

MINUTES OF MEETING
STATE BOARD OF FINANCE

April 28th, 2022

A meeting of the State Board of Finance of the State of Arkansas was held Thursday, April 28, 2022, at 10:00 am, pursuant to notice duly given to each member of the Board by the Chairman. The meeting was held in the Timberlands Conference Room, Winthrop Rockefeller Building, 501 Woodlane Street, Little Rock, AR, and was accessible through video conferencing platform, Zoom. A recording of the meeting is available through the Treasurer of State's office.

The following members were present:

Larry Walther, Secretary of DFA
Dennis Milligan, Treasurer of State
Andrea Lea, Auditor of State
John Ahman, Delegate, Arkansas Bank Department
Campbell McLaurin, Commissioner, Arkansas Securities Department
Cale Turner, Appointed Member
Amy Fecher, Governor's designee, and Secretary of Transformation and Shared Services
Clay Conly, Appointed Member
Keith Konecny, Appointed Member

Others present were Jason Brady, Stacy Peterson, Grant Wallace, TJ Fowler, Autumn Sanson, the Investment Department, and the Accounting Department of the Treasurer's office. Also present were Alan McVey and Debbie Rogers of the Department of Finance and Administration. Jake Bleed, Director of EBD, was additionally present. Senator Mathew Pitsch and members of the press were also in attendance. Secretary Walther seeing a quorum, called the meeting to order.

Mr. Walther asked for approval of the minutes of the meetings held on Tuesday, February 8, 2022 and Friday, March 18, 2022. A motion to approve the minutes was made by Treasurer Milligan and seconded by Mr. Konecny. All members were in favor.

Chairman Walther recognized Treasurer Milligan to present the 3rd quarter of fiscal year 2022 Investment Operations and Returns. He briefly reviewed the quarter's market conditions, recalling a robust labor market and stating that inflation was at a 40 year high. Treasurer Milligan additionally noted that the 10 year treasury increased steadily over the quarter, averaging a 2.13% by March 2022. Treasurer Milligan reviewed the 3rd quarters earnings, which totaled \$17.54 million and noted that the book return was 1.00% which exceeded the target book return of .85%-.95%. Treasurer Milligan continued by stating that the overall total for the first 3 quarters of fiscal year 2022 was \$45.1 million. Treasurer Milligan then discussed the Treasury Portfolio Allocation and percentages in each security type. He concluded by telling the board that the Treasury would continue to monitor decisions by the Federal Reserve Bank and the possibility of rate increases. Mr. Walther asked for a motion to accept the presentation. Auditor Lea made a motion to accept the presentation and it was seconded by Secretary Fecher. All members were in favor. [00:02:09-00:08:43, Zoom recording]

Mr. Walther addressed quarterly business by making a motion that no funds were available for deposit into the State Board of Finance certificate of deposit program for the first quarter of fiscal year 2023, July 1, 2022 through September 30, 2022. The motion was seconded by Mr. Konecny. All members were in favor.

Mr. Walther next made a motion that the Board direct the Treasurer of State to purchase warrants for the first quarter of fiscal year 2023, July 1, 2022 through September 30, 2022 pursuant to Act 1088 of 2013, and to keep reasonable amounts in demand deposit accounts and

money markets during the next quarter for the transactions of the day-to-day activities of the State. The motion was seconded by Auditor Lea and all members were in favor. [00:08:44-00:09:54, Zoom recording]

Chairman Walther then recognized Mr. Steven Kilgore, Treasury Director of Investment Accounting, and Mr. Robert Romanik, Treasury Senior Investment Manager. Mr. Kilgore and Mr. Romanik reviewed the third quarter total book return and made recommendations to the board regarding the total book return for the fourth quarter of fiscal year 2022. The recommendation brought before the board was a target range of 1.00%-1.10%. A motion was made to accept the recommendation by Secretary Walther and seconded by Secretary Fecher. All members were in favor. [00:09:55-00:14:43, Zoom recording]

Mr. Walther next recognized Mr. Romanik to present information regarding new brokers and firms that would need board approval to be added to the Approved Broker List for the State Treasury. The firm to be approved was Bank of Oklahoma. Mr. Konecny made a motion to approve the firm and Mr. Ahmad seconded the motion. All members were in favor. [00:14:43-00:15:39, Zoom recording]

Secretary Walther then recognized Mr. TJ Fowler, Treasury Legal Counsel, to present Rules updates. Mr. Fowler stated that the public comment period had ended the previous Monday, April 25, 2022. He reported that no public comments were submitted, and no members of the public attended the hearing. Mr. Fowler informed the board that the rules would be on the agenda for Administrative Rules Subcommittee of the Arkansas Legislative Council in June 2022 for final approval. [00:16:50-00:17:27, Zoom recording]

Mr. Walther then recognized Mrs. Autumn Sanson, Chief Compliance Officer, to present the compliance report. Mrs. Sanson discussed different associations that she had researched over the quarter to begin the certification process. She noted that she was accepted by the Association

of Government Accountants to complete the criteria for Certified Government Financial Manager. It was noted by Auditor Lea that Mrs. Sanson would benefit from guidance of the Arkansas Legislative Auditor's Office. A motion was made by Secretary Fecher to accept the Compliance update and the motion was seconded by Mr. Konecny. All members were in favor. [00:17:28-00:21:56, Zoom recording]

Mr. Walther concluded the Treasury business and redirected to Employee Benefit Division by acknowledging Mr. Jake Bleed, Director of EBD. Mr. Bleed started by discussing contract extensions and a request to the board for approval to draft request for proposals. Contracts requiring extension included EBRx, which manages the EBD prescription drug program and Mainstream, the IT vendor that manages the business function portal. Optum, which is responsible for management of the Health Savings Account (HAS) and Flexible Spending Account (FSA) plans, and MedImpact, which is the Pharmacy Benefit Manager would also require extensions. The proposed extension would cover services between July 1, 2022, and December 31, 2022. A motion was made by Mr. Konecny to extend the contracts, and the motion was seconded by Secretary Fecher. All members were in favor. Mr. Bleed continued by detailing two considerations to draft a Request for Proposal. The first was procurement of an actuarial service that would provide consulting for ARBenefits. The second vendor would be an employee assistance program that would provide programs or counseling for employees regarding behavioral and emotional health, family, legal, financial, wellness or personal matters. A motion was made by Secretary Fecher to begin drafting RFP's for those services. The motion was seconded by Mr. Ahmad. All members were in favor.

Next, Mr. Bleed updated the board on existing procurements which included the Medicare Advantage contract. Mr. Bleed stated that he hoped to have that in front of the board for approval in May or June 2022. The additional contract was for Pharmacy Benefits Manager,

which was unfilled at the time of the meeting. The hope, Mr. Bleed stated, was that this matter would also be ready to present to the board very soon. Mr. Bleed then addressed the First Quarter Report, Pursuant to Act 113 of 2022. Mr. Bleed briefly reviewed this report and informed the need for approval by the board to then be submitted to Arkansas Legislative Council. Mr. Walther asked for a motion to accept the quarterly report, January 1, 2022 through March 31, 2022 and approve the submission of the report to the Arkansas Legislature. The motion was made by Mr. Konecny and seconded by Auditor Lea. All members were in favor. Mr. Bleed concluded by addressing the EBD request made to DFA to recover expenses from the COVID-19 pandemic. The monies would come from the American Rescue Plan Act funds. The money would repay the plan for expenses incurred for covid specific costs. This was notification to the board regarding the request and will be addressed at future meetings. [00:21:57-00:46:00, Zoom recording]

Seeing no additional business, Mr. Walther called the meeting adjourned.