

MINUTES OF MEETING
STATE BOARD OF FINANCE

August 17, 2021

A meeting of the State Board of Finance of the State of Arkansas was held Tuesday, August 17, 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, Arkansas Bank Commissioner
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, Rob Romanic, Autumn Sanson, and Grant Wallace of the Treasurer's staff, and Alan McVey, Paul Louthian, and Debbie Rogers of the Department of Finance and Administration. Jake Bleed, Director of EBD, and several employees of the Employment Benefit Division were also in attendance. Mrs. Amy Michaliszyn, Executive Vice President, with Federated Hermes and David Freeman, also with Federated Hermes, was present. Secretary Walther seeing a quorum, called the meeting to order.

Mr. Walther began by introducing the Board's newest member, Brent Morgan, and briefly shared his biographical information.

Mr. Walther then asked for approval of the minutes of the meeting held on Tuesday, June 22, 2021. Those minutes were approved after amendments were made regarding consistency of numerical abbreviations.

Chairman Walther next recognized Treasurer Milligan to present the 4th quarter 2021 Investment Operations and Returns. Treasurer Milligan reviewed both the short term and long-term revenue and earnings of the Treasury. He also discussed the portfolio allocation and the different methods upon which those allocations were decided. 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 Secretary Fecher. All members were in favor. [00:11:17-00:17:26, Zoom recording]

Chairman Walther next asked Mr. Grant Wallace, Chief Deputy Treasurer, to update the Board regarding the rules that were sent to the Arkansas Legislative Counsel for approval. Mr. Wallace said that after further review and consideration of possible changes going forward, the Treasury is asking that the Board pull the rules from the committee. The goal, Mr. Wallace stated, would be the Department of Finance and Administration and the State Treasury work together on a more holistic review and then resubmit. A motion was made by Auditor Lea to pull the rules at this time for further study. The motion was seconded by Commissioner Marshall. All members were in favor. [00:18:56-00:19:59, Zoom recording]

Mr. Walther then recognized Amy Michalisyn, Executive Vice President, Federated Hermes, and David Freeman, also from Federated Hermes. The Treasurer's office requested

Federated to evaluate the state's law and the Treasurer's investment policy to see what changes at either level could be made to allow different opportunities of investments to the Treasury. Mr. Wallace, with the Treasurer's office, reported to the Board that recommendations based on this evaluation could be presented as early as the November meeting. He continued saying that, if the Board approves, it could be reviewed by the Arkansas Legislative Council in January or February of 2022.

Mr. Walther then made 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 2022, October 1, 2021 through December 31, 2021. The motion was seconded by Commissioner Conly. All members were in favor.

Mr. Walther next made a motion that the Board direct the Treasurer of State to purchase warrants for the second quarter of fiscal year 2022, October 1, 2021 through December 31, 2021 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 Munson and approved by all members.

Chairman Walther then addressed the Board and stated that he had some 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 Mr. Konecny. 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 Commissioner Marshall. All members were in favor.

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

The motion was seconded by Mr. Konecny. 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 Commissioner Munson. All members in favor. Chairman Walther addressed the Board and asked that they sign the Code of Ethics for fiscal year 2022.

Chairman Walther next recognized Autumn Sanson, Chief Compliance Officer. Mrs. Sanson stated that she was completing the CAFR report for fiscal year 2021 and would soon be taking auditing and risk assessment education courses through GFOA.

Next, Chairman Walther recognized Mr. Jake Bleed, Director of Employee Benefits Division. Mr. Bleed explained the contract for Colonial Life Insurance and any changes that were made during negotiations. This contract would be a renewal for one year. A motion was made by Commissioner Munson to renew the contract, and Commissioner Marshall seconded the

motion. All members were in favor. Mr. Bleed then explained the Health Advantage contract for the state and any changes to that contract. This contract was also a renewal. After a brief discussion, a motion to renew this contract was made by Commissioner Munson and seconded by Mr. Konecny. Auditor Lea and Treasurer Milligan were opposed to this motion, and all others approved. [00:45:34 – 01:05:27, Zoom recording]

Mr. Bleed then asked the Board to approve the recommendations of the Drug Utilization and Evaluation Committee, a subcommittee of the EBD Board. This board recommends new drugs that can be utilized under the state employees' health plans. A motion to approve was made by Mr. Konecny and seconded by Commissioner Marshall. All members were in favor.

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