

MINUTES OF MEETING
STATE BOARD OF FINANCE
Wednesday, August 9th, 2023

A meeting of the State Board of Finance of the State of Arkansas was held Wednesday, August 9th, 2023, at 10:00 am, pursuant to notice duly given to each member of the Board and the press by the Chairman. The meeting was held in the Delta Conference Room located in the Winthrop Rockefeller Building. The meeting was live streamed and recorded by ARCAN/AETN and is available upon request through the Arkansas State Treasury.

The following members were present:

Jim Hudson, Secretary, Department of Finance and Administration
Leslie Fisker, Arkansas Governor's office
Larry Walther, Arkansas State Treasurer
Dennis Milligan, Arkansas Auditor of State
Susannah Marshall, Arkansas State Bank Department Commissioner
Brent Morgan, Appointed Member
Keith Konecny, Appointed Member
Alan McClain, Arkansas Insurance Commissioner

Others present were staff from the Arkansas State Treasury and Auditor of State's office. Also present were Alan McVey, Andy Babbitt, and Debbie Rogers from the Department of Finance and Administration and Grant Wallace, Director of Employee Benefit Division. Mr. Paul Sakhrani and Mr. Greg Collins from Milliman were also in attendance.

Treasurer Walther addressed the board by thanking the staff at DFA and the Treasurer's office for the smooth transition to Arkansas State Treasurer. He continued by thanking the State Board of Finance members for their commitment to the State. Mr. Walther then handed the meeting over to Secretary Jim Hudson.

Secretary Hudson, seeing a quorum, called the meeting to order. He first asked for a motion to accept the minutes of the previous meetings, May 10th, 2023, and June 13th, 2023. A motion to approve the minutes was made by Auditor Milligan and seconded by Commissioner McClain. All members were in favor.

Mr. Hudson then recognized Treasurer Walther for the Treasury presentation. Treasurer Walther recognized Mr. Eric Munson, Deputy Treasurer of State, to start the Treasury 4th quarter presentation. Mr. Munson thanked Treasurer Walther for accepting the nomination to Treasurer of State and conveyed excitement for the future of the office. Mr. Munson disclosed that the State Treasury produced record earnings in FY23 of \$254.6 million dollars. Mr. Munson credited the investment team for this and then recognized Stephen Kilgore, Director of Investment Accounting, to report on the previous quarter's rate of return. Mr. Kilgore informed the board that the actual rate of return for the previous quarter was 3.22%, which exceeded the benchmark rate set at the last meeting, 3.00% to 3.10%. Mr. Kilgore continued by reviewing the portfolio. Mr. Kilgore then recognized Mr. Rob Romanik, Senior Investment Manager, to review the previous quarter, future outlook, and recommend the next quarter's rate of return. Mr. Romanik briefly reviewed the last quarter's investments and reported that the Federal Reserve predicted moderate growth going forward. Mr. Romanik also reported that there was an uptick in payroll growth and a decrease in the unemployment rate. Mr. Romanik concluded by recommending the benchmark rate of return for the next quarter to be 3.20% to 3.30%. A motion was made by Commissioner Marshall to approve a rate of 3.20% to 3.30% as the next quarter's rate of return. Commissioner McClain seconded the motion, and all members were in favor. Secretary Hudson next asked for a motion to approve the Arkansas State Treasury presentation.

A motion was made by Commissioner Marshall and was seconded by Commissioner McClain. All members were in favor.

Secretary Hudson then 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 second quarter of fiscal year 2024, October 1, 2023, through December 31, 2023. The motion was seconded by Treasurer Walther. All members were in favor.

Mr. Hudson next made a motion that the Board direct the Treasurer of State to purchase warrants for the second quarter of fiscal year 2024, October 1, 2023, through December 31, 2023, 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 Treasurer Walther and all members approved.

Chairman Hudson then addressed the Board and stated that he had the annual motions to come before the Board. He then made the following motions:

- A motion for the approval of the record keeping systems of the Treasurer of State with the accounts recorded using the cash basis of accounting as necessary in its daily transactions, with adjusting entries to be made at each fiscal year end to properly report the operating results of the Treasurer of State on the accrual basis of accounting, which is consistent with generally accepted accounting principles (GAAP). The motion was seconded by Commissioner McClain. All members were in favor.
- A motion to approve the record keeping and reporting requirements of the Treasurer of State, to include at the minimum the following reports:

- a. Ledger Balance and Activity (Daily and Monthly)
- b. Fund Transactions by Type (Daily and Fiscal Year-to-Date)
- c. Checks Charge Off Detail by Line Item (Daily and Fiscal Year-to-Date)
- d. Safekeeping Inventory (Daily)
- e. Trust Fund Certificates of Deposit (Daily)
- f. Collateral Sufficiency (Daily)
- g. Demand Account Balances (Daily)
- h. Money Market Balances (Daily and Monthly)
- i. Return on Investment (Monthly and Fiscal Year-to-Date)

The motion was seconded by Mrs. Fiskens. All members were in favor.

- A motion to approve the current Collateralization Policy of the Treasurer of State.

The motion was seconded by Treasurer Walther. All members were in favor.

- A motion to approve the Code of Ethics for the members of the Board of Finance and the Code of Ethics and criminal background checks for the current employees of the Treasurer of State. The motion was seconded by Mrs. Fiskens. All members were in favor. Secretary Hudson addressed the Board and asked that they sign the Code of Ethics for fiscal year 2024 and return to the State Treasurer's office.
- Secretary Hudson next asked for a motion to accept the minimum qualifications for Treasury Employees that handle State Treasury funds or make decisions regarding investments or deposits of Treasury Funds. The motion was seconded by Treasurer Walther. All members were in favor.
- Secretary Hudson continued by asking for a motion to approve eligibility requirements presented for bank depositories, investment depositories, and security brokers. The motion was seconded by Mrs. Fiskens. All members were in favor.

Secretary Hudson, concluding normal State Board of Finance business, recognized Mr. Grant Wallace, Director of EBD, to present to the board business of the Employee Benefit Division.

Director Wallace first requested that the board approve the Navitus agreement, which would fulfill the Pharmacy Benefit Manager. Mr. Wallace briefly highlighted parts of the plan, which included the Administrative Service Fees and the Performance Guarantee. Secretary Hudson then asked the board for a motion to approve the agreement. The motion was made by Treasurer Walther and seconded by Commissioner McClain. All members were in favor.

Mr. Wallace next requested the approval of the Colonial Life insurance policy. This policy is a \$10,000.00 policy but can be bought by individual employees for up to \$250,000.00 coverage. He added that they negotiated a base legal assistance program and a financial program, which were both new to the plan this year. Mr. Hudson asked for a motion to approve this plan. Commissioner Marshall made the motion to approve, and Auditor Milligan seconded. All members were in favor.

Next on the agenda, Mr. Wallace reviewed the changes in the 3rd party administrator of the Medical Benefit Provider for calendar year 2024. Mr. Wallace stated that this would be the final year of the contract with Health Advantage and a request for proposal would be issued in 2024 for calendar year 2025. A motion to approve the Health Advantage as the Medical Benefit Provider for calendar year 2024 was made by Treasurer Walther and seconded by Mrs. Fiskens. All members were in favor.

Mr. Wallace then presented the Drug Formulary recommendations, which was a joint effort between EBD, Navitus, and EBRx. He briefly reviewed the formulary spreadsheet and noted that drugs were evaluated based on efficacy and rebate benefits. A motion to approve the formulary was made by Commissioner McClain and seconded by Auditor Milligan. All members were in favor.

Mr. Wallace, upon approval from Secretary Hudson, recognized Mr. Paul Sakhrani, from the actuarial firm Milliman, to present the Premium Equivalent Rates and Employee/Retiree contributions for Arkansas State Employees and Arkansas Public School Employees. Mr. Sakhrani reviewed the approved initiatives for the Arkansas State Employees and explained the financial impact summary. Mr. Greg Collins, also from Milliman, reviewed the same documents relevant to the Arkansas Public School Employees. Concluding the presentations, Mr. Hudson asked for a motion to approve the premium rates and contributions as presented. A motion was made by Treasurer Walther and seconded by Commissioner Marshall. All members were in favor. Mr. Wallace then asked for approval of the deductible change regarding the Qualified High Deductible Health Plans presented. This would raise the individual and family deductible in the minimum requirements as well as the maximum out of pocket. A motion was made by Commissioner McClain and seconded by Mrs. Fisker. All members were in favor.

Secretary Hudson, seeing no additional business, called the meeting adjourned.