and regenerative medicine research in the state of Oklahoma. Harnessing knowledge about adult stem cells to repair damaged organs could help Oklahoma scientists address prevalent diseases in our state while increasing their competitiveness for federal research funds.

OCASCR's FY24 budget was $2.8 million. Oklahoma scientists have leveraged about $37 million TSET dollars awarded through OCASCR grants since 2010 into over $434 million in additional private and federal funds.

Through a grant to the Oklahoma Health Care Workforce Training Commission (HWTC), formerly the Physician Manpower Training Commission), TSET helps fund the Oklahoma Medical Loan Repayment Program, which recruits physicians to practice in rural and medically underserved areas. The FY24 grant to HWTC was $726,494 and supported 42 physicians practicing across the state. Each primary care physician in rural Oklahoma will generate an estimated $1.9 million each year in their local economy. Since the program began, physicians have logged more than 650,000 patient visits, and more than 26% of those patients are insured by SoonerCare.

Additionally, TSET sought to improve health in rural Oklahoma by increasing the reach of OSU's Project ECHO, or Extension for Community Health Care Outcomes. Project ECHO enables health care providers in rural and underserved areas to connect with specialists at academic medical centers via digital platforms for training and consultation. TSET's $4.5 million grant over three years, now in its second year, will allow Project ECHO to create new "ECHO Lines" focused on specific health conditions to support rural physicians in caring for patients across Oklahoma.

FINANCIAL HIGHLIGHTS, CONTINUED

Best Practices

In FY24, TSET engaged with OMES to explore technology systems to enhance the agency's ability to manage the grantmaking process, engage with stakeholders through customer relationship management (CRM), and give the agency the ability to streamline its data impact reporting efforts, both financial and outcomes-based. TSET staff worked throughout FY24 to migrate data and workflows to the Salesforce platform, with full implementation planned for FY25.

In FY24, the agency implemented a reorganization to create a sustainable structure that allows for future growth and a more efficient use of resources. The realignment created several new, focused divisions within TSET and redistributed duties and responsibilities. For example, strategic communication activities were consolidated into a single division. The Programs division was divided into an Engagement and Impact division, focused on current programs, and a Program Architecture division, focused on developing future programs and grant opportunities.

The TSET Board of Directors use a strategic funding matrix to guide spending decisions and budget allocations today and in future fiscal years. The matrix puts 25%–30% of the agency budget into tobacco prevention and cessation, 20%–25% into obesity preventions, another 20%–25% into cancer prevention and treatment, up to 5% to improve access to health care. Health innovation initiatives and operations each receive up to 10% of the TSET budget.

Lastly, TSET continued work that started in FY22 to launch new grant opportunities and seek new partners in improving health across the state. In FY24, the agency awarded the second round of TSET Discovery Grants, a recurring grant opportunity to find innovative ideas and fund health-promoting projects that do not currently fit within established TSET programs. In FY24, seven Discovery Grants were launched with over $2 million in funding.

FINANCIAL HIGHLIGHTS, CONTINUED

Governmental Fund—Balance Sheets

The Fund is classified as a permanent fund, as the principal funds are restricted by law for investment purposes only. The earnings may be expended for operations; tobacco prevention and cessation programs; research and treatment efforts in Oklahoma to prevent and combat cancer and other tobacco-related diseases; and other programs to maintain or improve the health of Oklahomans or to enhance health care services provided to Oklahomans, with a particular emphasis on children and senior adults. Accordingly, the fund balance at year-end includes balances which are nonspendable (restricted for investment purposes) and balances which are assigned and unassigned that are expendable for operations and programs of the Fund.

Tobacco Settlement Endowment Trust Fund
Balance Sheets—Permanent Fund

	2024	2023	2022
Assets:			
Cash and cash equivalents	$ 186,757,424	161,183,711	198,183,984
Interest and dividends receivable	5,774,183	4,309,232	4,174,937
Contract receivable	409,497	2,880,512	1,885,374
Securities lending receivable	31,309	29,995	28,194
Securities lending collateral—non-cash	52,458,035	48,670,512	31,154,345
Investments at fair value	1,837,666,173	1,702,125,726	1,541,897,835
Total assets	$ 2,083,096,621	1,919,199,688	1,777,324,669
Liabilities:			
Net payable to brokers	$ 23,785,087	583,281	8,486,281
Accounts payable	16,713,083	16,867,681	11,220,994
Liability under securities lending	123,277,200	158,142,260	182,831,924
Total liabilities	163,775,370	175,593,222	202,539,199
Fund Balances:			
Nonspendable	1,618,902,268	1,467,113,771	1,306,413,241
Assigned	211,642,007	209,789,814	155,317,875
Unassigned	88,776,976	66,702,881	113,054,354
Total fund balances	1,919,321,251	1,743,606,466	1,574,785,470
Total liabilities and fund balances	$ 2,083,096,621	1,919,199,688	1,777,324,669

FINANCIAL HIGHLIGHTS, CONTINUED

Governmental Fund—Revenues, Expenditures, and Changes in Fund Balances

Tobacco Settlement Endowment Trust Fund
Revenues, Expenditures, and Changes in Fund Balances—Permanent Fund

	2024	2023	2022
Revenues:			
Restricted:			
Net appreciation (depreciation) in fair value of investments:			
Net unrealized gains (losses)	$ 105,181,528	108,500,976	(233,833,355)
Other miscellaneous receipts	7,518	-	4,922
Settlement receipts	46,541,552	52,187,365	57,171,146
Miscellaneous income	57,899	12,188	35,729
Total restricted revenues (losses)	151,788,497	160,700,529	(176,621,558)
Interest and dividend income	77,965,237	67,886,728	60,065,107
Net realized gains	21,085,305	8,403,088	62,797,539
Securities lending income	384,658	395,062	184,926
Contract income	4,000,000	4,400,000	4,000,000
Total revenues (losses)	255,223,697	241,785,407	(49,573,986)
Expenditures:			
Program and grant management support	3,636,116	2,943,465	2,296,675
Statewide programs	7,645,809	7,498,085	5,102,079
Community programs	17,001,943	12,435,816	7,054,495
Evaluation services	3,098,145	1,878,797	1,554,669
Furniture and equipment	198,529	32,031	9,979
Research	12,216,788	12,286,754	13,122,018
Investment management fees	10,658,224	9,981,997	9,993,218
Health communications	22,878,428	23,785,290	19,582,005
General operations and administrative expenses	2,174,930	2,122,176	1,663,721
Total expenditures	79,508,912	72,964,411	60,378,859
Net changes in fund balances	175,714,785	168,820,996	(109,952,845)
Fund balances, beginning of year	1,743,606,466	1,574,785,470	1,684,738,315
Fund balances, end of year	$ 1,919,321,251	1,743,606,466	1,574,785,470

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Fund's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Lisa Murray, Chief Investment Officer, Office of the Oklahoma State Treasurer, 2300 North Lincoln Boulevard, Room 217, Oklahoma City, Oklahoma 73105-4895.

STATEMENTS OF NET POSITION

June 30,	*2024*	*2023*
Assets		
Cash and cash equivalents:		
Unrestricted cash	$ 115,938,259	51,711,964
Restricted cash:		
Securities lending collateral	70,819,165	109,471,747
Total cash and cash equivalents	186,757,424	161,183,711
Receivables:		
Interest and dividends	5,774,183	4,309,232
Contract receivable	409,497	2,880,512
Securities lending receivable	31,309	29,995
Total receivables	6,214,989	7,219,739
Investments, at fair value:		
U.S. government securities	186,309,264	123,680,936
Foreign government securities	14,041,709	7,488,403
Domestic corporate bonds	208,989,731	148,138,194
Foreign corporate bonds	44,177,008	40,740,134
Domestic stocks	599,576,991	570,294,891
Foreign stocks	299,325,810	266,245,236
Pooled fixed income funds	152,865,268	169,301,031
Alternative investments	332,380,392	376,236,901
Total investments, at fair value	1,837,666,173	1,702,125,726
Securities lending collateral—non-cash	52,458,035	48,670,512
Net OPEB asset—settled in more than 1 year	117,726	86,298
Capital assets, net of accumulated depreciation of $302,791 and $262,551 as of June 30, 2024 and 2023, respectively.	240,313	82,023
Total assets	2,083,454,660	1,919,368,009
Deferred outflows of resources:		
Deferred amounts related to the pension	633,914	1,008,328
Deferred amounts related to OPEB	106,382	64,432
	740,296	1,072,760

(Continued)

See Independent Auditors' Report.
See accompanying notes to financial statements.

STATEMENTS OF NET POSITION, CONTINUED

June 30,	*2024*	*2023*
Liabilities		
Net payable to brokers	23,785,087	583,281
Accounts payable	16,713,083	16,867,681
Liability under securities lending	123,277,200	158,142,260
Net pension liability—amount due in more than 1 year	415,721	775,096
Net OPEB liability—amount due in more than 1 year	155,345	73,688
Compensated absences:		
Payable within 1 year	113,345	97,518
Payable after 1 year	170,017	146,277
Total liabilities	164,629,798	176,685,801
Deferred inflows of resources:		
Deferred amounts related to the pension	6,296	40,464
Deferred amounts related to OPEB	60,824	62,400
	67,120	102,864
Net Position		
Net investment in capital assets	240,313	82,023
Restricted for investment	1,618,902,268	1,467,113,771
Unrestricted	300,355,457	276,456,310
Total net position	$ 1,919,498,038	1,743,652,104

See Independent Auditors' Report.
See accompanying notes to financial statements.

TOBACCO SETTLEMENT ENDOWMENT TRUST FUND

STATEMENTS OF ACTIVITIES

Years Ended June 30,	*2024*	*2023*
Expenses:		
Program:		
Program and grant management support	$ 3,636,116	2,943,465
Statewide programs	7,645,809	7,498,085
Community programs	17,001,943	12,435,816
Evaluation services	3,098,145	1,878,797
Health communications	22,878,428	23,785,290
Research	12,216,788	12,286,754
Total program expenses	66,477,229	60,828,207
Operating:		
General operations and administrative expenses	2,202,070	1,998,993
Depreciation	40,240	11,464
Total operating expenses	2,242,310	2,010,457
Total expenses	68,719,539	62,838,664
Investment income:		
Interest income	30,868,572	22,452,100
Dividend income	47,096,665	45,434,628
Securities lending income	384,658	395,062
Net appreciation in fair value of investments:		
Net unrealized gains	105,181,528	108,500,976
Net realized gains	21,085,305	8,403,088
	126,266,833	116,904,064
Total investment income	204,616,728	185,185,854
Investment expenses	(10,658,224)	(9,981,997)
Net investment income	193,958,504	175,203,857
Other income:		
Contract income	4,000,000	4,400,000
Miscellaneous income	57,899	12,188
Total other income	4,057,899	4,412,188
Changes in net position, before settlement receipts	129,296,864	116,777,381

(Continued)

See Independent Auditors' Report.
See accompanying notes to financial statements.

STATEMENTS OF ACTIVITIES, CONTINUED

Years Ended June 30,	*2024*	*2023*
Contribution to fund principal:		
Other miscellaneous receipts	7,518	-
Settlement receipts	46,541,552	52,187,365
Changes in net position	175,845,934	168,964,746
Net position, beginning of year	1,743,652,104	1,574,687,358
Net position, end of year	$ 1,919,498,038	1,743,652,104

See Independent Auditors' Report.
See accompanying notes to financial statements.

TOBACCO SETTLEMENT ENDOWMENT TRUST FUND

BALANCE SHEETS—PERMANENT FUND

June 30,	*2024*	*2023*
Assets		
Cash and cash equivalents:		
Unrestricted cash	$ 115,938,259	51,711,964
Restricted cash:		
Securities lending collateral	70,819,165	109,471,747
Total cash and cash equivalents	186,757,424	161,183,711
Receivables:		
Interest and dividends	5,774,183	4,309,232
Contract receivable	409,497	2,880,512
Securities lending receivable	31,309	29,995
Total receivables	6,214,989	7,219,739
Investments, at fair value:		
U.S. government securities	186,309,264	123,680,936
Foreign government securities	14,041,709	7,488,403
Domestic corporate bonds	208,989,731	148,138,194
Foreign corporate bonds	44,177,008	40,740,134
Domestic stocks	599,576,991	570,294,891
Foreign stocks	299,325,810	266,245,236
Pooled fixed income funds	152,865,268	169,301,031
Alternative investments	332,380,392	376,236,901
Total investments, at fair value	1,837,666,173	1,702,125,726
Securities lending collateral—non cash	52,458,035	48,670,512
Total assets	$ 2,083,096,621	1,919,199,688
Liabilities and Fund Balances		
Liabilities:		
Net payable to brokers	$ 23,785,087	583,281
Accounts payable	16,713,083	16,867,681
Liability under securities lending	123,277,200	158,142,260
Total liabilities	163,775,370	175,593,222
Fund balances:		
Nonspendable	1,618,902,268	1,467,113,771
Assigned	211,642,007	209,789,814
Unassigned	88,776,976	66,702,881
Total fund balances	1,919,321,251	1,743,606,466
Total liabilities and fund balances	$ 2,083,096,621	1,919,199,688

See Independent Auditors' Report.
See accompanying notes to financial statements.

TOBACCO SETTLEMENT ENDOWMENT TRUST FUND

RECONCILIATION OF THE BALANCE SHEETS—PERMANENT FUND TO THE STATEMENTS OF NET POSITION

June 30,	*2024*	*2023*
Total fund balances, per the balance sheets—permanent fund	$ 1,919,321,251	1,743,606,466
Amounts reported in the statements of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.	240,313	82,023
Some assets are not financial resources in the current period and therefore are not reported in the fund. Those assets consist of:		
Net OPEB asset	-	12,610
Deferred outflows related to the pension and OPEB are not financial resources and therefore are not reported in the fund.	740,296	1,072,760
Some liabilities are not due and payable in the current period and therefore are not reported in the fund. Those liabilities consist of:		
Compensated absences	(283,362)	(243,795)
Net pension liability	(415,721)	(775,096)
Net OPEB liability	(37,619)	-
Deferred inflows related to the pension and OPEB are not due and payable in the current period and therefore are not reported in the fund.	(67,120)	(102,864)
Net position, per the statements of net position	$ 1,919,498,038	1,743,652,104

See Independent Auditors' Report.
See accompanying notes to financial statements.

TOBACCO SETTLEMENT ENDOWMENT TRUST FUND

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—PERMANENT FUND

Years Ended June 30,	*2024*	*2023*
Revenues:		
Restricted:		
Net appreciation in fair value of investments:		
Net unrealized gains	$ 105,181,528	108,500,976
Other miscellaneous receipts	7,518	-
Settlement receipts	46,541,552	52,187,365
Miscellaneous income	57,899	12,188
Total restricted revenues	151,788,497	160,700,529
Interest income	30,868,572	22,452,100
Dividend income	47,096,665	45,434,628
Net realized gains	21,085,305	8,403,088
Securities lending income	384,658	395,062
Contract income	4,000,000	4,400,000
Total revenues	255,223,697	241,785,407
Expenditures:		
Program and grant management support	3,636,116	2,943,465
Statewide programs	7,645,809	7,498,085
Community programs	17,001,943	12,435,816
Evaluation services	3,098,145	1,878,797
Furniture and equipment	198,529	32,031
Research	12,216,788	12,286,754
Investment management fees	10,658,224	9,981,997
Health communications	22,878,428	23,785,290
General operations and administrative expenses	2,174,930	2,122,176
Total expenditures	79,508,912	72,964,411
Net changes in fund balances	175,714,785	168,820,996
Fund balances, beginning of year	1,743,606,466	1,574,785,470
Fund balances, end of year	$ 1,919,321,251	1,743,606,466

See Independent Auditors' Report.
See accompanying notes to financial statements.

TOBACCO SETTLEMENT ENDOWMENT TRUST FUND

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—PERMANENT FUND TO THE STATEMENTS OF ACTIVITIES

Years Ended June 30,	*2024*	*2023*
Net changes in fund balances, per the statements of revenues, expenditures, and changes in fund balances—permanent fund	$ 175,714,785	168,820,996
Amounts reported in the statements of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays were more than (less than) depreciation in the current period.	158,290	20,209
Some expenses reported in the statements of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This amount represents the amount by which unused compensated absences increased over the amount in the prior year.	(39,567)	(14,954)
In the statements of activities, the cost of pension benefits and OPEB earned net of employee contributions is reported as an element of pension and OPEB expense. The fund financial statements report pension and OPEB contributions as expenditures.	12,426	138,495
Changes in net position, per the statements of activities	$ 175,845,934	168,964,746

See Independent Auditors' Report.
See accompanying notes to financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Tobacco Settlement Endowment Trust Fund (the "Fund") was established pursuant to the Constitution of the State of Oklahoma. The Fund principal was established with funds received by the State of Oklahoma (the "State") on or after July 1, 2001, pursuant to any settlement with or judgment against any tobacco companies. Fifty percent (50%) of all such receipts were deposited into the Fund during the fiscal year ended June 30, 2002. That percentage increased by 5% annually until it reached 75% during the fiscal year ended June 30, 2007, where it remains. However, there are no guarantees regarding the State's continued receipt of funds in settlement of claims against tobacco companies. The principal funds are invested, and the earnings (see Note 7) may be expended for operations; tobacco prevention and cessation programs; research and treatment efforts in Oklahoma to prevent and combat cancer and other tobacco-related diseases; and other programs to maintain or improve the health of Oklahomans or to enhance health care services provided to Oklahomans, with a particular emphasis on children and senior adults.

Pursuant to the Constitution of the State of Oklahoma, the Board of Investors was created to manage the investment of the principal of the Fund and to annually certify the earnings that are available for program expenditures. The Board of Directors was created to oversee Fund operating and program expenditures. The Fund is a part of the State's financial reporting entity and is included in the State's Comprehensive Annual Financial Report as a permanent fund and a governmental entity.

The financial statements of the Fund are intended to present the financial position and changes in financial position of only that portion of the governmental activities and governmental funds of the State that is attributable to the transactions of the Fund, and not those of the entire State.

Basis of Presentation, Measurement Focus, and Basis of Accounting

The financial statements have been prepared in accordance with Governmental Accounting Standards Board Statement No. 34 (GASB 34), as amended.

Government-Wide Financial Statements—The statements of net position and the statements of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Investment purchases and sales are recorded as of their trade dates. Settlement receipts are recognized as revenue when they are received by the State and their use is restricted as noted above.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Presentation, Measurement Focus, and Basis of Accounting, Continued

Governmental Fund Financial Statements—As a permanent fund, the Fund is reported in the governmental fund financial statements using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Since the Fund predominantly accounts for financial resources, revenue recognition is generally consistent between the accrual and the modified accrual basis of accounting. Settlement receipts are recognized as revenue when they are received by the State and their use is restricted as noted above.

Investment purchases and sales are recorded as of their trade dates. Expenditures generally are recorded when a liability is incurred.

Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, reconciliations are presented which briefly explain the adjustments necessary to reconcile the fund and the government-wide presentations.

Investments

The Fund is authorized to invest in eligible investments as approved by the Board of Investors and set forth in its investment policy.

Fund investments are reported at fair value, except for alternative investments (which are reported at net asset value (NAV), which approximates fair value) and SEC-registered money market mutual funds (which are reported as cash equivalents and reported at cost, which approximates fair value). Debt and equity securities are reported at fair value, as determined by the Fund's custodial agent, using pricing services or prices quoted by independent brokers based on the latest reported sales prices at current exchange rates for securities traded on national or international exchanges.

Generally accepted accounting principles establish a fair value hierarchy for the determination and measurement of fair value. This hierarchy is based on the type of valuation inputs needed to measure the fair value of an asset. The hierarchy generally is as follows:

> Level 1—Unadjusted quoted prices in active markets for identical assets.
>
> Level 2—Quoted prices for similar assets, or inputs that are observable or other forms of market corroborated inputs.
>
> Level 3—Pricing based on best available information, including primarily unobservable inputs and assumptions market participants would use in pricing the asset.

In addition to the above three levels, if an investment does not have a readily determined fair value, the investment can be measured using NAV per share (or its equivalent). Investments valued at NAV are categorized as NAV and not listed as Level 1, 2, or 3.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments, Continued

The Fund invests in various traditional financial instruments that fall under the broad definition of derivatives. The Fund's derivatives may include U.S. Treasury strips, collateralized mortgage obligations, asset-backed securities, forward-based derivatives, option-based derivatives, and variable-rate instruments. These investments do not increase investment risk beyond allowable limits specified in the Fund's investment policy.

Net investment income includes net appreciation (depreciation) in the fair value of investments, interest income, dividend income, securities lending income, and investment expenses, which includes investment management and custodial fees and all other significant investment-related costs. Foreign currency translation gains and losses are reflected in the net appreciation (depreciation) in the fair value of investments. The alternative investments are adjusted to fair value based on the value of the underlying assets as determined by the managers of the limited partnerships and the changes in fair value are recognized in net appreciation (depreciation) in fair value of investments.

Securities Lending

The investment policy authorizes the Board of Investors to contract with their custodian to act as their securities lending agent. The policy requires the securities lending agent to provide indemnification against borrower default, have written agreements with each borrower, not loan securities until acceptable collateral is received and monitor that collateral on a daily basis, and review and monitor the approved borrowers to minimize risk.

The fair values of securities loaned and collateral maintained for those securities at June 30 were:

	Fair Value 2024	Fair Value 2023
Securities loaned:		
U.S. government securities	$ 15,139,609	15,503,049
U.S. corporate bonds	15,943,924	12,681,796
U.S. equity	72,671,068	107,612,231
Sovereign debt	5,761,695	645,459
Foreign	11,554,065	17,410,757
Total securities loaned	$ 121,070,361	153,853,292
Collateral maintained for securities loaned	$ 123,277,200	158,142,259
Percentage of collateral to securities loaned as of June 30	101.82%	102.79%

See Independent Auditors' Report.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Securities Lending, Continued

Borrowers are required to deliver collateral for each loan with a fair value equal to 102% of the current fair value of the loaned securities. Collateral delivered in non-U.S. currency is required to be equal to 105% of the fair value of the securities loaned. At June 30, 2024 and 2023, collateral was presented in both cash (U.S. currency), and non-cash securities. The total value of the collateral held at June 30, 2024 and 2023, was $2,206,839 and $4,288,968, respectively, more than the current fair value of the securities loaned. Cash collateral is invested in a short-term investment pool and is included as an asset, with an offsetting liability for the return of the collateral. As of June 30, 2024, the collateral coverage was .18% below the required threshold of 102%; however, the deficiency is not considered significant to the financial statements.

At June 30, 2024 and 2023, cash collateral was $70,819,165 and $109,471,747, respectively, and non-cash collateral totaled $52,458,035 and $48,670,512, respectively. Non-cash collateral consisted of the following at June 30:

Description	2024	2023
U.S. government debt—Treasuries	$ 28,245,337	15,098,742
U.S. government agencies (i.e., FNMA, GNMA, FMAC)	3,869,892	-
Foreign securities	20,342,806	33,571,770
	$ 52,458,035	48,670,512

Securities lending income included as certified earnings was $384,658 and $395,062 for the fiscal years ended June 30, 2024 and 2023, respectively.

Capital Assets

Office equipment and furnishings which have a cost in excess of $2,000 and an expected useful life of more than 1 year are recorded as capital assets. Computer and technology equipment which have a cost in excess of $500 and an expected useful life of more than 1 year are recorded as capital assets. Capital assets are recorded at cost when purchased. Depreciation is recorded on capital assets in the government-wide financial statements. Depreciation is calculated on a straight-line basis over a 4- to 12-year period.

No provision for depreciation is recorded in the governmental fund financial statements, as expenditures for capital assets are recorded as period costs when the capital assets are purchased.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

The Fund invests in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect investment balances, amounts used in the determination of certified earnings and the amounts reported in the financial statements.

Compensated Absences

Employees earn annual vacation leave at the rate of 10 hours per month for the first 5 years of service, 12 hours per month for service of over 5 years to 10 years, 13.33 hours per month for service of over 10 years to 20 years, and 16.67 hours per month for over 20 years of service. Unused annual leave may be accumulated to a maximum of 640 hours. All accrued annual leave is payable upon termination, resignation, retirement, or death. The governmental fund financial statements record expenditures when employees are paid for leave. The government-wide financial statements present the cost of accumulated vacation leave as a liability. The liability is valued based on the current rate of pay.

Advertising Costs

All costs associated with advertising are expensed as incurred.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Pensions

Defined Benefit Plan

The Fund participates in a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Fund’s participation in the Oklahoma Public Employees Retirement Plan (OPERS) and additions to/deductions from OPERS’ fiduciary net position have been determined on the same basis as they are reported by OPERS.

Defined Contribution Plan

Effective November 1, 2015, OPERS established the Pathfinder Defined Contribution Plan (“Pathfinder”), a mandatory defined contribution plan for eligible state employees who first become employed by a participating employer on or after November 1, 2015, and have no prior participation in OPERS. Under Pathfinder, members will choose a contribution rate which will be matched by their employer up to 7%. During the years ended June 30, the Fund had the following matching contributions to Pathfinder:

	2024	2023
Fund's portion	$ 83,276	50,734

Other Postemployment Benefits (OPEB)

The Fund participates in the OPERS Health Insurance Subsidy Plan (HISP), a cost-sharing, multiple-employer defined benefit public employee health insurance subsidy retirement plan which is administered by OPERS.

The Fund participates in the EGID’s health insurance plan, which is a non-trusted single-employer plan that provides for employee and dependent healthcare coverage from the date of retirement to age 65, provided the participant was covered by the health insurance plan before retiring.

The Fund records the Fund’s allocated share of the net OPEB liability, deferred outflows, deferred inflows, and OPEB expense in accordance with GASB 75.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements

In April 2022, GASB issued Statement No. 99, *Omnibus 2022* (GASB 99). GASB 99 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.

- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.

- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.

- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.

- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).

- Disclosures related to nonmonetary transactions.

- Pledges of future revenues when resources are not received by the pledging government.

- Clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements.

- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*

- Terminology used in Statement 53 to refer to resource flows statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

The requirements of GASB 99 are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The Fund adopted these requirements effective July 1, 2021, which did not have a significant impact on the financial statements.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The Fund adopted these requirements effective July 1, 2022, which did not have a significant impact on the financial statements.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The Fund adopted these requirements effective July 1, 2023, which did not have a significant impact on the financial statements.

In June 2022, GASB issued Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62 (GASB 100). GASB 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. GASB 100 is effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023. Earlier application is encouraged. The Fund adopted these requirements effective July 1, 2023, which did not have a significant effect on the financial statements.

In June 2022, GASB issued Statement No. 101, *Compensated Absences* (GASB 101). GASB 101 enhances information for user of the financial statements by updating the recognition and measurement guidance for compensated absences. GASB 101 aligns the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of GASB 101 are effective for fiscal years beginning after December 15, 2023. Earlier application is encouraged. The Fund will adopt GASB 101 as of July 1, 2024, for the June 30, 2025 reporting year. The adoption of GASB 101 by the Fund is not expected to have a significant effect on the financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures* (GASB 102). GASB 102 requires certain disclosures about risks related to a government's vulnerabilities due to certain concentrations or constraints which may limit a government's ability to acquire resources or control spending. GASB 102 requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The requirements of GASB 102 are effective for fiscal years beginning after June 15, 2024. The Fund will adopt GASB 102 as of July 1, 2024, for the June 30, 2025, reporting year. The adoption of GASB 102 by the Fund is not expected to have a significant effect on the financial statements.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements* (GASB 103). GASB 103 enhances and improves the quality of the analysis of changes from the prior year, which in turn enhances the relevance of that information. The requirements of this statement apply to managements' discussion and analysis presented as required supplementary information, presentation of the proprietary information fund statements of revenues, expenses, and changes in fund position, major component unit information, budgetary comparison information, as well as a discussion of unusual or infrequent items. The requirements of GASB 103 are effective for fiscal years beginning after June 15, 2025. The adoption of GASB 103 by the Fund is not expected to have a significant effect on the financial statements.

Annual Budget-to-Actual Comparison

The Fund is not required to adopt an annual budget. Therefore, an annual budgetary comparison as required by GASB 34 is not presented with the required supplementary information.

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through September 30, 2024, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, cash and cash equivalents were composed of the following:

		2024	2023
Cash on deposit with the State	$	7,731,119	6,187,790
Foreign currency		1,489,234	1,091,975
Collateral from securities lending—restricted cash		70,819,165	109,471,747
Cash and equivalents		20,436,119	11,947,106
Money market mutual fund		86,281,787	32,485,093
	$	186,757,424	161,183,711

Restricted Cash

Cash collateral from securities lending activity is identified as restricted cash as it cannot be used by the Fund unless there is default in the return of the securities loaned.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a counterparty, the Fund will not be able to recover the value of its investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Fund, and are held by the counterparty or the counterparty's trust department but not in the name of the Fund. The investment policy requires that all deposits be invested in a fully collateralized interest-bearing account. Policy also provides that investment collateral be held by a third-party custodian with whom the Fund has a current custodial agreement in the Fund's name.

(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Credit Risk

Fixed income securities are subject to credit risk. A bond's credit quality rating is one method of assessing the ability of the issuer to meet its obligation. Exposure to credit risk as of June 30 was as follows:

	2024	
	Fair Value *(Expressed in thousands)*	Moody Rating
U.S. government securities (held in U.S. currency):		
U.S. Treasury bonds	$ 49,805	AAA
U.S. Treasury notes	26,865	AAA
Federal Home Loan Mortgage Corporation	18,870	AAA
Federal National Mortgage Association	24,266	AAA
Government National Mortgage Association	18,342	AAA
Federal Farm Credit Banks Funding Corporation	22,864	AAA
Other	12,684	AAA
Other	1,477	A1
Other	1,272	AA1
Other	2,584	AA2
Other	3,265	AA3
Other	303	BAA2
Other	3,712	NA
	186,309	
Corporate bonds (held in U.S. currency):		
Domestic bonds	18,327	A1
Domestic bonds	12,840	A2
Domestic bonds	182	AA2
Domestic bonds	4,907	AA3
Domestic bonds	13,956	AAA
Domestic bonds	13,355	B1
Domestic bonds	9,861	B2
Domestic bonds	12,066	B3
Domestic bonds	6,483	BA1
Domestic bonds	19,060	BA2
Domestic bonds	13,197	BA3
Domestic bonds	209	BAA1
Domestic bonds	4,344	BAA2

(Continued)

(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Credit Risk, Continued

	2024	
	Fair Value *(Expressed in thousands)*	Moody Rating
Corporate bonds (held in U.S. currency), Continued:		
Domestic bonds	14,344	BAA3
Domestic bonds	144	C
Domestic bonds	173	CA
Domestic bonds	1,821	CAA1
Domestic bonds	559	CAA2
Domestic bonds	371	CAA3
Domestic bonds	61,781	NA/NR
Domestic bonds	1,010	WR
	208,990	
Foreign corporate bonds (held in U.S. currency):		
Foreign bonds	1,139	A3
Foreign bonds	7,091	B1
Foreign bonds	2,111	B2
Foreign bonds	2,327	B3
Foreign bonds	3,897	BA1
Foreign bonds	3,372	BA2
Foreign bonds	5,866	BA3
Foreign bonds	664	BAA1

(Continued)

(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Credit Risk, Continued

	2024	
	Fair Value *(Expressed in thousands)*	Moody Rating
Foreign corporate bonds (held in U.S. currency), Continued:		
Foreign bonds	393	BAA2
Foreign bonds	1,424	BAA3
Foreign bonds	548	CAA1
Foreign bonds	44	CAA2
Foreign bonds	355	CAA3
Foreign bonds	2,439	NA
	31,670	
Foreign corporate bonds (held in foreign currency):		
Foreign bonds	689	AAA
Foreign bonds	1,106	B1
Foreign bonds	892	B2
Foreign bonds	1,050	B3
Foreign bonds	387	BA1
Foreign bonds	237	BA2
Foreign bonds	1,475	BA3
Foreign bonds	226	BAA1
Foreign bonds	609	BAA2
Foreign bonds	710	BAA3
Foreign bonds	422	BAA3U
Foreign bonds	255	CAA1
Foreign bonds	128	CAA2
Foreign bonds	4,321	NR
	12,507	

(Continued)

(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Credit Risk, Continued

	2024	
	Fair Value *(Expressed in thousands)*	Moody Rating
Foreign government bonds (held in U.S. currency):		
Foreign government bonds	192	B3
Foreign government bonds	151	BA2
Foreign government bonds	381	BA3
Foreign government bonds	145	CAA1
	869	
Foreign government bonds (held in foreign currency):		
Foreign government bonds	4,708	AAA
Foreign government bonds	881	AA2
Foreign government bonds	1,090	A2
Foreign government bonds	154	B3
Foreign government bonds	1,740	BA2
Foreign government bonds	412	BA3
Foreign government bonds	3,738	BAA2
Foreign government bonds	420	CA
Foreign government bonds	30	NR
	13,173	
Total fair value of credit risk	$ 453,518	

See Independent Auditors' Report.

(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Credit Risk, Continued

Fixed income securities are subject to credit risk. A bond's credit quality rating is one method of assessing the ability of the issuer to meet its obligation. Exposure to credit risk as of June 30 was as follows:

	2023	
	Fair Value *(Expressed in thousands)*	Moody Rating
U.S. government agencies (held in U.S. currency):		
U.S. Treasury bonds	$ 29,031	AAA
U.S. Treasury notes	46,630	AAA
Federal Home Loan Mortgage Corporation	87	AAA
Federal National Mortgage Association	1,192	AAA
Government National Mortgage Association	40	AAA
Other	19,397	AAA
Other	1,139	AAA
Other	11,950	AAA
Other	667	A1
Other	1,296	A2
Other	4,148	AA1
Other	948	AA2
Other	3,188	AA3
Other	350	BAA2
Other	3,618	NA
	123,681	
Corporate bonds (held in U.S. currency):		
Domestic bonds	12,247	A1
Domestic bonds	11,515	A2
Domestic bonds	1,947	A3
Domestic bonds	2,317	AA2
Domestic bonds	1,881	AA3
Domestic bonds	10,268	AAA
Domestic bonds	15,347	B1
Domestic bonds	7,855	B2
Domestic bonds	8,947	B3
Domestic bonds	3,669	BA1
Domestic bonds	16,131	BA2
Domestic bonds	9,740	BA3
Domestic bonds	524	BAA1

(Continued)

(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Credit Risk, Continued

	2023	
	Fair Value *(Expressed in thousands)*	Moody Rating
Corporate bonds (held in U.S. currency), Continued:		
Domestic bonds	4,957	BAA2
Domestic bonds	9,445	BAA3
Domestic bonds	139	C
Domestic bonds	396	CA
Domestic bonds	1,088	CAA1
Domestic bonds	911	CAA2
Domestic bonds	210	CAA3
Domestic bonds	27,486	NA/NR
Domestic bonds	1,118	WR
	148,138	
Foreign corporate bonds (held in U.S. currency):		
Foreign bonds	658	A3
Foreign bonds	7,207	B1
Foreign bonds	4,901	B2
Foreign bonds	3,313	B3
Foreign bonds	2,008	BA1
Foreign bonds	5,497	BA2
Foreign bonds	5,060	BA3
Foreign bonds	927	BAA1

(Continued)

See Independent Auditors' Report.

(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Credit Risk, Continued

	2023	
	Fair Value (Expressed in thousands)	Moody Rating
Foreign corporate bonds (held in U.S. currency), Continued:		
Foreign bonds	806	BAA2
Foreign bonds	697	BAA3
Foreign bonds	546	CAA1
Foreign bonds	147	CAA3
Foreign bonds	1,556	NA
Foreign bonds	48	WR
	33,371	
Foreign corporate bonds (held in foreign currency):		
Foreign bonds	722	B1
Foreign bonds	1,469	B2
Foreign bonds	1,129	B3
Foreign bonds	516	BA1
Foreign bonds	354	BA2
Foreign bonds	930	BA3
Foreign bonds	187	BAA2
Foreign bonds	306	BAA3
Foreign bonds	130	CAA2
Foreign bonds	1,626	NR
	7,369	

(Continued)

(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Credit Risk, Continued

	2023	
	Fair Value (Expressed in thousands)	Moody Rating
Foreign government bonds (held in U.S. currency):		
Foreign government bonds	141	BA2
Foreign government bonds	178	BA3
Foreign government bonds	74	BAA1
Foreign government bonds	170	BAA2
Foreign government bonds	300	CAA1
Foreign government bonds	554	A2
Foreign government bonds	102	AA3U
	1,519	
Foreign government bonds (held in foreign currency):		
Foreign government bonds	1,259	Aaa
Foreign government bonds	109	B3
Foreign government bonds	944	BA2
Foreign government bonds	93	BA3
Foreign government bonds	2,699	BAA2
Foreign government bonds	100	BAA3
Foreign government bonds	203	CA
Foreign government bonds	562	NR
	5,969	
Total fair value of credit risk	$ 320,047	

Concentration of Credit Risk

The Fund limits its exposure to concentrations of credit risk through its investment policy and asset allocation policy. Within asset classes, individual securities are limited to not more than 6% of the investment manager's portfolio; however, securities of one issuer could be represented in more than one asset class. No investments in any one organization, excluding those guaranteed by the U.S. government, represented 5% or more of the Fund's net position at June 30, 2024 or 2023, except for $152,865,268 and $169,301,031 invested in the Pooled Fixed Income Fund at June 30, 2024 and 2023, respectively. While the investment is over 5% of the net position, the Fund has a share of each individual security of the Pooled Fixed Income Fund and no ownership interest in a single security would exceed 5%.

(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Mortgage-backed securities are highly sensitive to interest rate changes. The investment policy manages interest rate risk by limiting the effective duration of an actively managed fixed-income portfolio. Excluding U.S. government guaranteed securities, effective duration is not to exceed 7 years.

	2024	
	Fair Value *(Expressed in thousands)*	Effective Duration Years
U.S. government securities (government guaranteed):		
U.S. Treasury bonds	$ 49,805	14.20
U.S. Treasury notes	26,865	4.20
Federal National Mortgage Association—FHR	9,430	2.13
Federal National Mortgage Association—FNW	469	2.80
Federal National Mortgage Association—FNR	10,985	3.52
Government National Mortgage Association	2,931	3.74
GNR	14,231	2.82
Other	26,477	5.48
Foreign government securities:		
Foreign government bonds (held in U.S. currency)	869	7.15
Foreign government bonds (held in foreign currency)	13,173	5.96
Mortgage-backed securities:		
Federal Home Loan Bank	2,027	4.48
First Federal Community Bank	20,837	8.21
Federal Home Loan Mortgage Corp.	8,971	3.38
Federal National Mortgage Assoc.	13,281	4.17
Corporate bonds:		
Domestic bonds (held in U.S. currency)	208,990	4.33
Foreign bonds (held in U.S. currency)	31,669	3.31
Foreign bonds (held in foreign currency)	12,508	3.03
Total fixed income	$ 453,518	

See Independent Auditors’ Report.

(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Interest Rate Risk, Continued

	2023	
	Fair Value *(Expressed in thousands)*	Effective Duration Years
U.S. government securities (government guaranteed):		
U.S. Treasury bonds	$ 29,031	14.86
U.S. Treasury notes	46,630	4.91
Federal National Mortgage Association—FHR	223	3.06
Federal National Mortgage Association—FNR	9,327	3.89
Government National Mortgage Association	40	3.58
Federal National Mortgage Association	1,192	9.76
Federal National Mortgage Association—FNA	410	1.97
GNR	1,446	4.82
Other	15,898	5.42
Foreign government securities:		
Foreign government bonds (held in U.S. currency)	864	8.77
Foreign government bonds (held in foreign currency)	6,624	5.82
Mortgage-backed securities:		
Federal Home Loan Bank	5,279	6.19
First Federal Community Bank	14,118	8.08
Federal Home Loan Mortgage Corp.	87	3.21
Corporate bonds:		
Domestic bonds (held in U.S. currency)	148,138	4.48
Foreign bonds (held in U.S. currency)	33,369	3.59
Foreign bonds (held in foreign currency)	7,371	2.10
Total fixed income	$ 320,047	

See Independent Auditors' Report.

(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The investment policy limits foreign equity investments to 10% of total net position through its asset allocation policy. Investment in foreign equities and fixed income is shown by monetary unit to indicate possible foreign currency risk.

	2024	
	Fair Value *(Expressed in thousands)*	Type
Foreign currency:		
Argentina peso	$ 995	Fixed Income
Australian Dollar	53	Foreign Currency
Bermuda dollar	2,956	Equity
Bermuda dollar	5,449	Fixed Income
Brazilian real	655	Fixed Income
Brazilian real	86	Foreign Currency
British pound sterling	67,891	Equity
British pound sterling	8,435	Fixed Income
British pound sterling	327	Foreign Currency
Canadian dollar	4,934	Equity
Canadian dollar	4,028	Fixed Income
Canadian dollar	45	Foreign Currency
Cayman dollar	13,754	Equity
Cayman dollar	3,982	Fixed Income
Colombian peso	444	Fixed Income
Colombian peso	5	Foreign Currency
Danish Krone	15,846	Equity
Dominican Peso	583	Fixed Income
Egyptian Pound	154	Fixed Income
Euro	95,417	Equity
Euro	22,975	Fixed Income
Euro	664	Foreign Currency
Indonesian rupiah	4,217	Equity
Indonesian rupiah	993	Fixed Income

(Continued)

(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Foreign Currency Risk, Continued

	2024	
	Fair Value *(Expressed in thousands)*	Type
Foreign currency, Continued:		
Indonesian rupiah	72	Foreign Currency
Japanese yen	38,299	Equity
Jersey Pound	8,508	Equity
Jersey Pound	461	Fixed Income
Kazakhstani Tenge	164	Fixed Income
Kenyan Shilling	192	Fixed Income
Liberian Dollar	94	Equity
Liberian Dollar	1,063	Fixed Income
Mexican peso	3,566	Fixed Income
Mexican peso	125	Foreign Currency
Moroccan Dirham	172	Fixed Income
Nigerian Naira	145	Fixed Income
Panamanian Balboa	2,631	Equity
Panamanian Balboa	795	Fixed Income
Peruvian nuevo sol	127	Fixed Income
Polish Zloty	1,090	Fixed Income
Polish Zloty	46	Foreign Currency
South African Rand	1,266	Fixed Income
South African Rand	67	Foreign Currency
South Korean Won	9,209	Equity
Swedish Krona	4,019	Equity
Swiss franc	18,744	Equity
Swiss franc	212	Fixed Income
Taiwan Dollar	12,806	Equity
West African Rand	273	Fixed Income
	$ 359,034	

See Independent Auditors’ Report.

(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Foreign Currency Risk, Continued

	2023	
	Fair Value (Expressed in thousands)	Type
Foreign currency:		
Argentina peso	$ 351	Fixed Income
Australian Dollar	53	Foreign Currency
Bermuda dollar	3,164	Equity
Bermuda dollar	2,619	Fixed Income
Brazilian real	4,041	Equity
Brazilian real	416	Fixed Income
Brazilian real	41	Foreign Currency
British pound sterling	49,784	Equity
British pound sterling	7,043	Fixed Income
British pound sterling	137	Foreign Currency
Canadian dollar	3,535	Equity
Canadian dollar	9,174	Fixed Income
Canadian dollar	47	Foreign Currency
Cayman dollar	8,738	Equity
Cayman dollar	2,832	Fixed Income
Central African Franc	159	Fixed Income
Colombian peso	129	Fixed Income
Colombian peso	5	Foreign Currency
Danish Krone	11,710	Equity
Dominican Peso	178	Fixed Income
Egyptian Pound	109	Fixed Income
Emirati Dirham	187	Fixed Income
Euro	85,225	Equity
Euro	15,108	Fixed Income
Euro	711	Foreign Currency

(Continued)

See Independent Auditors’ Report.

(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Foreign Currency Risk, Continued

	2023	
	Fair Value (Expressed in thousands)	Type
Foreign currency, Continued:		
Hong Kong dollar	7,114	Equity
Indian rupee	6,355	Equity
Indonesian rupiah	1,101	Fixed Income
Indonesian rupiah	8	Foreign Currency
International	1,470	Fixed Income
Japanese yen	33,591	Equity
Jersey Pound	4,178	Equity
Jersey Pound	323	Fixed Income
Liberian Dollar	73	Equity
Liberian Dollar	477	Fixed Income
Mexican peso	2,513	Fixed Income
Mexican peso	71	Foreign Currency
Nigerian Naira	142	Fixed Income
Panamanian Balboa	1,094	Fixed Income
Peruvian nuevo sol	416	Fixed Income
Polish Zloty	554	Fixed Income
Polish Zloty	17	Foreign Currency
Romanian Leu	100	Fixed Income
Russian ruble	525	Fixed Income
South African Rand	705	Fixed Income
South African Rand	2	Foreign Currency
South Korean Won	8,804	Equity
Swedish Krona	4,752	Equity
Swedish Krona	162	Fixed Income
Swiss franc	25,762	Equity
Taiwan Dollar	9,668	Equity
West African Rand	93	Fixed Income
	$ 315,566	

Securities held in U.S. currency that are traded in foreign markets or are significantly influenced by foreign exchange rates are included in the foreign currency risk shown in the schedule above.

See Independent Auditors' Report.

(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Pooled Fixed Income Funds

The pooled fixed income funds consisted of an investment in the Reams Asset Management, Unconstrained Fixed Income Composite (the "Pooled Fixed Income Fund"), a commingled fund. The Pooled Fixed Income Fund seeks to maximize risk-adjusted total return by systematically pursuing relative value opportunities throughout all sectors of the fixed income market. At June 30, 2024, the average duration of the portfolio of the Pooled Fixed Income Fund was 5.1 years, the average maturity was 5.3 years, the yield to maturity was 4.8%, and the average asset quality was Aa2. At June 30, 2023, the average duration of the portfolio of the Pooled Fixed Income Fund was 5.1 years, the average maturity was 6.2 years, the yield to maturity was 6.30%, and the average asset quality was Aa3.

At June 30, the Pooled Fixed Income Fund primarily consisted of:

Fixed Income Securities	Percentage	
	2024	2023
Corporate	21%	35%
Asset-backed	13%	8%
Emerging Markets	4%	0%
Cash and cash equivalents	9%	1%
Treasury	25%	26%
Mortgage-backed	28%	30%

The Fund's investment in the Pooled Fixed Income Fund was approximately 2.43% and 3.00% of the total portfolio of the total Pooled Fixed Income Funds at June 30, 2024 and 2023, respectively.

(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Investments Measured at Fair Value

The Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Fund had the following recurring fair value measurements as of June 30:

2024	Amounts Measured at Fair Value	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments Measured at Fair Value				
U.S. government securities	$ 186,309,264	100,704,224	85,605,040	-
Foreign government securities	14,041,709	-	14,041,709	-
Domestic corporate bonds	208,989,731	-	208,989,731	-
Foreign corporate bonds	44,177,008	-	44,177,008	-
Domestic stocks	599,576,991	599,576,991	-	-
Foreign stocks	299,325,810	299,325,810	-	-
Pooled fixed income funds	152,865,268	-	152,865,268	-
Alternative investments	104,985,753	104,985,753	-	-
	1,610,271,534	1,104,592,778	505,678,756	-
Alternative investments measured at NAV:				
Core real estate	115,238,108			
Non-real estate	112,156,531			
	227,394,639			
Total investments at fair value	$ 1,837,666,173	1,104,592,778	505,678,756	-

See Independent Auditors' Report.

(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Investments Measured at Fair Value, Continued

2023	Amounts Measured at Fair Value	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments Measured at Fair Value				
U.S. government securities	$ 123,680,936	96,152,292	27,528,644	-
Foreign government securities	7,488,403	-	7,488,403	-
Domestic corporate bonds	148,138,194	-	148,138,194	-
Foreign corporate bonds	40,740,134	-	40,740,134	-
Domestic stocks	570,294,891	570,294,891	-	-
Foreign stocks	266,245,236	266,245,236	-	-
Pooled fixed income funds	169,301,031	-	169,301,031	-
Alternative investments	135,995,592	135,995,592	-	-
	1,461,884,417	1,068,688,011	393,196,406	-
Alternative investments measured at NAV:				
Core real estate	126,584,068			
Non-real estate	113,657,241			
	240,241,309			
Total investments at fair value	$ 1,702,125,726	1,068,688,011	393,196,406	-

Debt and equity securities and alternative investments in Level 1 are reported at fair value, as determined by the Fund's custodial agent, using pricing services or prices quoted by independent brokers based on the latest reported sales prices at current exchange rates for securities traded on national or international exchanges. Debt and equity securities classified in Level 2 of the fair value hierarchy are inputs, other than quoted prices included within Level 1, which are observable either directly or indirectly.

See Independent Auditors' Report.

(2) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Investments Measured at Fair Value, Continued

Alternative investments that are not classified as Level 1 investments are carried at the NAV of the fund as provided by the administrator or general partner as these investments do not have a readily determinable fair value. The Fund uses the NAV to determine the fair value for all alternative investments which (a) do not have a readily determinable fair value and (b) a proportionate share of the net assets is attributed to member units or an ownership interest in partners' capital. Management evaluates the values provided based on a number of factors, including obtaining an understanding of the fund's underlying investments, strategy, positions, and valuation methodologies, obtaining audited financial statements, obtaining verification of transactions at or near year end, and comparing information provided by the fund administrator or general partner to other available information such as sector data and indexes. Because alternative investments are not readily marketable, their NAV is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such a difference could be material. Discretionary redemption of the investment in the limited partnerships by the Fund is not permitted.

Fair Value of Private Equity—The Fund participates in a number of private equity partnerships as a limited partner. Private equity investments are structured to be operated by a general partner, usually highly experienced in the specific focus of the partnership, who calls for investments from the limited partners when a suitable investment opportunity arises. As such, investments in private equity can generally never be redeemed, but instead participate in distributions from the partnership as liquidation of the underlying assets are realized.

The Fund's private equity (PE) investments have a long investment horizon of 5 to 10 years, are not liquid, and the Fund generally holds this type of investment to maturity. Depending on the type of holdings within a given partnership, the investment horizon can be extended if the general partner deems the remaining investments in the fund still hold significant future value and a majority of limited partners concur. The Fund's PE general partners typically make fair value determinations on the investments in each of their respective funds quarterly using a variety of pricing techniques including, but not limited to, observable transaction values for similar investments, third-party bids, appraisals of both properties and businesses, and public market capitalization of similar or like businesses. Each PE fund then calculates the fair value of the Fund's ownership of the partners' capital on a quarterly basis. Although most PE interests are marketable in a secondary market, the Fund generally does not sell its interests early at values less than its interest in the partnership.

Additional information on alternative investments is described in Note 4.

(3) DERIVATIVES

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indexes. They include futures contracts, swap contracts, options contracts, and forward foreign currency exchange. The Fund's derivatives policy identifies and allows common derivative investments and strategies which are consistent with applicable law and the Investment Policy Statement and requires investment managers to petition for the inclusion of additional derivative instruments and strategies. The guidelines also require investment managers to follow certain controls and documentation and risk management procedures. The Fund enters into these certain derivative instruments primarily to enhance the performance and reduce the volatility of its portfolio. It enters futures contracts to gain or hedge exposure to certain markets and to manage interest rate risk and uses forward foreign exchange contracts primarily to hedge foreign currency exposure. The tables below summarize the various contracts in the portfolio as of June 30, 2024 and 2023. The notional values associated with the futures and options contracts are generally not recorded in the financial statements, as they represent the obligation to purchase the futures contracts. Unrealized gains or losses are recognized daily by the investment manager and have been reflected in the Fund's financial statements. Interest risks associated with these investments are included in the interest rate risk disclosures. The Fund does not anticipate additional significant market risk from the futures, options, or currency contracts.

Futures Contracts

	Expiration Date	Long/Short		Notional/ Fair Value *(Expressed in thousands)*
2024				
U.S. 10-year note	September 2024	Short	$	(2,640)
U.S. 5-year note	September 2024	Short		639
U.S. long bond	September 2024	Short		(1,656)
Long GILT future	September 2024	Short		740
Euro-BUND future	September 2024	Short		6,489
U.S. 10-year ultra bond	September 2024	Short		(341)
U.S. ultra bond	September 2024	Short		(125)
2023				
U.S. 10-year note	September 2023	Short	$	(2,694)
U.S. 5-year note	September 2023	Short		2,142
U.S. long bond	September 2023	Short		(761)
Long GILT future	September 2023	Short		727
Euro-BUND future	September 2023	Short		2,480
U.S. ultra bond	September 2023	Short		(136)

(3) DERIVATIVES, CONTINUED

Foreign Currency Forward Contracts

	2024	2023
	(Expressed in thousands)	
Pending receivable	$ 28,575	12,650
Pending payable	(28,686)	(12,766)
Foreign currency forward contracts net asset	$ (111)	(116)

As of June 30, 2024, the foreign currency forward contracts expire in August 2024 and September 2024. During the years ended June 30, 2024 and 2023, realized gains (losses) on foreign currency contracts were approximately $137,000 and $(696,000), respectively.

The Fund invests in mortgage-backed securities, which are reported at fair value in the statements of net position and the balance sheets and are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgagees, which are likely in declining interest rate environments, thereby reducing the values of these securities. The Fund invests in mortgage-backed securities to diversify the portfolio and increase the return while minimizing the extent of risk. Details regarding interest rate risks for these investments are included under the interest rate risk disclosures.

(4) ALTERNATIVE INVESTMENTS

Alternative investments as of June 30, including limited partnerships, were as follows:

	2024		
Company	Fair Value	Unfunded Commitment	Purpose
Real Estate			
AEW Core Property Trust, Inc.	$ 59,319,826	-	Real estate investment trust.
AEW VII	860,928	690,264	Real estate investment trust.
Siguler Guff	12,419,547	4,497,500	Investments in distressed opportunities in commercial real estate.
UBS Trumbull	20,549,981	-	Real estate investment trust.
	93,150,282	5,187,764	
Fund of Funds			
PIMCO All Asset Fund	37,815,665	-	Fund invests in other PIMCO funds (A fund of funds).
Other			
Medley Opportunity Fund II L.P.	126,349	-	Investments consist of senior secured direct loans to corporate entities that meet certain criteria.
Monroe Capital	43,866,415	7,493,699	Investments consist of senior secured direct loans to corporate entities that meet certain criteria.
Tortoise	67,170,088	-	Investments consist of limited partnerships in the oil and gas industries.
Monroe Capital IV	17,020,803	3,000,000	Investments consist of senior secured direct loans to corporate entities that meet certain criteria.
Angelo Gordon	51,142,964	2,500,000	Investments consist of senior secured direct loans to corporate entities that meet certain criteria.
Brookfield	22,087,826	-	Open-end fund investing in real estate finance-related transactions in a credit risk position that is senior to traditional equity and junior mezzanine debt and subordinate to senior debt.
	201,414,445	12,993,699	
Total alternative investments	$ 332,380,392	18,181,463	

See Independent Auditors' Report.

(4) ALTERNATIVE INVESTMENTS, CONTINUED

Company	2023 Fair Value	2023 Unfunded Commitment	Purpose
Real Estate			
AEW Core Property Trust, Inc.	$ 61,911,712	-	Real estate investment trust.
AEW VII	852,863	690,264	Real estate investment trust.
Siguler Guff	14,129,088	4,497,500	Investments in distressed opportunities in commercial real estate.
UBS Trumbull	23,964,399	-	Real estate investment trust.
	100,858,062	5,187,764	
Fund of Funds			
PIMCO All Asset Fund	79,473,878	-	Fund invests in other PIMCO funds (A fund of funds).
Other			
Medley Opportunity Fund II L.P.	2,004,016	1,332,729	Investments consist of senior secured direct loans to corporate entities that meet certain criteria.
Monroe Capital	44,477,074	7,493,699	Investments consist of senior secured direct loans to corporate entities that meet certain criteria.
Tortoise	56,521,714	-	Investments consist of limited partnerships in the oil and gas industries.
Monroe Capital IV	17,284,607	3,000,000	Investments consist of senior secured direct loans to corporate entities that meet certain criteria.
Angelo Gordon	49,891,544	5,000,000	Investments consist of senior secured direct loans to corporate entities that meet certain criteria.
Brookfield	25,726,006	-	Open-end fund investing in real estate finance-related transactions in a credit risk position that is senior to traditional equity and junior mezzanine debt and subordinate to senior debt.
	195,904,961	16,826,428	
Total alternative investments	$ 376,236,901	22,014,192	

See Independent Auditors' Report.

(5) CAPITAL ASSETS

The following is a summary of changes in capital assets:

	Balance at June 30, 2023	Additions	Disposals	Balance at June 30, 2024
Depreciable capital assets:				
Office equipment and furnishings	$ 344,574	198,530	-	543,104
Accumulated depreciation:				
Office equipment and furnishings	(262,551)	(40,240)	-	(302,791)
Capital assets, net	$ 82,023	158,290	-	240,313

	Balance at June 30, 2022	Additions	Disposals	Balance at June 30, 2023
Depreciable capital assets:				
Office equipment and furnishings	$ 312,901	31,673	-	344,574
Accumulated depreciation:				
Office equipment and furnishings	(251,087)	(11,464)	-	(262,551)
Capital assets, net	$ 61,814	20,209	-	82,023

(6) COMPENSATED ABSENCES

Compensated absence activity was as follows:

	Balance at June 30, 2023	Additions	Reductions	Balance at June 30, 2024	Amounts Due Within 1 Year
Compensated absences	$ 243,795	57,698	(18,131)	283,362	113,345

	Balance at June 30, 2022	Additions	Reductions	Balance at June 30, 2023	Amounts Due Within 1 Year
Compensated absences	$ 228,841	40,022	(25,068)	243,795	97,518

See Independent Auditors' Report.

(7) AVAILABLE EARNINGS AND FUND BALANCES

Available Earnings

Annual earnings available for expenditure were previously considered to be dividends and interest, less fees to manage the Fund. However, Attorney General Opinion 2011-11 (AG Opinion 2011-11), which was issued in August 2011, states that earnings are equal to the income generated from the Fund, including but not limited to interest, dividends, and realized capital gains from investments, minus the costs and expenses of investments and minus any losses realized by the Fund. As a result of AG Opinion 2011-11, the Board of Investors and the Board of Directors reached an agreement in February 2012 that $42,898,847 of earnings (July 1, 2001, through June 30, 2010) as defined by AG Opinion 2011-11 would be available for certification in addition to any current year earnings in years in which current year earnings to be certified were less than 5% of the corpus of the Fund. The $42,898,847 was reflected as assigned to be certified earnings. Of this reserve, $13,104,185, $18,789,438, $84,186, $1,041,808, and $7,620,259 was certified in the November 2017, November 2016, November 2015, November 2013, and in the November 2012 board meetings, respectively, to bring the amount in the total certification up to 5% of the corpus, thus reducing the reserve balance to $2,258,971 as of June 30, 2019. The $2,258,971 remaining amount of the reserve was certified by the Board of Investors at the November 12, 2020, meeting.

Fund Balances

Fund balance refers to the difference between assets and liabilities in the governmental funds balance sheet. Fund balance, as defined in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as applicable to the Fund, consists of the following three categories:

- Nonspendable Fund Balance: The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This would include items not expected to be converted to cash, including inventories and prepaid amounts. It may also include the long-term amounts of loans and receivables, as well as property acquired for resale and the corpus (principal) of a permanent fund.

  Nonspendable amounts are primarily composed of settlement receipts and the net unrealized appreciation or depreciation in the fair value of invested funds.

(Continued)

(7) AVAILABLE EARNINGS AND FUND BALANCES, CONTINUED

Fund Balances, Continued

- Assigned Fund Balance: The assigned fund balance classification reflects amounts that are constrained by the Fund's intent to be used for specific purposes. For purposes of the assigned fund balance, the Fund's Board of Directors and Board of Investors have authority to assign funds for specific purposes.

  Assigned by Board of Directors (Certified)

  Prior to 2012, the Board of Directors had set aside 10% of the unassigned fund balance as a reserve to be used for future periods should annual earnings prove insufficient for operations. In November 2011, the Board of Directors chose to limit yearly expenditures of certified earnings to no more than 5% of the corpus of the Fund. Each year, any unexpended certified earnings will be added to the reserve of prior year unspent certified earnings. In essence, unexpended amounts will be moved to assigned fund balances for future years' operations. In 2023, the Board of Directors adopted a policy to limit yearly expenditures by the average of the previous 3 years' certified earnings, plus expected lapse funds, as defined. All the unspent amounts have previously been certified by the Board of Investors.

- Unassigned Fund Balance: The unassigned fund balance essentially consists of excess funds that have not been classified in the above fund balance categories.

  The unassigned fund balance consists of annual earnings that have been certified by the Board of Investors as available for expenditures for approved programs and operations, and contractual income less program and operational expenses.

It is the Fund's policy that expenditures which are incurred for purposes for which both unassigned and assigned fund balances are available, unassigned fund balances are considered to have been spent first.

The Board of Directors manages program and operating expenses that are expended from the assigned and unassigned fund balance. Contract income is the reimbursement of program expenses related to the Helpline and is considered a reduction to unassigned expenses. Operating expenses include salaries, travel, and other operating expenses of the Board of Investors and the Board of Directors. The maximum amount allowed for operating expenses is 15% of certified earnings in any fiscal year. Operating expenses do not include program expenses or investment management expenses.

(7) AVAILABLE EARNINGS AND FUND BALANCES, CONTINUED

Fund Balances, Continued

A reconciliation of the nonspendable, assigned, and unassigned components of the fund balances as of June 30 is as follows:

	2024			
	Nonspendable	Assigned Available for Expenditure and Certified	Unassigned	Total
Balance at June 30, 2023	$ 1,467,113,771	209,789,814	66,702,881	1,743,606,466
Settlement receipts	46,541,552	-	-	46,541,552
Miscellaneous other receipts	7,518	-	-	7,518
Net unrealized gains on investments	105,181,528	-	-	105,181,528
Miscellaneous income	57,899	-	-	57,899
Contract income	-	-	4,000,000	4,000,000
Expendable earnings, including net realized gains/losses on investments	-	-	88,776,976	88,776,976
Program and operating expenses	-	-	(68,850,688)	(68,850,688)
Transfer—estimate of certified earnings for 2024	-	1,852,193	(1,852,193)	-
Balance at June 30, 2024	$ 1,618,902,268	211,642,007	88,776,976	1,919,321,251

See Independent Auditors' Report.

(7) AVAILABLE EARNINGS AND FUND BALANCES, CONTINUED

Fund Balances, Continued

	2023			
	Nonspendable	Assigned Available for Expenditure and Certified	Unassigned	Total
Balance at June 30, 2022	$ 1,306,413,241	155,317,875	113,054,354	1,574,785,470
Settlement receipts	52,187,365	-	-	52,187,365
Miscellaneous other receipts	-	-	-	-
Net unrealized gains on investments	108,500,977	-	-	108,500,977
Miscellaneous income	12,188	-	-	12,188
Contract income	-	-	4,400,000	4,400,000
Expendable earnings, including net realized gains/losses on investments	-	-	66,702,881	66,702,881
Program and operating expenses	-	-	(62,982,415)	(62,982,415)
Transfer—estimate of certified earnings for 2023	-	54,471,939	(54,471,939)	-
Balance at June 30, 2023	$ 1,467,113,771	209,789,814	66,702,881	1,743,606,466

As of June 30, the nonspendable balance consisted of the following:

	2024	2023
Settlement receipts	$ 1,299,761,185	1,253,219,633
Accumulated unrealized gains and miscellaneous income, net	319,141,083	213,894,138
Total nonspendable	$ 1,618,902,268	1,467,113,771

See Independent Auditors' Report.

(7) AVAILABLE EARNINGS AND FUND BALANCES, CONTINUED

Fund Balances, Continued

The amount of earnings available for certification for the period ended June 30, 2024, was $88,776,976. The amount of earnings available for certification for the period ended June 30, 2023, was $66,702,881.

At their August 21, 2024, meeting, the Board of Investors certified $86,838,423, reserving a portion of the amount available for certification for possible audit adjustments. It is anticipated that the Board of Investors will certify an additional amount at their November 2024 meeting. The Board of Investors has defined the corpus of the Fund as the custodial market value of the Fund as of June 30, less any previous certified earnings (current year and previous years' certified earnings that remain invested) within the Fund at June 30.

The transfer of fund balances noted in the above reconciliation of $1,852,193 and $54,471,939 during 2024 and 2023, respectively, was to adjust the unassigned balance to the estimate of certified earnings for each respective year.

(8) PENSION PLAN

Plan Description

The Fund contributes to the Oklahoma Public Employees Retirement Plan (OPERS), a cost-sharing, multiple-employer defined benefit public employee retirement plan administered by the Oklahoma Public Employees Retirement System (the "System"). OPERS provides retirement, disability, and death benefits to plan members and beneficiaries. The benefit provisions are established and may be amended by the Oklahoma Legislature. Title 74 of the Oklahoma Statutes, Sections 901–943, as amended, assigns the authority for management and operation of OPERS to the Board of Trustees of the System. The System issues a publicly available annual financial report that includes financial statements and required supplementary information for OPERS. That annual report may be obtained by writing to the Oklahoma Public Employees Retirement System, 5400 N. Grand Blvd., Suite 400, Oklahoma City, Oklahoma 73112 or by calling 1-800-733-9008, or can be obtained at www.opers.ok.gov.

OPERS provides members with full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of the member's age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member after June 30, 1992, when the member's age and years of credited service equals or exceeds 90 (Rule of 90).

Normal retirement date is further qualified to require that all members employed on or after January 1, 1983, must have 6 or more years of full-time equivalent employment with a participating employer before being eligible to receive benefits. Credited service is the sum of participating and prior service. Prior service includes nonparticipating service before January 1, 1975, or the entry date of the employer and active wartime military service.

(8) PENSION PLAN, CONTINUED

Plan Description, Continued

A member with a minimum of 10 years of participating service may elect early retirement with reduced benefits beginning at age 55 if the participant became a member prior to November 1, 2011, or age 60 if the participant became a member on or after November 1, 2011.

Disability retirement benefits are available for members having 8 years of credited service whose disability status has been certified as being within 1 year of the last day on the job by the Social Security Administration. Disability retirement benefits are determined in the same manner as retirement benefits, but payable immediately without an actuarial reduction.

Benefits Provided

For state, county, and local agency employees, benefits are determined at 2% of the average annual salary received during the highest 36 months of the last 10 years of participating service, but not to exceed the applicable annual salary cap, multiplied by the number of years of credited service. Members who join OPERS on or after July 1, 2013, will have their salary averaged over the highest 60 months of the last 10 years. Normal retirement age under the Plan is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule of 90 if the participant became a member on or after November 1, 2011.

Members who elect to pay the additional contribution rate, which became available in January 2004, will receive benefits using a 2.5% computation factor for each full year the additional contributions are made. In 2004, legislation was enacted to provide an increased benefit to retiring members who were not yet eligible for Medicare. The Medicare Gap benefit option became available to members under age 65 who retired on or after May 1, 2006. Members may elect to receive a temporary increased benefit to cover the cost of health insurance premiums until the member is eligible to receive Medicare. After the member becomes eligible for Medicare, the retirement benefit will be permanently reduced by an actuarially determined amount. The option is irrevocable, must be chosen prior to retirement, and is structured to have a neutral actuarial cost to the plan.

Members become eligible to vest fully upon termination of employment after attaining 8 years of credited service, or the members' contributions may be withdrawn upon termination of employment.

Upon the death of an active member, the accumulated contributions of the member are paid to the member's named beneficiary(ies) in a single lump sum payment. If a retired member elected a joint annuitant survivor option or an active member was eligible to retire with either reduced or unreduced benefits or eligible to vest the retirement benefit at the time of death, benefits can be paid in monthly payments over the life of the spouse if the spouse so elects.

(8) PENSION PLAN, CONTINUED

Benefits Provided, Continued

Benefits are payable to the surviving spouse of an elected official only if the elected official had at least 6 years of participating elected service and was married at least 3 years immediately preceding death. Survivor benefits are terminated upon death of the named survivor and, for elected officials, remarriage of the surviving spouse. Upon the death of a retired member, with no survivor benefits payable, the member's beneficiary(ies) are paid the excess, if any, of the member's accumulated contributions over the sum of all retirement benefit payments made.

Upon the death of a retired member, OPERS will pay a $5,000 death benefit to the member's beneficiary or estate of the member if there is no living beneficiary. The death benefit will be paid in addition to any excess employee contributions or survivor benefits due to the beneficiary.

Legislation was enacted in 1999 which provided a limited additional benefit for certain terminated members eligible to vest as of July 1, 1998. This limited benefit is payable as an additional $200 monthly benefit upon the member's retirement up to the total amount of certain excess contributions paid by the participant to OPERS. In April 2001, limited benefit payments began for qualified retired members.

Benefits are established and may be amended by the State Legislature.

Contributions

The contribution rates for each member category of OPERS are established by the Oklahoma Legislature after recommendation by the Board of Trustees of the System based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates.

Each member participates based on their qualifying gross salary earned, excluding overtime. There is no cap on the qualifying gross salary earned, subject to Internal Revenue Service (IRS) limitations on compensation.

For 2024, 2023, and 2022, state agency employers contributed 16.50% on all salary, and state employees contributed 3.50% on all salary.

Members have the option to elect to increase the benefit computation factor for all future service from 2.00% to 2.50%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service. Those who make the election pay the standard contribution rate plus an additional contribution rate, 2.91%, which is actuarially determined. The election is available for all state, county, and local government employees, except for elected officials and hazardous duty members.

Contributions to OPERS for the pension plan by the Fund for 2024, 2023, and 2022 were as follows:

2024	2023	2022
$ 187,737	189,066	173,231

See Independent Auditors' Report.

(8) PENSION PLAN, CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2024 and 2023, the Fund reported a liability for its proportionate share of the net pension liability for each year. The net pension liability was measured as of June 30, 2024 and 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023 and 2022, respectively. The Fund's proportion of the net pension liability and asset for each year was based on the Fund's contributions received by OPERS relative to the total contributions received by OPERS for all participating employers as of June 30, 2023 and 2022, respectively. Based upon this information, the Fund's proportion was 0.09086419% at June 30, 2024, and 0.09221134% at June 30, 2023.

For the years ended June 30, 2024 and 2023, the Fund recognized pension benefit of $19,128 and $108,482, respectively. At June 30, 2024 and 2023, the Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2024		
Differences between expected and actual experience	$ 11,405	6,296
Changes of assumptions	87,823	-
Proportionate changes	1,372	-
Net difference between projected and actual earnings on pension plan investments	345,577	-
Fund contributions subsequent to the measurement date	187,737	-
	$ 633,914	6,296
2023		
Differences between expected and actual experience	$ -	35,537
Changes of assumptions	-	-
Proportionate changes	5,701	4,927
Net difference between projected and actual earnings on pension plan investments	813,561	-
Fund contributions subsequent to the measurement date	189,066	-
	$ 1,008,328	40,464

See Independent Auditors' Report.

(8) PENSION PLAN, CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

Reported deferred outflows of resources of $187,737 related to pensions resulting from the Fund's contributions subsequent to the measurement date will be recognized as an increase/decrease of the net pension liability in the year ending June 30, 2025. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2024, will be recognized in pension expense as follows:

Years Ending June 30:		
2025	$	131,944
2026		33,076
2027		355,874
2028		(81,013)
	$	439,881

Actuarial Methods and Assumptions

The total pension liability was determined on an actuarial valuation prepared as of July 1, 2023 and 2022, using the following actuarial assumptions:

Investment return:	6.50% for 2023 and 2022, compounded annually net of investment expense and including inflation.
Salary increases:	3.50% to 9.25% for 2023 and 2022
Mortality rates:	For 2023 and 2022—Pub-2010 Below Media, General Membership Active/Retiree Healthy Mortality Table with base rates projected to 2030 using Scale MP-2019. Male rates are unadjusted, and female rates are set forward two years.
Annual post-retirement benefit increases:	None
Assumed inflation rate:	2.50% for 2023 and 2022
Payroll growth:	3.25% for 2023 and 2022
Actuarial cost method:	Entry age
Select period for the termination of employment assumptions:	10 years

(8) PENSION PLAN, CONTINUED

Actuarial Methods and Assumptions, Continued

The actuarial assumptions used in the July 1, 2023, valuations are based on the results of the most recent actuarial experience study, which covers the 3-year period ending June 30, 2022. The experience study report is dated April 12, 2023.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as used in the June 30, 2022, experience study, are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
U.S. large cap equity	34.0%	5.1%
U.S. small cap equity	6.0%	5.1%
Global equity (excluding U.S.)	28.0%	8.2%
Core fixed income	25.0%	1.9%
Long-term treasuries	3.5%	2.1%
US TIPS	3.5%	1.8%
	100.0%	

Discount Rate

The discount rate used to measure the total pension liability and asset was 6.50% for 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, OPERS’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability and asset for each year. The discount rate determined does not use a municipal bond rate.

(8) PENSION PLAN, CONTINUED

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the employer calculated amount using the discount rate of 6.50% for 2024 and 2023, respectively, as well as what the Fund's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
June 30, 2024			
Net pension liability (asset)	$ 1,605,776	415,721	(584,904)
June 30, 2023			
Net pension liability (asset)	$ 1,899,764	775,096	(176,047)

Pension Plan Fiduciary Net Position

Detailed information about OPERS' fiduciary net position is available in the separately issued financial report of OPERS, which can be located at www.opers.ok.gov.

(9) OTHER POSTEMPLOYMENT BENEFITS

HEALTH INSURANCE SUBSIDY PLAN OPEB

Description

The Fund participates in the OPERS Health Insurance Subsidy Plan (HISP), a cost-sharing, multiple-employer defined benefit public employee health insurance subsidy retirement plan which is administered by the System. The HISP is classified as an "other postemployment benefit."

The Fund accounts for HISP in accordance with GASB 75, which requires the recording of the Fund's allocated share of the net OPEB liability, deferred outflows, deferred inflows, and OPEB expense associated with the HISP.

(9) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

HEALTH INSURANCE SUBSIDY PLAN OPEB, CONTINUED

Benefits Provided

HISP provides a health insurance premium subsidy for retirees of OPERS who elect to maintain health insurance with the Oklahoma Employees Group Insurance Division (EGID) or other qualified insurance plan provided by the employers. The HISP subsidy is capped at $105 per month per retiree. This subsidy continues until the retiree terminates health insurance coverage with EGID or other qualified plan, or until death. The subsidy is only for the retiree, not joint annuitants or beneficiaries.

Contributions

The contribution rates for each member category of OPERS are established by the Oklahoma Legislature after recommendation by OPERS' Board of Trustees based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates. An actuarially determined portion of the total contribution to OPERS are set aside to finance the cost of the benefits of the HISP in accordance with provisions of the Internal Revenue Code.

Each member participates based on their qualifying gross salary earned, excluding overtime. There is no cap on the qualifying gross salary earned, subject to Internal Revenue Service (IRS) limitations on compensation. Only employers contribute to the HISP. For 2024 and 2023, *state agency employers* contributed 16.50% for OPERS programs on all salaries.

Contributions to OPERS for the HISP by the Fund for years ended June 30, 2024 and 2023, were approximately $13,671 and $13,768, respectively.

At June 30, 2024 and 2023, the Fund reported an asset for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2024 and 2023, respectively, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of July 1, 2023 and 2022, respectively. The Fund's proportion of the net OPEB asset was based on the Fund's contributions received by OPERS relative to the total contributions received by OPERS for all participating employers as of June 30, 2023 and 2022, respectively. Based upon this information, the Fund's proportion was 0.09086419% and 0.09221134% at June 30, 2024 and 2023, respectively.

(9) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

HEALTH INSURANCE SUBSIDY PLAN OPEB, CONTINUED

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended June 30, 2024 and 2023, the Fund recognized OPEB benefit related to the HISP of $24,619 and $25,867, respectively. At June 30, 2024 and 2023, the Fund reported deferred outflows of resources and deferred inflows of resources related to the HISP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2024		
Differences between expected and actual experience	$ -	42,159
Changes of assumptions	7,610	-
Proportionate changes	274	8,887
Net difference between projected and actual earnings on OPEB investments	22,021	-
Fund contributions subsequent to the measurement date	13,671	-
	$ 43,576	51,046
2023		
Differences between expected and actual experience	$ -	43,116
Changes of assumptions	7,287	-
Proportionate changes	534	11,797
Net difference between projected and actual earnings on OPEB investments	32,663	-
Fund contributions subsequent to the measurement date	13,768	-
	$ 54,252	54,913

(9) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

HEALTH INSURANCE SUBSIDY PLAN OPEB, CONTINUED

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, Continued

Reported deferred outflows of resources of $13,671 related to OPEB resulting from the Fund's contributions subsequent to the measurement date will be recognized as an increase/decrease of the net OPEB asset in the year ending June 30, 2025. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB as of June 30, 2024, will be recognized in OPEB expense as follows:

Years Ending June 30:		
2025	$	(8,327)
2026		(7,483)
2027		3,189
2028		(7,057)
2029 and thereafter		(1,463)
	$	(21,141)

See Independent Auditors' Report.

(9) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

HEALTH INSURANCE SUBSIDY PLAN OPEB, CONTINUED

Actuarial Methods and Assumptions

The total OPEB liability was determined on an actuarial valuation prepared as of July 1, 2023 and 2022:

Investment return:	6.50% for both 2023 and 2022, compounded annually net of investment expense and including inflation.
Salary increases:	3.50% to 9.25% for both 2023 and 2022
Mortality rates:	For 2023 and 2022—Pub-2010 Below Media, General Membership Active/Retiree Healthy Mortality Table with base rates projected to 2030 using Scale MP-2019. Male rates are unadjusted, and female rates are set forward two years.
Annual post-retirement benefit increases:	None
Assumed inflation rate:	2.50% for both 2023 and 2022
Payroll growth:	3.25% for both 2023 and 2022
Actuarial cost method:	Entry age
Select period for the termination of employment assumptions:	10 years
Healthcare trend rate:	Not applicable based on how OPERS is structured and benefit payments are made.

The actuarial assumptions used in the July 1, 2023, valuations are based on the results of the most recent actuarial experience study, which covers the 3-year period ending June 30, 2022. The experience study report is dated April 12, 2023.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

(9) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

HEALTH INSURANCE SUBSIDY PLAN OPEB, CONTINUED

Actuarial Methods and Assumptions, Continued

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as used in the June 30, 2022, experience study, are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
U.S. large cap equity	34.0%	5.1%
U.S. small cap equity	6.0%	5.1%
Global equity (excluding U.S.)	28.0%	8.2%
Core fixed income	25.0%	1.9%
Long-term treasuries	3.5%	2.1%
US TIPS	3.5%	1.8%
	100.0%	

Discount Rate

The discount rate used to measure the total pension liability and asset was 6.50% for 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, OPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability and asset for each year. The discount rate determined does not use a municipal bond rate.

(9) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

HEALTH INSURANCE SUBSIDY PLAN OPEB, CONTINUED

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net pension (asset) of the Fund calculated using the discount rate of 6.50% for 2024 and 2023, as well as what the Fund's net OPEB (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
June 30, 2024			
Net OPEB asset	$ (85,087)	(117,726)	(142,299)
June 30, 2023			
Net OPEB asset	$ (55,705)	(86,298)	(112,511)

OPEB Plan Fiduciary Net Position

Detailed information about OPERS' fiduciary net position is available in the separately issued financial report of OPERS, which can be located at www.opers.ok.gov.

IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE PLAN OPEB LIABILITY

Description

The Fund participates in the EGID's health insurance plan, which is a non-trusted single-employer plan that provides for employee and dependent healthcare coverage from the date of retirement to age 65, provided the participant was covered by the health insurance plan before retiring.

In conjunction with providing the postretirement medical benefits through the health insurance plan, the State of Oklahoma determined that an OPEB liability existed in relation to an implicit rate subsidy. The State of Oklahoma calculated the implicit rate subsidy of health insurance plan OPEB liability (IRSHIP OPEB liability) for all State agencies that participate in the EGID health insurance plan and whose payroll is processed through the State's payroll system. The Fund met these criteria and therefore was one of the agencies included in the State of Oklahoma's calculation.

The Fund accounts for the IRSHIP OPEB liability in accordance with GASB 75, which requires the recording of the Fund's allocated share of the net OPEB liability, deferred outflows, deferred inflows, and OPEB expense.

(9) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE PLAN OPEB LIABILITY, CONTINUED

Description, Continued

The IRSHIP provides members with postretirement medical benefits until age 65 if the retiree and spouse pay the full active premium. Participation in the health insurance plan can elect to enroll in special coverage, and surviving spouses may continue in the Plan until age 65. Contributions to the health insurance plan are made by both participants and the Fund on a "pay as you go" basis. Fund contributions for the years ended June 30, 2024 and 2023, were approximately $7,778 and $6,419, respectively.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2024 and 2023, the Fund reported a liability for its proportionate share of the net IRSHIP OPEB liability. The net IRSHIP OPEB liability was measured as of June 30, 2024 and 2023, respectively, and the total IRSHIP OPEB liability used to calculate the net IRSHIP OPEB liability was determined by an actuarial valuation as of July 1, 2023 and 2022, respectively. The Fund's proportion of the net IRSHIP OPEB liability was based on the Fund's active employees as of July 1, 2023 and 2022, respectively, to all active employees of the State agencies included in the State of Oklahoma's calculation. Based upon this information, the Fund's proportion was 0.0777565% and 0.0579892% at June 30, 2024 and 2023, respectively.

(9) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE PLAN OPEB LIABILITY, CONTINUED

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, Continued

For the years ended June 30, 2024 and 2023, the Fund recognized OPEB expense (benefit) of $31,322 and $(4,146), respectively. At June 30, 2024 and 2023, the Fund reported deferred outflows of resources and deferred inflows of resources related to the IRSHIP OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2024		
Differences between expected and actual experience	$ -	3,072
Changes of assumptions	55,028	6,706
Fund contributions subsequent to the measurement date	7,778	-
	$ 62,806	9,778
2023		
Differences between expected and actual experience	$ -	398
Changes of assumptions	3,761	7,089
Fund contributions subsequent to the measurement date	6,419	-
	$ 10,180	7,487

See Independent Auditors' Report.

(9) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE PLAN OPEB LIABILITY, CONTINUED

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, Continued

Reported deferred outflows of resources of $7,778 related to OPEB resulting from the Fund's contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2025. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to the IRSHIP OPEB liability as of June 30, 2024, will be recognized in OPEB expense as follows:

Years Ending June 30:		
2025	$	9,863
2026		9,713
2027		9,224
2028		9,590
2029		6,860
	$	45,250

Actuarial Methods and Assumptions

The total IRSHIP OPEB liability was determined based on actuarial valuations prepared using a July 1, 2023 and 2022, measurement date using the following actuarial assumptions:

- Investment return—Not applicable, as the health insurance plan is unfunded, and benefits are not paid from a qualifying trust.
- Mortality rates—

  For 2023 and 2022, Pub-2010 Public Retirement Plans General Mortality Table weighted by Headcount projected by MP-2021 as of July 1, 2023.

(Continued)

(9) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE PLAN OPEB LIABILITY, CONTINUED

Actuarial Methods and Assumptions, Continued

- Salary scale, retirement rate, withdrawal rate, and disability rate actuarial assumptions are based on rates for the various retirement systems that the health insurance plan's participants are in, including—
  - Oklahoma Public Employees Retirement System
  - Oklahoma Law Enforcement Retirement System
  - Teachers' Retirement System of Oklahoma
  - Uniform Retirement System of Justices & Judges
  - Oklahoma Department of Wildlife Conservation
  - Defined Benefit Pension Plan

- Plan participation—65% and 45% for 2023 and 2022, respectively, of retired employees are assumed to participate in the health insurance plan.

- Marital assumptions—

  Male participants: 25% who elect coverage are assumed to have a spouse who will receive coverage.

  Female participants: 15% who elect coverage are assumed to have a spouse who will receive coverage.

  Males are assumed to be 4 years older than their spouses.

- Plan entry date is the date of hire.

- Actuarial cost method—Entry age normal based upon salary.

- Healthcare trend rate—7.8% and 6.10% decreasing to 4.45% and 4.80% for 2023 and 2022, respectively.

The June 30, 2024, valuation is based on a measurement date of July 1, 2023, with a measurement period of July 1, 2022 to July 1, 2023. The June 30, 2023, valuation is based on a measured date of July 1, 2022, with a measurement period of July 1, 2021, to July 1, 2022.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.65% and 3.54% for June 30, 2024 and 2023, respectively. The discount rate was determined using the Bond Buyer GO 20-Bond Municipal Bond Index.

(9) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE PLAN OPEB LIABILITY, CONTINUED

Changes in the Net OPEB Liability

The following table reports the components of changes in the net OPEB liability as of and for the year ended June 30:

	2024	2023
Balance at beginning of year	$ 73,688	82,876
Changes for the year:		
Service cost	3,705	3,567
Interest expense	3,491	1,775
Changes in assumptions	7,610	(1,675)
Net change in deferred outflows/inflows	75,366	(6,597)
Actual experience	(652)	(251)
Benefits paid	(7,863)	(6,007)
Net changes	81,657	(9,188)
Balance at end of year	$ 155,345	73,688

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Trend Rate

Sensitivity of the net OPEB liability to changes in the discount rate—The following presents the net IRSHIP OPEB liability of the Fund calculated using the discount rate of 3.65% and 3.54% for 2024 and 2023, respectively, as well as what the Fund's net IRSHIP OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
June 30, 2024			
Net OPEB liability	$ 167,065	155,345	144,350

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
June 30, 2023			
Net OPEB liability	$ 78,787	73,688	68,911

See Independent Auditors' Report.

(9) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE PLAN OPEB LIABILITY, CONTINUED

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Trend Rate, Continued

Sensitivity of the net OPEB liability to changes in the healthcare trend rate—The following presents the net OPEB liability at June 30, 2024 and 2023, calculated using the healthcare trend rates shown in the table below for each respective year, as well as what the liability would be if it were calculated using a healthcare trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease in Healthcare Trend Rate (6.80% decreasing to 3.45%)	Current Healthcare Trend Rate (7.80% decreasing to 4.45%)	1% Increase in Healthcare Trend Rate (8.80% decreasing to 5.45%)
2024			
Net OPEB liability	$ 139,875	155,345	173,490

	1% Decrease in Healthcare Trend Rate (5.10% decreasing to 3.80%)	Current Healthcare Trend Rate (6.10% decreasing to 4.80%)	1% Increase in Healthcare Trend Rate (7.10% decreasing to 5.80%)
2023			
Net OPEB liability	$ 66,499	73,688	82,114

A copy of the actuarial valuations for the IRSHIP OPEB liability can be obtained at the following link: http://omes.ok.gov/sites/g/files/gmc316/f/ActuarialValuationReport2023.pdf.

See Independent Auditors' Report.

(10) OKLAHOMA STATE EMPLOYEES DEFERRED COMPENSATION PLAN AND DEFERRED SAVINGS INCENTIVE PLAN

Deferred Compensation Plan

The State offers its employees a Deferred Compensation Plan as authorized by Section 457 of the Internal Revenue Code (IRC), as amended by the Tax Reform Act of 1986, and in accordance with the provisions of Sections 1701 through 1706 of Title 74 of the Oklahoma Statutes.

The supervisory authority for the management and operation of the Deferred Compensation Plan is the Board of Trustees of the Oklahoma Public Employees Retirement System (the "Board").

The Deferred Compensation Plan is available to all State employees, as well as any elected officials receiving a salary from the State. Participants may direct the investment of their contributions in available investment options offered by the Deferred Compensation Plan. The minimum contribution amount is the equivalent of $25 per month, and participants are immediately 100% vested in their respective accounts. All interest, dividends, and investment fees are allocated to participants' accounts.

Participants may defer until future years up to the lesser of 100% of their compensation as defined by Deferred Compensation Plan documents or the maximum amount allowed each year as determined by the Internal Revenue Service.

The Deferred Compensation Plan offers a catch-up program to participants, which allows them to defer annually for the 3 years prior to their year of retirement up to twice that plan year's deferral limit. The amount of additional contributions in excess of the normal maximum contributions to the Deferred Compensation Plan is also limited to contributions for years in which the participant was eligible but did not participate in the Deferred Compensation Plan or the difference between contributions made and the maximum allowable level. To be eligible for the catch-up program, the participant must be within 3 years of retirement with no reduced benefits.

Participants age 50 or older may make additional contributions annually subject to certain limits.

Deferred compensation benefits are paid to participants or beneficiaries upon termination, retirement, death, or unforeseeable emergency. Such benefits are based on a participant's account balance and are disbursed in a lump sum or periodic payments at the option of the participant or beneficiaries in accordance with the Deferred Compensation Plan's provisions.

(10) OKLAHOMA STATE EMPLOYEES DEFERRED COMPENSATION PLAN AND DEFERRED SAVINGS INCENTIVE PLAN, CONTINUED

Deferred Compensation Plan, Continued

Effective January 1, 1998, the Board established a trust and a trust fund covering the Deferred Compensation Plan's assets, pursuant to federal legislation enacted in 1996, requiring public employers to establish such trusts for plans meeting the requirements of Section 457 of the IRC no later than January 1, 1999. Under the terms of the trust, the corpus or income of the trust fund may be used only for the exclusive benefit of the Deferred Compensation Plan's participants and their beneficiaries. Prior to the establishment of the trust, the Deferred Compensation Plan's assets were subject to the claims of general creditors of the State. The Board acts as trustee of the trust. The participants' accounts are invested in accordance with the investment elections of the participants. The Board is accountable for all deferred compensation received, but has no duty to require any compensation to be deferred or to determine that the amounts received comply with the Deferred Compensation Plan or to determine that the trust fund is adequate to provide the benefits payable pursuant to the Deferred Compensation Plan.

Further information may be obtained from the Deferred Compensation Plan's audited financial statements for the years ended June 30, 2024 and 2023. The Fund believes that it has no liabilities with respect to the Deferred Compensation Plan.

Deferred Savings Incentive Plan

Effective January 1, 1998, the State established the Oklahoma State Employees Deferred Savings Incentive Plan (the "Savings Incentive Plan") as a money purchase pension plan pursuant to IRC Section 401(a). The Savings Incentive Plan and its related trust are intended to meet the requirements of IRC Sections 401(a) and 501(a).

Any qualified participant who is a State employee who is an active participant in the Deferred Compensation Plan is eligible for a contribution of the amount determined by Oklahoma Legislature, currently the equivalent of $25 per month. Participation in the Savings Incentive Plan is automatic in the month of participation in the Deferred Compensation Plan and is not voluntary.

Upon cessation of contributions to the Deferred Compensation Plan, termination of employment with the State, retirement, or death, a participant will no longer be eligible for contributions from the State into the Savings Incentive Plan. Participants are at all times 100% vested in their Savings Incentive Plan account. Participant contributions are not required or permitted. Qualified participants may make rollover contributions to the Savings Incentive Plan, provided such rollover contributions meet applicable requirements of the IRC. Plan participants may direct the investment of the contributions in available investment options offered by the Savings Incentive Plan. All interest, dividends, and investment fees are allocated to the participants' accounts.

Savings Incentive Plan benefits are paid to participants or beneficiaries upon termination, retirement, or death. Such benefits are based on a participant's account balance and are disbursed in a lump sum or periodic payments or may be rolled over to a qualified plan at the option of the participant or beneficiaries.

(11) OPERATING EXPENSES

The State constitutional amendment creating the Fund also provides for the payment of authorized administrative expenses of the Office of the State Treasurer and the Board of Directors. State statutes further specify that the State Treasurer shall provide any necessary staff support to the Board of Investors and may request funding for the cost of up to two full-time equivalent employees.

During 2007, State statutes were amended and specify that annual operating expenses shall not exceed 15% of certified earnings.

(12) COMMITMENTS AND CONTINGENCIES

Contracts

The Fund has entered into various contracts to assist in its program operations. The contracts are generally for a commitment of 1 year with options to renew.

Settlement Receipts

As part of the 2013 NPM Adjustment Arbitration settlement, the State agreed to take on additional responsibilities, many of which it was already performing. Major requirements of the settlement are that the State must enforce its Complementary Statute against contraband tobacco products and pay a per-stick amount for cigarette sales which have been taxed and stamped. Enforcement of the settlement is expected to require some State statutory changes. Once the agreement has been finalized, the State may receive additional funds in the future because, as part of the settlement, there will be no withholding from the State’s Master Settlement Agreement (MSA) payment, which is expected to increase the State’s future annual settlement receipts by an estimated additional $8 million to $10 million.

TOBACCO SETTLEMENT ENDOWMENT TRUST FUND

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit I

TOBACCO SETTLEMENT ENDOWMENT TRUST FUND

SCHEDULE OF THE FUND'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Public Employees Retirement Plan
Last 10 Fiscal Years*

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
The Fund's proportion of the net pension liability (asset)	0.09086419%	0.09221134%	0.08097220%	0.08322578%	0.07682100%	0.09458290%	0.08440929%	0.07718124%	0.07518864%	0.06132439%
The Fund's proportionate share of the net pension liability (asset)	$ 415,721	775,095	(1,086,778)	742,510	102,316	184,477	456,370	765,816	270,441	112,570
The Fund's covered payroll	1,229,298	1,126,339	1,166,099	1,233,654	1,299,584	1,430,370	1,413,248	1,365,406	1,329,158	1,038,952
The Fund's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	33.82%	68.82%	(93.20)%	60.19%	7.87%	12.90%	32.29%	56.09%	20.35%	10.83%
OPERS' fiduciary net position as a percentage of the total pension liability (asset)	95.91%	92.24%	112.51%	91.59%	98.63%	97.96%	94.28%	89.48%	96.00%	97.90%

* The amounts presented for each fiscal year were determined as of June 30 of the prior year.

See Independent Auditors' Report.

TOBACCO SETTLEMENT ENDOWMENT TRUST FUND

SCHEDULE OF THE FUND'S CONTRIBUTIONS
Oklahoma Public Employees Retirement Plan
Last 10 Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 187,737	189,066	173,231	179,346	189,736	199,876	219,925	233,186	225,292	219,311
Contributions in relation to the contractually required contributions	187,737	189,066	173,231	179,346	189,736	199,876	219,925	233,186	225,292	219,311
Contribution deficiency (excess)	$ -	-	-	-	-	-	-	-	-	-
The Fund's covered payroll	$ 1,220,657	1,229,298	1,126,339	1,166,099	1,233,654	1,299,584	1,430,370	1,413,248	1,365,406	1,329,158
Contributions as a percentage of covered payroll*	15.38%	15.38%	15.38%	15.38%	15.38%	15.38%	15.38%	16.50%	16.50%	16.50%

*The Fund implemented GASB 75 effective July 1, 2017; therefore, this amount represents the net percentage for the GASB 68 contribution to OPERS. When combined with the HISP percentage for GASB 75 contributions to OPERS, the total amount contributed to OPERS is 16.50%.

See Independent Auditors' Report.

Exhibit III

TOBACCO SETTLEMENT ENDOWMENT TRUST FUND

SCHEDULE OF THE FUND'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Oklahoma Public Employees Health Insurance Subsidy Plan
Last 7 Fiscal Years*

	2024	2023	2022	2021	2020	2019	2018
The Fund's proportion of the net OPEB (asset) liability	0.09086419%	0.09221134%	0.08097220%	0.08322578%	0.07682100%	0.09458290%	0.08440929%
The Fund's proportionate share of the net OPEB (asset) liability	$ (117,726)	(86,298)	(111,322)	(39,019)	(29,864)	(12,240)	9,668
The Fund's covered payroll	1,229,298	1,126,339	1,166,099	1,233,654	1,299,584	1,430,370	1,413,248
The Fund's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	(9.58)%	(7.66)%	(9.55)%	(3.16)%	(2.30)%	(0.86)%	0.68%
OPERS' fiduciary net position as a percentage of the total OPEB (asset) liability	141.38%	130.01%	142.87%	114.27%	112.11%	103.94%	96.50%

*The amounts presented for each fiscal year were determined as of June 30 of the prior year.

Only the last 7 fiscal years are presented because 10-year data is not readily available.

See Independent Auditors' Report.

TOBACCO SETTLEMENT ENDOWMENT TRUST FUND

SCHEDULE OF THE FUND'S CONTRIBUTIONS
Oklahoma Public Employees Health Insurance Subsidy Plan
Last 7 Fiscal Years

	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	$ 13,671	13,768	12,615	13,060	13,817	14,620	16,086
Contributions in relation to the contractually required contributions	13,671	13,768	12,615	13,060	13,817	14,620	16,086
Contribution deficiency (excess)	$ -	-	-	-	-	-	-
The Fund's covered payroll	$ 1,220,657	1,229,298	1,126,339	1,166,099	1,233,654	1,299,584	1,430,370
Contributions as a percentage of covered payroll	1.12%	1.12%	1.12%	1.12%	1.12%	1.12%	1.12%

Only the last 7 fiscal years are presented because 10-year data is not readily available.

See Independent Auditors' Report.

TOBACCO SETTLEMENT ENDOWMENT TRUST FUND

SCHEDULE OF THE FUND'S CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
Implicit Rate Subsidy of Health Insurance Plan

Last 7 Fiscal Years

	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability:							
Service cost	$ 3,705	3,567	3,659	1,937	2,026	2,557	2,572
Interest	3,491	1,775	1,862	1,825	2,203	2,615	2,228
Actual experience	(652)	(251)	(294)	5,025	(157)	(612)	-
Changes in assumptions and deferred items	82,976	(8,272)	27,816	(190)	(1,727)	(668)	(3,669)
Benefit payments, including refunds of member contributions	(7,863)	(6,007)	(6,214)	(4,238)	(22,702)	(5,425)	(6,296)
Adoption of GASB 75	-	-	-	-	-	-	78,743 *
Net change in total OPEB liability	81,657	(9,188)	26,829	4,359	(20,357)	(1,533)	73,578
Total OPEB liability—beginning	73,688	82,876	56,047	51,688	72,045	73,578	-
Total OPEB liability—ending	$ 155,345	73,688	82,876	56,047	51,688	72,045	73,578
Covered-employee payroll	$ 1,229,298	1,126,339	1,166,099	1,233,654	1,299,584	1,430,370	1,413,248
Total OPEB liability as a percentage of covered-employee payroll	12.64%	6.54%	7.11%	4.54%	3.98%	5.04%	5.21%

*Amount was recognized in the year of adoption.

Only the last 7 fiscal years are presented because 10-year data is not readily available.

See Independent Auditors' Report.

TOBACCO SETTLEMENT ENDOWMENT TRUST FUND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

(1) PENSION PLAN—OKLAHOMA EMPLOYEES RETIREMENT PLAN

The Fund contributes to the Oklahoma Public Employees Retirement Plan (OPERS), a cost-sharing, multiple-employer defined benefit public employee retirement plan administered by the Oklahoma Public Employees Retirement System (the "System").

At June 30, 2024 and 2023, the Fund reported a liability for its proportionate share of the net pension liability of OPERS. The total pension liability was determined on an actuarial valuation prepared as of July 1, 2023 and 2022, using the following actuarial assumptions:

Investment return:	6.50% for 2023 and 2022, compounded annually net of investment expense and including inflation.
Salary increases:	3.50% to 9.25% for 2023 and 2022
Mortality rates:	For 2023 and 2022—Pub-2010 Below Media, General Membership Active/Retiree Healthy Mortality Table with base rates projected to 2030 using Scale MP-2019. Male rates are unadjusted, and female rates are set forward two years.
Annual post-retirement benefit increases:	None
Assumed inflation rate:	2.50% for 2023 and 2022
Payroll growth:	3.25% for 2023 and 2022
Actuarial cost method:	Entry age
Select period for the termination of employment assumptions:	10 years

(2) OTHER POSTEMPLOYMENT BENEFITS (OPEB)—HEALTH INSURANCE SUBSIDY

The Fund participates in the OPERS Health Insurance Subsidy Plan (HISP), a cost-sharing multiple-employer defined benefit public employee health insurance subsidy retirement plan which is administered by the System.

At June 30, 2024 and 2023, the Fund reported an asset for its proportionate share of the net OPEB asset of HISP. The total OPEB asset was determined on an actuarial valuation prepared as of July 1, 2023 and 2022, using the following actuarial assumptions:

Investment return:	6.50% for both 2023 and 2022, compounded annually net of investment expense and including inflation.
Salary increases:	3.50% to 9.25% for both 2023 and 2022
Mortality rates:	For 2023 and 2022—Pub-2010 Below Media, General Membership Active/Retiree Healthy Mortality Table with base rates projected to 2030 using Scale MP-2019. Male rates are unadjusted, and female rates are set forward two years.
Annual post-retirement benefit increases:	None
Assumed inflation rate:	2.50% for both 2023 and 2022
Payroll growth:	3.25% for both 2023 and 2022
Actuarial cost method:	Entry age
Select period for the termination of employment assumptions:	10 years
Healthcare trend rate:	Not applicable based on how OPERS is structured and benefit payments are made.

(3) OTHER POSTEMPLOYMENT BENEFITS (OPEB)—IMPLICIT RATE SUBSIDY

The Fund participates in the State of Oklahoma Employees Group Insurance Division (EGID) health insurance plan, which is a non-trusted, single-employer plan that provides for employee and dependent healthcare coverage from the date of retirement to age 65, provided the participant was covered by the health insurance plan before retiring. No assets have been accumulated in trust to pay the related benefits.

At June 30, 2024 and 2023, the Fund reported a liability for its proportionate share of the net OPEB liability for participation in the EGID. The total OPEB liability was determined on an actuarial valuation prepared as of July 1, 2023 and 2022, using the following actuarial assumptions:

- Investment return—Not applicable, as the health insurance plan is unfunded, and benefits are not paid from a qualifying trust.

- Mortality rates—

  For 2023 and 2022, Pub-2010 Public Retirement Plans General Mortality Table weighted by Headcount projected by MP-2021 as of July 1, 2023.

- Salary scale, retirement rate, withdrawal rate, and disability rate actuarial assumptions are based on rates for the various retirement systems that the health insurance plan's participants are in, including—

  - Oklahoma Public Employees Retirement System
  - Oklahoma Law Enforcement Retirement System
  - Teachers' Retirement System of Oklahoma
  - Uniform Retirement System of Justices & Judges
  - Oklahoma Department of Wildlife Conservation
  - Defined Benefit Pension Plan

- Plan participation—65% and 45% for 2023 and 2022, respectively, of retired employees are assumed to participate in the health insurance plan.

- Marital assumptions—

  Male participants: 25% who elect coverage are assumed to have a spouse who will receive coverage.

  Female participants: 15% who elect coverage are assumed to have a spouse who will receive coverage.

  Males are assumed to be 4 years older than their spouses.

- Plan entry date is the date of hire.

- Actuarial cost method—Entry age normal based upon salary.

- Healthcare trend rate—7.8% and 6.10% decreasing to 4.45% and 4.80% for 2023 and 2022, respectively.

F&C CPAs

Finley & Cook, PLLC
405-878-7300
Finley-Cook.com
1421 East 45th Street
Shawnee, OK 74804

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors and Board of Investors
Tobacco Settlement Endowment Trust Fund

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the permanent fund of the Tobacco Settlement Endowment Trust Fund (the "Fund"), which is a part of the State of Oklahoma financial reporting entity, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated September 30, 2024. Our report includes an explanatory paragraph disclaiming an opinion on required supplementary information. In addition, our report also includes an explanatory paragraph to emphasize the fact that the financial statements include only that portion of the State of Oklahoma that is attributable to transactions of the Fund.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS,* CONTINUED

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Finley + Cook, PLLC

Shawnee, Oklahoma
September 30, 2024