

MINUTES OF MEETING
STATE BOARD OF FINANCE

NOVEMBER 6, 2017

A meeting of the State Board of Finance of the State of Arkansas was held in the Conference Room, Office of the Treasurer of State, Suite 275, Victory Building, Little Rock, Arkansas, at 9:00 a.m., Monday, November 6, 2017, pursuant to notice duly given to each member of the Board by the Chairman.

The following members were present:

Larry Walther, Director, Department of Finance and Administration
Dennis Milligan, Treasurer of State
Edmond Waters, Arkansas Securities Commissioner
Jake Bleed, Representing Governor Asa Hutchinson
Skot Covert, Representing Andrea Lea, Auditor of State
Gabe Holmstrom, Appointed Member
Cale Turner, Appointed Member
Al Harkins, Appointed Member
Keith Konecny, Appointed Member

Others present were Jason Brady, Grant Wallace, Autumn Sanson, Ed Garner, Stacy Peterson, TJ Fowler, Damon Dortch, and Celeste Gladden of the Treasurer's staff; Paul Louthian and Debbie Rogers of the Department of Finance and Administration; and Mike Wickline of the Arkansas Democrat Gazette.

Larry Walther served as acting Chairman in the absence of Governor Hutchinson and called the meeting to order with recognition of a quorum.

Minutes of the meetings held on August 8, 2017 were approved as distributed.

Chairman Walther recognized State Treasurer Dennis Milligan to present the Treasury Investment Performance Report for the First Quarter of Fiscal Year 2018. This Report is included in the Minutes as Attachment 1. Treasurer Milligan told the Board that the rapid increase in returns has put receipts at a pace that is two times higher than the previous treasurer's administration, which has allowed him to do in almost three years what the past administration did in six years. He pointed the

Board to the first slide, Short-Term Portfolio, and told them that \$5.2 million was received during the first quarter of FY 2018, which is up 36% from last quarter and up 12% from first quarter 2017. He stated that the increase is due in part to the reallocation of some of the long-term investments into the short-term portfolio. Treasurer Milligan told the Board that based on the devaluation of the dollar, the potential for a bond-market bubble and the beginning of unwinding quantitative easing abroad, the decision was made in August to liquidate between \$500M to \$700M of the current holdings in the long-term portfolio until more attractive long-term opportunities present themselves. He then moved on to the second slide, Long-Term Portfolio. He told the Board that due to the reallocation, the long-term portfolio saw a slight downturn from last quarter. However, he said that even at \$13.3 million in receipts, it is still more than the total received amounts from both the short-term and long-term portfolio receipts from the first quarter of 2017, which was \$11.8 million. Treasurer Milligan pointed the Board to the third slide, Monthly Comparison, and said that this slide shows a side-by-side comparison of the combined received amounts broken down by each month over the last two fiscal years. He said that the portfolios averaged about \$6.1 million per month during the first quarter of 2018, compared to about \$3.9 million per month during the first quarter of 2017 and roughly \$2.6 million a month during the first quarter of 2016, which is an increase of about 36% over this time last year, and 57.8% above this time in 2016. Next, he moved to the Fourth Slide, Total 1st Quarter Revenues, and said that \$18.5 million was received in the first quarter of 2018, compared to \$18.1 million during the most recent quarter, and up from the \$11.8 million received one year ago during the first quarter of 2017. Treasurer Milligan told the Board that he thought it was interesting that over the last three quarters, the Treasurer's office received an average of \$18.1 million, which is the same amount that was received during the entire fiscal year of 2013. He then pointed the Board to the fifth slide, Historical Earnings, and said that the slide gives a historical view of the last 15 years' worth of investment receipts, which shows the uptick right before the Great Recession, and then the downturn from about 2010-2015. He said that from the numbers that have been produced during his nearly three

years in office, it appears that the Treasury is pacing twice as fast as the most recent past administration. The Treasurer moved on to the sixth and final slide, Money Management Earnings, and said that the slide gives a quarterly history of the balances for the past two fiscal years (in orange) and the earnings (in red). He stated that the balance of the fund has increased nearly 50%, but the earnings made for participating state agencies have increased 91%. He told the Board that until recently in 2016, the funds were mostly invested in a money market account and in a couple of agency bonds, and it was around mid-2016 when the fund began being more actively invested. Treasurer Milligan reminded the Board that the APA process is still being finalized, and that he hopes by the next meeting in February there will be more participants in the Trust who will be able to take advantage of the broader investment opportunities that this program provides. Treasurer Milligan concluded his report and asked if there were any questions.

Hearing no questions or comments, Chairman Walther asked for a motion from the Board for the acceptance of the Treasurer's report. A motion was made by Al Harkins to accept the Treasury Investment Performance Report into the record. The motion was seconded by Keith Konecny. All members were in favor.

Next, Chairman Walther made a motion to establish that no funds are available for deposit into the State Board of Finance certificate of deposit investment program. The motion was seconded by Gabe Holmstrom. All members were in favor.

The Chairman then made a motion that the Board direct the Treasurer of State to purchase warrants for the succeeding quarter, January 1, 2018 – March 31, 2018, 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 Edmond Waters. All members were in favor.

The Chairman then addressed the next agenda item, consideration of the Treasurer of State Employees Minimum Job Qualifications and Standards. This document is included in the Minutes as

Attachment 2. Al Harkins asked if there had been any changes or additions to the chart. Debbie Rogers answered that there were no changes. Gabe Holmstrom asked if there was a difference between the terms “required” and “mandatory” when referring to the College Degree requirement for the two Treasury Manager V positions. Paul Louthian responded that there is no difference in the usage of the two terms. Chairman Walther recommended that there be a change made to the terminology used in the document, changing “required” to “mandatory” so that there is consistency. He asked if there were any objections. There were none. The Chairman asked the Board for a motion for approval of the qualifications, with the change in terminology noted. The motion was made by Al Harkins and seconded by Jake Bleed, all Members were in favor.

The Chairman asked if there was any further business to come before the Board. There was none. He reminded the Board that the next quarterly meeting will be held Tuesday, February 6th, 2018, at 10AM.

The meeting was adjourned.

ATTEST:

Secretary of the State Board
of Finance of the State of Arkansas

Acting Chairman of the State Board
of Finance of the State of Arkansas

Secretary’s Note: All documents pertaining to the issues considered are filed in the permanent records of the State Board of Finance.