

Item #2

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

November 16, 2021

State Capitol Building, Room 217  
2300 N. Lincoln Blvd.  
Oklahoma City, OK 73105

**Call to order**

Treasurer Randy McDaniel, board chair, called the meeting to order at 10:24 a.m. on Tuesday, November 16, 2021.

**Confirmation of quorum**

Members of the Board present for the meeting were Chairman McDaniel, Tyson Goetz, Brenda Bolander, and Debbie Mueggenborg.

Others present were OST Chief Investment Officer Lisa Murray, OST Director of Portfolio Accounting and Reporting Phyllis Chan, OST Manager of Portfolio Accounting and Reporting Donna Beeman, Assistant Attorney General John Settle, NEPC Advisor Don Stracke, Paul Pustmueller and Evan Walter with BOK Financial, TSET Executive Director Julie Bisbee and TSET Director of Operations Jennifer Treadwell, and Dan Bledsoe with Finley and Cook.

Tim Allen, OST Deputy Treasurer for Communication & Program Administration, served as recording secretary.

**Approval of minutes from the meeting on August 17, 2021**

Ms. Goetz moved to approve the minutes of the August 17, 2021 meeting of the board. Ms. Mueggenborg provided a second and the motion was unanimously adopted by roll-call vote.

**Presentation of report regarding Tobacco Free Investments**

Mr. Walter with Bank of Oklahoma verified the Trust was in compliance with the no-tobacco policy for the quarter ending September 30, 2021.

**Discussion and Possible Action regarding class action proof of claims filed by BOK Financial and/or Chicago Clearing Corporation on behalf of the Board of Investors for First Quarter FY-22**

Ms. Murray presented a report from BOK Financial/Chicago Clearing Corporation listing class action proof of claims filed between July 1, 2021 and September 30, 2021. Mr. Goetz moved to approve the filings of the claims, which was seconded by Ms. Mueggenborg. The motion was unanimously approved by roll-call vote.

**Presentation of annual audit for FY-21 by Finley & Cook**

Dan Bledsoe of Findley & Cook presented a report on the audited financial statements of TSET for Fiscal Year 2021. No reportable conditions were found.

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

Ms. Chan reported that an additional \$4,384,198.47 was available for certification from FY-21 investment earnings upon completion of the audit of the FY-21 financial statements. This amount is in addition to the \$118,859,430.40 certified by the board at the August meeting. Total certified earnings for the period are \$123,243,628.87.

Ms. Mueggenborg moved the additional funds be certified. Ms. Bolander provided a second and the motion was unanimously adopted by roll-call vote.

### **Discussion of inflation expectations by NEPC**

Jennifer Appel of NEPC joined the meeting via Zoom and presented a report highlighting current data and the outlook for national inflation.

Ms. Appel said that several factors were contributing to “stickier” inflation levels including continued supply shocks and the potential for elevated shelter costs. The expectations that NEPC has for inflation increased for the period of 1 to 5-years, but long-term inflation for a 10-year period is unchanged. Ms. Appel said their conviction has strengthened that inflation could persist in the 3% range over the next 3 years or so. NEPC believes that deflationary pressures, such as demographics and technology, will overwhelm inflationary pressures in the long run.

### **Election of Vice Chair for 2022 statutory requirement**

Ms. Bolander made a motion to select Ms. Mueggenborg as Vice Chair for calendar year 2022. Mr. Goetz provided a second and the motion was unanimously adopted by roll-call vote.

### **Discussion and Possible Action on meetings for 2022**

The Board was provided with a list of proposed quarterly meeting dates in 2022 – February 23, June 15, August 17, and November 16 – all on Wednesdays beginning at 10:00am in State Treasurer’s Conference Room, Room 217 of the State Capitol Building.

Mr. Goetz made a motion, seconded by Ms. Bolander, to adopt the meeting schedule as proposed. The motion was unanimously adopted by roll-call vote.

### **Discussion of estimated FY-22 earnings as of September 20, 2021**

Ms. Chan provided a report to the Board showing that estimated earnings available for certification through first quarter of the current fiscal year were \$22,143,245.37.

### **Presentation and discussion of FY-22 first quarter investment performance**

Mr. Stracke reported the S&P 500 earned 0.58% for July thru September and 30% for one-year and the Russell 3000 returned -0.10% and 31%, respectively. The Barclays Aggregate, a core bond benchmark, earned 0.05% for the quarter and -0.90% for one-year. Alternative benchmarks, such as the Bloomberg Commodity Index and Cambridge Private Equity, were high earners for the quarter returning 6.59% and 13.54%, respectively.

The Trust market value as of September 30, 2021, was \$1.68 billion with a quarterly return of 0.0%, a year-to-date return of 9.2% and an annualized return of 20.6%. Mr. Stracke said the Trust’s additional diversification was attributed to slightly outperforming the index of 60% equity and 40% fixed income. The Trust allocations in private debt and real estate were under the target, due to pending capital calls by several money managers.

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

Ms. Bisbee provided an update on long-term planning by the TSET Board of Directors. The TSET Board of Directors has approved a three-year plan that includes increased funding for programs in focused areas.

The first year (FY-23) will focus on enhanced funding for health in rural and undeserved areas; the second year has a strategic focus on grants and programs that promote physical activity and nutrition; the final year in the three-year plan will focus on programs to promote healthy behaviors for youth. TSET is currently launching the TSET Healthy Youth Initiative this fiscal year and will have information about the program's implementation for enhanced efforts.

TSET administrative costs have remained low over the years, nearly 3 percent of the total budget. Staff of 25 oversee grants and programs that include the Oklahoma Tobacco Helpline, cancer research and community-based programs among others. Additional staff may be added as additional programs and grants come on board. The TSET Board of Directors will continue to closely monitor earnings estimates and adjust budgets and expansion. The TSET Board of Directors uses a 3-year rolling average to determine a budget target. This policy ensures that growth is sustainable and in line with available earnings.

She thanked the TSET Board of Investors for their work and oversight in ensuring the endowment earnings are available for programs and grants that improve health.

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

There were none.

## **New Business**

There was none.

## **Adjournment**

Upon a motion by Mr. Goetz and a second by Ms. Bolander, the board voted unanimously to adjourn at 11:28am.

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Randy McDaniel, Chair  
Tobacco Settlement Endowment Trust Fund Board of Investors