

MINUTES OF MEETING
STATE BOARD OF FINANCE

Wednesday, November 6, 2024

A meeting of the State Board of Finance of the State of Arkansas was held Wednesday, November 6, 2024, at 10:00 a.m. pursuant to notice duly given to each member of the Board and the media by the Chairman. The meeting was held in the Delta Conference Room located in the Winthrop Rockefeller Building, 501 Woodlane Street, Little Rock, AR 72201. The meeting was recorded and is available upon request through the Arkansas State Treasury.

The following members were present:

Jim Hudson, Chairman and Secretary of the Department of Finance and Administration
Larry Walther, Secretary and Arkansas Treasurer of State
Leslie Fiskien, Secretary of Transformation and Shared Services
Dennis Milligan, Arkansas Auditor of State
Chad May, Appointed Member
Brent Morgan, Appointed Member
Jimmy Ritchie, Appointed Member
Susannah Marshall, Arkansas State Bank Department Commissioner

Others present were staff from the Arkansas State Treasury and Auditor of State. Also present were Debbie Rogers, Andy Babbitt, and Kevin Carr from the Department of Finance and Administration, and Grant Wallace, Director of Employee Benefits Division.

Secretary Hudson recognized a quorum and called the meeting to order. Secretary Hudson asked for a motion to approve the minutes of the previous meeting, August 22, 2024. Commissioner Marshall noted a correction was needed on page two (2), paragraph one (1) of the minutes – “fiscal year 2025, June 1, 2024 through August 31, 2024” should be corrected to “fiscal year 2025, July 1, 2024 through September 30, 2025.” Secretary Hudson asked for a

motion to adopt the minutes as modified by Commissioner Marshall. A motion to adopt was made by Commissioner Marshall and seconded by Auditor Milligan. All members were in favor.

Secretary Hudson then recognized Treasurer Walther for the presentation of Treasury investments. Treasurer Walther offered brief remarks on the first quarter's earnings on investments and then recognized Mr. Steven Kilgore, Mr. Steve Pulley, and Mr. Robert Romanik, from the Treasurer's Office, to present slides and their presentation of the Treasury investment portfolio. Mr. Kilgore started by going over the investment trends from the past quarter, stating that the short-term portfolio returned \$28.1 million for the quarter and earnings of \$74.8 million for the long-term portfolio. Mr. Kilgore then discussed the rate of return and stated that the quarter's book rate of return was 3.551%, and the total return (which is not shown annualized) has been boosted by bond market value, which is classified as unrealized capital gains or losses. He further stated that both the book return and total return are favorable for the fiscal year so far, and interest income has continued to grow while bond prices have increased with lower market rates. Mr. Pulley was then recognized to present the investment strategy over the quarter. He explained that the portfolio return for Q1 was precisely aligned with the benchmark projection of 3.50% to 3.60% and the portfolio generated a substantial \$101 million in income. He further explained that the current strategies should offer stable income with reduced volatility during this transitional period of interest rates, and the posture of the portfolio is well-positioned for favorable performance if rates decline. Mr. Pulley next recognized Mr. Romanik to discuss the proposed rate of return for the Treasury. Mr. Romanik stated that Fed officials are focused on bringing interest rates back to a neutral level, pointing to significantly improving inflation and the need to preserve the currently strong labor market as reasoning to reduce short-term borrowing rates. He added that given the feds data dependent approach, it is

expected that interest rates will steadily decline in the quarters ahead, and therefore, proposed a rate of return of 3.4 % to 3.5%, which is a decrease from the previous quarter, of 3.5% to 3.6%.

At the conclusion of the presentation, Secretary Hudson entertained a motion to set the new target rate of book return for the second quarter of fiscal year 2025, October 1, 2024 through December 31, 2024, from the previous range of 3.5% to 3.6 % to a range of 3.4% to 3.5%. A motion was made by Auditor Milligan and seconded by Commissioner Marshall. All members were in favor. Secretary Hudson requested a motion to approve the Treasurer's Report, which was confirmed by Mr. May and seconded by Auditor Milligan.

Moving forward, Secretary Hudson addressed the quarterly business on the agenda by making a motion that no funds were available for deposit into the State Board of Finance certificate of deposit program for the 3rd quarter of fiscal year 2025, January 1, 2025 through March 31, 2025. The motion was seconded by Treasurer Walther. All members were in favor. Secretary Hudson then made a motion for the Board to direct the Treasurer of State to purchase warrants for the succeeding quarter, January 1, 2025 through March 31, 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 transaction of day to day activities. Secretary Fiskien seconded the motion. All members were in favor.

Secretary Hudson moved to the Employee Benefits Division portion of the meeting by recognizing Director Grant Wallace to make his formulary recommendations and present contracts for consideration. Mr. Wallace presented the updated formulary recommendations and requested approval from the Board. A motion was made by Treasurer Walther and seconded by Mr. Ritchie to approve the pharmacy formulary recommendations as presented. All members were in favor. Mr. Wallace proceeded with the medical formulary recommendations. Secretary

Fisken made a motion to approve the medical formulary recommendations as presented and Commissioner Marshall seconded the motion. All members were in favor.

Mr. Wallace continued his presentation reviewing contracts for Health Advantage and Mainstream Technologies. After board questions were addressed, Treasurer Walther made a motion to approve the renewal of the Health Advantage contract, the third-party administrator of health plan benefits for plan year 2025. The motion was seconded by Mr. May. Next Mr. Wallace presented information regarding the Mainstream Technologies contract. After some discussion, Secretary Fisken made a motion to approve the extension of the current agreement until December 31, 2025. The motion was seconded by Mr. Ritchie. All members were in favor.

Secretary Hudson then made a motion to move into executive session pursuant to Arkansas Code Ann. §25-19-106 (c) (1) and (2) to discuss a personnel matter related to the performance of an employee and for consideration of disciplining or discharging. Auditor Milligan seconded the motion. All members were in favor. Secretary Hudson instructed everyone other than the members of the Board to leave the room and all those attending virtually, other than Mr. Morgan, be disconnected. The Board entered into executive session.

Upon the conclusion of the executive session, Secretary Hudson called the regular meeting back to order. Secretary Hudson made a motion to immediately terminate the employment of Autumn Sanson, an employee who directly reports to the State Board of Finance, for violations of policies and directions of the Treasurer and the Board. Secretary Fisken seconded the motion. All members were in favor. With no other business to come before the Board, Secretary Hudson adjourned the meeting.