

MINUTES OF MEETING  
STATE BOARD OF FINANCE  
Monday, May 12, 2025, 10:00 AM

A meeting of the State Board of Finance of the State of Arkansas was held Monday, May 12, 2025 at 10:00 a.m., pursuant to notice duly given to each member of the Board and the press by the Chairman. The meeting was held via Zoom.

The following members were present:

Jim Hudson, Secretary Department of Finance and Administration  
Honorable John Thurston, Arkansas State Treasurer  
Honorable Dennis Milligan, Arkansas State Auditor  
Leslie Fiskien, Secretary of the Department of Transformation and Shared Services  
Susannah Marshall, State Bank Department Commissioner  
Jimmy Ritchie, General Securities Representative  
Marc Emrich, Certified Public Accountant Representative  
Chad T. May, General Public Representative  
Brent Morgan, Commercial Banking Representative  
Alan McClain, Arkansas Insurance Commissioner

Others present were staff from the Arkansas State Treasury, Arkansas State Auditor's Office, and Employee Benefits Division. Also present were employees of the Department of Finance and Administration; Grant Wallace, Director of Employee Benefit Division; Jessica Patterson, State Procurement Director and TSS Chief Legal Counsel; and Eric Munson from Bank OZK.

Chair Jim Hudson, seeing a quorum, called the meeting to order at 10:00 a.m. Minutes of the meeting held on March 26, 2025, were approved as distributed after a motion and second to approve. The chair recognized Treasurer Thurston for the presentation of the Treasury Investments.

Treasurer Thurston stated that the Treasury had another solid quarter of earnings during times in an uncertain market. Treasurer Thurston reported that the Treasury purchased Israeli bonds in amounts consistent with our historical levels. Treasurer Thurston also reported that the Treasurer's Office ran successful legislation during the most recent session: Act 739 was passed; this act cleans up the existing law and removes the requirement of obtaining two investment grade ratings, which will allow more money to remain in the state of Arkansas because some Arkansas financial institutions only offer one rating.

Treasurer Thurston then recognized Mr. Steven Kilgore, Mr. Steve Pulley, and Mr. Robert Romanik, all from the Arkansas State Treasurer's Office. Mr. Kilgore began the presentation by sharing highlights from the quarter. Mr. Pulley reported that the portfolio for Q3 produced consistent results returning 3.46%, which is slightly above the benchmark projection of 3.30-3.40%. The portfolio generated almost \$97 million in income for Q3. Chair Hudson asked what could be done to move more out to longer term. Mr. Pulley stated having hard data in real time would help manage the cash flow better so projections could be made and be more precise in the liquidity component. Mr. Romanik discussed the Federal Reserve monetary policy before proposing an increase in the Target Rate of Book Return.

At the conclusion of the Treasury presentation, Secretary Hudson entertained a motion to set the new target rate of book return for the 4<sup>th</sup> quarter of Fiscal Year 2025, April 1, 2025 through June 30, 2025, to a range of 3.35%-3.45%. A motion was made by Commissioner Marshall to set the target rate of book return for the period of April 1, 2025 through June 30, 2025 from a range of 3.30%-3.40% to a new range of 3.35%-3.45%. The motion was seconded by Mr. Marc Emrich. The motion was adopted with all in favor.

Chair Hudson then addressed quarterly business by making a motion that no funds be available for deposit into the State Board of Finance certificate of deposit program for the 4<sup>th</sup> quarter of Fiscal Year 2025, April 1, 2025 through June 30, 2025. The motion was seconded by Secretary Fiskien. The motion was adopted with all in favor. The chair next made a motion that the Treasurer of State purchase warrants for the 4<sup>th</sup> quarter of Fiscal Year 2025, April 1, 2025 through June 30, 2025, 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. The motion was adopted with all in favor.

Chair Hudson then moved to the fifth item on the agenda, an overview of Act 560 of 2025, which lays out additional responsibilities of the State Board of Finance with the establishment of a captive insurance program, an insurance company wholly owned and managed by the State of Arkansas. The day-to-day operations of the program will be run by TSS. The State Board of Finance will approve the formation of the captive insurance program, set the investment policy of the reserves, and will review the funding from time to time. Chair Hudson requested the Board review section 12. A special meeting will need to be scheduled some time in June. Grant Wallace and Jessica Patterson addressed questions from the board members. The State will have capped liability. Stephens is the captive insurance advisor through its insurance division. Mitchell Williams is advising in the actual formation of the captive insurance program. Any local school district that receives state aid must be part of the program, as well as any state agency or institution of higher education.

Chair Hudson then recognized Mr. Grant Wallace, Director of the Employee Benefit Division, to address the EBD business. Mr. Wallace reported on the updated April 2025 EBD

Formulary Recommendations and requested approval from the board. A motion was made by Mr. Brent Morgan to approve the April 2025 EBD Formulary Recommendations, and Commissioner Marshall seconded the motion. The motion was adopted with all in favor. Mr. Wallace continued by reviewing the May EBD Formulary Recommendations and requested approval from the board. A motion was made by Commissioner McClain to approve the May EBD Formulary Recommendations, and Secretary Fiskien seconded the motion. The motion was approved with all in favor. Mr. Wallace reported on the May 2025 Medical Drug Recommendations and requested approval from the board. A motion was made by Mr. Emrich to approve the May 2025 Medical Drug Recommendations, and Secretary Fiskien seconded the motion. The motion was approved with all in favor.

Mr. Wallace next presented a contract for review by the board. The EBRX agreement, an interagency agreement with the University of Arkansas Medical Sciences professional service contract, is being amended by one year and adds \$1,680,000.00 to the agreement for July 1, 2025 through June 30, 2026. One additional service was added for a third-party reviewer in the appeal process. Secretary Fiskien made a motion to approve the contract, and Commissioner Marshall seconded the motion. The motion was approved with all in favor. The last item was the latest financial report from Middleman and was included for information purposes only.

Mr. Hudson, seeing no additional business, declared the meeting adjourned at 10:33 a.m.