

MINUTES OF MEETING
STATE BOARD OF FINANCE

November 16, 2021

A meeting of the State Board of Finance of the State of Arkansas was held Tuesday, November 16, 2021, at 10:00 am, pursuant to notice duly given to each member of the Board by the Chairman. The meeting was held virtually using 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
Susannah Marshall, Commissioner, Arkansas Bank Department
Eric Munson, Commissioner, Arkansas Securities Department
Cale Turner, Appointed Member
Keith Konecny, Appointed Member
Amy Fecher, Governor's designee, and Secretary of Transformation and Shared Services
Clay Conly, Appointed Member
Brent Morgan, 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, Dr. Jill Johnson and Dr. Hanks Simmons, board members of the EBD Drug Utilization and Evaluation Board were also present. Senator Mathew Pitsch was also present. Secretary Walther seeing a quorum, called the meeting to order.

Mr. Walther asked for approval of the minutes of the meeting held on Tuesday, August 17, 2021. A motion to approve the minutes was made by Commissioner Munson and seconded by Commissioner Marshall. All members were in favor.

Chairman Walther next recognized Treasurer Milligan to present the 1st quarter 2022 Investment Operations and Returns. Treasurer Milligan reviewed both the short term, and long term revenue and earnings of the Treasury. He stated that the quarter's performance had doubled the previous year's equivalent quarter. Treasurer Milligan told the board that the Investment Division was able to find pockets in the market to help the return while also keeping the portfolio conservative. He concluded, stating that the Treasury would closely watch the Federal Reserve to see the timeline of potential tapering of interest rates over the next year. He indicated that a quicker tightening of the interest rate would give the Treasury an opportunity in the fixed income market that would potentially increase earnings. Seeing no questions from the board, 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. [00:03:35-00:08:47, Zoom recording]

Mr. Walther, addressing quarterly business, made a motion that no funds were available for deposit into the State Board of Finance certificate of deposit program for the third quarter of fiscal year 2022, January 1, 2022 through March 31, 2022. The motion was seconded by Commissioner Munson. All members were in favor.

Mr. Walther next made a motion that the Board direct the Treasurer of State to purchase warrants for the third quarter of fiscal year 2022, January 1, 2022 through March 31, 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 Commissioner Marshall and all members were in favor.

[00:08:47-00:10:25, Zoom recording]

Chairman Walther then recognized Mr. Grant Wallace, Chief Deputy Treasurer, to address benchmarking and return. Mr. Wallace explained to the board the Treasury's approach to benchmarking the portfolio and stated that part of the complexity is the distribution of earnings to state agencies required by law. Mr. Wallace recognized Mr. Steven Kilgore, Treasury accountant, and Mr. Rob Romanik, Senior Investment Manager, to explain total book return and the process of benchmarking going forward. Mr. Wallace, to conclude, requested that the target rate of book return be a range of .70% to .80%. He further explained that at future State Board of Finance meetings a report would be made to disclose actual return, and report information that would correlate to actual return. A motion was made by Secretary Walther to approve the target rate of book return range to be set at .70% to .80% for the 2nd quarter of fiscal year 2022, October 1, 2021 to December 31, 2021. The motion was seconded by Commissioner Marshall. All members were in favor. [00:10:25-00:25:42, Zoom recording]

Mr. Walther recognized Mr. Wallace to discuss potential changes in the Treasury Investment Policy. The presentation, as well as documents regarding the changes were given to the board members to review. A decision, based on board and Treasury recommendations, would be made at future meetings. [00:25:42-00:32:55, Zoom recording]

Secretary Walther next recognized Mr. TJ Fowler, Treasury Legal Counsel, to present the rules report regarding Act 595 of 2021. This reporting request to Bureau of Legislative Research included Act 1004, which shifted responsibility of Employee Benefit Division to the State Board of Finance. Mr. Fowler determined, after review, this law does not include any new rule making. Mr. Fowler further advised that a resolution from the State Board of Finance be presented to the

ALC subcommittee seeking removal from the list. Secretary Walther made a motion to adopt the draft resolution which removes Act 1004 from the report list that is required by Act 595 of 2021. Mr. Konecny seconded the motion, and all members were in favor. [00:25:42-00:37:10, Zoom recording]

Mr. Walther next recognized Mr. Jake Bleed, Director of EBD, to present EBD plan updates. Mr. Bleed reported to the board the current EBD plan and future recommendations to the General Assembly. Director Bleed, additionally, addressed the future role of the State Board of Finance regarding the Employee Benefit Division. Mr. Bleed likewise presented the Drug Utilization and Evaluation Committee Board report and recognized board members, Dr. Jill Johnson and Dr. Hank Simmons, to address any questions from the board. Seeing no questions, Mr. Walther asked for a motion to accept the report. A motion was by Secretary Fecher to approve the report from the DUEC board. The motion was seconded by Mr. Conly, and all members were in favor. [00:37:10-00:55:03, Zoom recording]

Mr. Walther then recognized Mrs. Autumn Sanson, Chief Compliance Officer, to present the compliance report. Mrs. Sanson reported that over the last quarter she had taken several courses through Governmental Finance Officers Association, of which she is a member. Those courses included cash flow forecasting, investment strategies for liquidity, and key internal control policies that prevent fraud. A motion was made by Commissioner Marshall to approve the report and seconded by Commissioner Munson. All members were in favor. [00:55:03-00:57:37, Zoom recording]

Mr. Walther, seeing no additional business, declared the meeting adjourned.