

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

June 15, 2022

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 10:03 a.m. on Wednesday, June 15, 2022.

**Confirmation of quorum**

Members of the Board present at the start of 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 Ben Graves, NEPC Advisor Don Stracke, Paul Pustmueller and Evan Walter with BOK Financial, TSET Executive Director Julie Bisbee and TSET Director of Operations Jennifer Treadwell.

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

**Approval of minutes from the meeting on November 16, 2021**

Upon a motion by Ms. Goetz and a second by Ms. Bolander, the minutes of the November 16, 2021, meeting of the board 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 March 31, 2022.

**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 the Second and Third Quarters of FY-22**

Ms. Murray presented reports from BOK Financial/Chicago Clearing Corporation listing class action proof of claims filed between October 1, 2021, and March 31, 2022. Upon a motion by Ms. Bolander and a second by Mr. Goetz, the reports were unanimously approved by roll-call vote.

**Approval of FY-23 intra-agency administrative and legal contracts with the Treasurer's Office**

Ms. Murray presented proposed contracts to the TSET Board of Investors for administrative and legal services through the Office of the State Treasurer. The administrative services contract for FY-23 totals \$170,307 annually and the legal services contract totals \$2,033.28 monthly. Upon a

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

### **Discussion and possible action for approval and issuance of the custodial services request for proposals**

Ms. Murray outlined a proposed request for proposals for custody services for the \$1.6 billion fund's assets, diversified between stocks, bonds, real estates, etc. The minimum requirements are current custodial experience with at least three funds with assets greater than \$1 billion. Submissions would be due by August 12, 2022.

Upon a motion by Ms. Mueggenborg and a second by Ms. Bolander, approval of issuance of the custodial services request for proposals was unanimously adopted by roll-call vote.

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

Mr. Stracke began by saying there was much uncertainty in the markets due to several reasons such as the highest inflation in 40 years, the war in Ukraine and the lingering effects of Covid. The core drivers of performance were down with stocks, bond markets and global markets all reflecting negative returns. The market value of the Fund as of March 31 was \$1.69 billion with a quarterly return of -2.1% and the one-year return was 7.5% net of fees, ranking in the 10<sup>th</sup> percentile and outperforming the policy index by 0.5%. The Fund's volatility for the last 3 and 5-years were below the median, as reflected by the annual standard deviation. Mr. Stracke said the Fund's asset growth for the last five years was \$610 million, with only \$19.7 million of the increase due to net cash flow. The vast majority of the change in market value was from investment returns, as opposed to money coming into the Fund from the annual master settlement agreement.

### **Review the rationale for planned reallocation to AEW Core Real Estate**

Consideration of this item was tabled for discussion at the next regular meeting, scheduled for August 17, 2022.

### **Discussion of estimated FY-22 earnings as of March 31, 2022**

Ms. Chan provided a report to the Board showing that estimated earnings available for certification through third quarter of FY-22 were \$91,494,735.

### **Discussion of possible action on Fund budgetary matters**

Ms. Beeman presented a proposed itemized Board of Investors budget for FY-23 totaling \$4,991,636, a reduction of \$263,639, or 5.02 percent, from the FY-22 budget. Ms. Bolander made a motion to approve the budget as presented. Ms. Mueggenborg provided a second to the motion, which was unanimously approved by roll-call vote.

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

Ms. Bisbee provided an update on activities by the TSET Board of Directors. She said the TSET Board of Directors operates on a three-year rolling average of certified earnings to guard against funding variances from year to year.

She said the board is increasing its efforts with research, community-based programs with a new emphasis on open funding opportunities. Traditionally, the board has focused on core best practices, including tobacco control and encouraging physical activity.

The board, she said, provides anchor funding for research at the Stephenson Cancer Center, which announced the morning of the meeting that it has developed a new drug to treat ovarian cancer that is entering trials in Oklahoma.

The annual budget for FY-23 of roughly \$58 million reflects a 38 percent increase in funding from FY-22 and was recently approved by the board, she said. The new programs approved as part of the budget will be time limited to be completed in two to three years.

### **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 11:08am.

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