

MINUTES OF MEETING
STATE BOARD OF FINANCE

May 11, 2021

A meeting of the State Board of Finance of the State of Arkansas was held Tuesday, May 11, 2021 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, in the Winthrop Rockefeller Building. A Zoom 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
Susannah Marshall, Arkansas Bank Commissioner
Eric Munson, Commissioner, Arkansas Securities Department
Jim Bob Britton, Appointed Member (Zoom)
Cale Turner, Appointed Member
Clay Conly, Appointed Member (Zoom)
Keith Konecny, Appointed Member
Amy Fecher, Governor's designee, and Secretary of Transformation and Shared Services

Others present were Jason Brady, T.J. Fowler, Robert Romanik, Damon Dortch, Stacy Peterson, Celeste Gladden, Autumn Sanson, Gary Underwood, and Grant Wallace of the Treasurer's staff, and Alan McVey, Paul Louthian, and Debbie Rogers of the Department of Finance and Administration. Cynthia Bearden from the Arkansas Securities Department, Jake Bleed, Director of EBD, and several employees of the Employment Benefit Division were also in attendance. Secretary Walther seeing a quorum, called the meeting to order.

Minutes of the meeting held on February 9, 2021 were approved after a mistake was found and corrected regarding place of employment of Mrs. Cynthia Bearden.

Mr. Walther recognized consultant, Dr. Andy Terry, to provide an update of recommendations for the Investment portfolio of the Arkansas State Treasury. Dr. Terry recommended percentages for Treasury liquidity, short, and long term securities based on his analysis of the revenue and liabilities of the State Treasury. He stated that a percentage range might be beneficial going forward and spoke briefly on ways to improve communication to the State Board of Finance based on proper comparison of the portfolio to a benchmark.

Chairman Walther asked for a motion to accept the UALR report. A motion was made by Commissioner Marshall and seconded by Commissioner Munson. All members were in favor.

Mr. Walther then recognized State Treasurer, Dennis Milligan, to present the Treasury Investment Performance Report for the third quarter of fiscal year 2021. Treasurer Milligan greeted the board and summarized the third quarter earnings and market conditions. He also thanked the UALR consultants for their work and touched on some of the recommendations that the Treasury had put in place. Treasurer Milligan recognized and thanked his office staff, who had diligently continued all necessary functions of the Treasury, while facing challenges caused by COVID-19. Mr. Milligan concluded his update by asking if there were any questions. Mr. Turner made motion to accept the report and it was seconded by Mr. Konecny. All members were in favor of the motion.

Mr. Walther then made a motion that no funds were available for deposit into the State Board of Finance certificate of deposit program for the first quarter FY22, July 1, 2021 through

September 30, 2021. The motion was seconded by Commissioner Marshall. 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 2022, July 1, 2021 through September 30, 2021 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 Commissioner Munson and approved by all members.

Mr. Walther next recognized Grant Wallace, Chief Deputy Treasurer, of the Arkansas State Treasury to present the Treasurer of State Employees' minimum qualifications. Mr. Wallace stated the Treasury was eliminating the position of Director of Investments and adding a new position, Senior Investment Manager. He said the other changes were title changes. Chairman Walther made a motion to accept the changes and it was seconded by Commissioner Munson. All members were in favor.

Chairman Walther recessed the meeting for 15 minutes after this agenda item to give the board a break before the presentation of EBD.

Chairman Walther, once calling the meeting to order after the recess, recognized Secretary Fecher to address the State of Arkansas Employee Benefits Division Planning. Mrs. Fecher introduced Mr. Courtney White and Mr. Paul Sakhrani from Milliman Actuarial Consulting for a presentation to the board. Mr. White first addressed the Budget Levers, or ways to get to a balanced budget. These included state and school district funding, employee/retiree contributions, plan design, EBD initiatives, and reserves. Mr. White also presented the latest

financial figures and summarized prior decisions made by the State and Public School Life and Health Insurance Board. [Zoom recording 00:56:30-01:27:40]

Mr. White then presented a summary of all initiatives modeled and considered for 2022, including 2022 wellness program and incentives that were considered. Mr. White continued by showing the board an interactive spreadsheet that is used to compare projections based on different decisions that were made. [Zoom recording 01:27:40-01:46:57]

Mr. Sakhrani then presented the executive summary for the public school employees, including the projected deficit, program initiatives and prior board decisions. He went on to describe the different initiatives that would create less of a deficit for 2022. [Zoom recording 01:50:00-02:07:00]

Mr. White then summarized the different phases for the wellness program and the different requirements and incentives. Mr. White also spoke on benchmarking and how Arkansas compared to neighboring states. [Zoom recording 02:07:00-02:09:48]

Mr. Sakhrani again presented the interactive spreadsheet with the Public School Employees projections and showed the board how different scenarios would have a different fiscal impact. [Zoom recording 02:09:48-02:21:41]

Chairman Walther thanked the Milliman actuarial consultants on their presentation and discussed the Board's role and timeline going forward. Mr. Walther then suggested that over the next few weeks the Board meet once a week so that a recommendation could be made as soon as possible. Chairman Walther made a motion to have the next meeting on Tuesday, May 18, 2021 at 9:30 a.m., and the motion was seconded by Commissioner Marshall. All members were in favor.

Seeing no additional business and no questions, Mr. Walther asked for a motion to adjourn. A motion was made by Mr. Konecny and seconded by Commissioner Munson. All members were in favor.