

MINUTES OF MEETING
STATE BOARD OF FINANCE

February 8, 2022

A meeting of the State Board of Finance of the State of Arkansas was held Tuesday, February 8, 2022, 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
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, and John Vinson, Chief Executive Officer, Arkansas Pharmacist Association were 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, November 16, 2021. A motion to approve the minutes was made by Commissioner Munson and seconded by Secretary Fecher. All members were in favor.

Chairman Walther recognized Treasurer Milligan to present the 2nd quarter of fiscal year 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 generated the fulfillment of \$20MM commitment to the Arkansas Highway Transfer Fund. Treasurer Milligan additionally reported that the Treasury had exceeded the target book return set by the State Board of Finance, which was .7 to .8%, by earning 0.839%. Treasurer Milligan continued by briefly reviewing variables that would affect the fixed income market for the remainder of the year. Seeing no questions from the board, Mr. Walther asked for a motion to accept the presentation. Commissioner Marshall made a motion to accept the presentation and it was seconded by Auditor Lea. All members were in favor. [00:03:35-00:10:03, 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 succeeding quarter of fiscal year 2022, April 1, 2022 through June 30, 2022. 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 succeeding quarter of fiscal year 2022, April 1, 2022 through June 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 Secretary Fecher and all members were in favor. [00:10:03-00:11:44, 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 second quarter total book return and made recommendations to the board regarding the total book return for the third quarter of fiscal year 2022. The recommendation brought before the board was a target range of 0.85-0.95%. A motion was made to accept the recommendation by Auditor Lea and seconded by Mr. Turner. All members were in favor. [00:11:45-00:15:08, 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 firms to be approved were Academy Securities and Great Pacific Securities. Commissioner Marshall made a motion to approve the additional firms, and Commissioner Munson seconded the motion. All members were in favor. [00:15:09-00:20:00, Zoom recording]

Secretary Walther then recognized Mr. Grant Wallace, Chief Deputy Treasurer, and Mr. TJ Fowler, Treasury Legal Counsel, to present recommended changes in the State Board of Finance Investment Policy and the Money Management Trust Policy. Mr. Fowler explained that many changes to the policies were to conform to the newly enacted Code of Arkansas Rules style guide. The subsequent changes were regarding rating language for investments and maturity limits of certain investment types. Mr. Fowler also stated that Commissioner Marshall recommended that the board review these policies annually regardless of whether changes had been made. A motion was made by Commissioner Marshall to accept the changes for the State Board of Finance Investment Policy. Secretary Fecher seconded the motion. All members were in favor. Additionally, a motion was made by Commissioner Marshall to accept the changes to the Money Management Trust Policy. Mr. Turner seconded the motion. All members were in favor. [00:20:00-00:37:32, Zoom recording]

Mr. Walther then recognized Mrs. Autumn Sanson, Chief Compliance Officer, to present the compliance report. Mrs. Sanson reported that she had been working to identify different risk factors in the State Treasury, and ways to address those risks internally. After concluding, Auditor Lea recommended that the role of Compliance Officer find a common association that would provide accreditation and continuing education courses to provide guidance and instruction going forward. A motion was made by Mr. Morgan to accept the Compliance update and the motion was seconded by Mr. Turner. All members were in favor. [00:37:33-00:42:35, Zoom recording]

Mr. Walther, concluding business with regards to Treasury, moved on to Employee Benefit Division reports by acknowledging Mr. Jake Bleed, Director of EBD. Mr. Bleed started by discussing proposed legislation which would affect the operation of the Employee Benefit Division and the State Board of Finance. This legislation touched on governance structure and designated the State Board of Finance as the governing board. It also provided advisory boards by which analytics and substantive information be disseminated and then be presented to the State Board of Finance for final approval. Additionally, proposed legislation included funding resources and funding triggers which would keep the reserve fund at a designated level. Next, Mr. Bleed presented the Drug Utilization and Evaluation report and the recommendations of drugs for consideration. A motion was made by Secretary Fecher to approve the report and recommendations stated in the report. Commissioner Marshall seconded the motion. All members were in favor. [00:42:36-01:01:20, Zoom recording]

Mr. Walther again recognized Mr. Bleed to discuss the Memorandum of Understanding submitted to EBD by Legislative Research with regards to the Segal Group, Inc. This memorandum advocates that EBD work with the Segal Group, Inc. on recommendations including procurement of a Medicare Advantage Plan to service retirees, and a new contract for a

Pharmacy Benefits Manager. Mr. Bleed continued by clarifying the role of the Segal Group, Inc. which included providing RFP language for these services. He reiterated that all information regarding this procurement would still come before the State Board of Finance. A motion was made by Secretary Fecher to approve the Memorandum of Understanding with the caveat that all State Procurement Laws are followed. The motion was seconded by Commissioner Marshall. All members were in favor. [01:01:20- 01:07:37, Zoom recording]

Mr. Bleed was recognized by Mr. Walther to discuss the proposal of a contract extension with Health Advantage for calendar year 2023. This discussion included a market check done by the Milliman Group. Mr. Conly made a motion to accept the contract extension and Secretary Fecher seconded. All members were in favor. [01:07:37-01:11:09, Zoom recording]

Mr. Walther again recognized Mr. Bleed to discuss the increased pharmacy dispensing fee for antiviral Covid-19 drugs. The recommendation was to increase the dispensing fee from the current \$1.50 to \$20.00. Mr. John Vinson, Chief Executive Officer, Arkansas Pharmacist Association further clarified the necessity of this increase. A motion was made by Commissioner Marshall to increase the pharmacy dispensing fee to \$20.00 for antiviral Covid-19 drugs. The motion was seconded by Secretary Fecher. All members were in favor. [01:11:09-01:22:35, Zoom recording]

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