

MINUTES OF MEETING
STATE BOARD OF FINANCE
Monday, November 10, 2025

A meeting of the State Board of Finance of the State of Arkansas was held Monday, November 10, 2025, 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 SAS Delta Conference Room located in the Winthrop Rockefeller Building, 501 Woodland Street, Little Rock and via Microsoft Teams. The following members were present:

Chair Jim Hudson, Secretary Department of Finance and Administration
Selby McCollett, Governor's Designee
Bill Huffman, Chief Deputy Treasurer, Designee for John Thurston
Honorable Dennis Milligan, Arkansas State Auditor
Susannah Marshall, State Bank Department Commission (via Microsoft Teams)
Leslie Fiskens, Secretary of the Department of Shared Administrative Services
Tyler Steele, Appointed Commercial Banking Representative
Jimmy Harris, Arkansas Insurance Commissioner (via Microsoft Teams)
Marc Emrich, Certified Public Accountant Representative
Jimmy Ritchie, General Securities Representative

Others present were staff from the Arkansas State Treasury, Arkansas State Auditor's Office, Employee Benefits Division, the Bureau of Legislative Research, the Department of Finance and Administration, and Grant Wallace, Director of Employee Benefit Division.

Chair Jim Hudson, seeing a quorum, called the meeting to order at 10:01 a.m. Minutes for the August 5, 2025, and September 9, 2025, meetings were presented for approval. A motion to approve was made, seconded, and approved with all in favor.

Secretary Hudson recognized Chief Deputy Treasurer Bill Huffman to present the Treasurer's Report. Chief Deputy Treasurer Huffman provided a brief overview before recognizing Mr. Steven Kilgore to provide more detailed information on the first quarter's earnings. Mr. Kilgore began with the trend in investment revenues on a month-to-month basis. The most recent month provided \$30.6 million from medium and long-term bonds and \$6.2 million from short-term investments. The monthly trends are impacted by interest payment schedules, which vary by month. Investment income has been consistent by quarter, with \$99.2 million in net income for the most recent three-month period as compared to \$99.4 million for the prior quarter.

Mr. Kilgore turned the presentation over to investment manager Steve Pulley. Mr. Pulley stated that the portfolio for the first quarter produced a return of 3.46%, which is within the target benchmark projection of 3.40%-3.50%. The portfolio generated over \$99 million for the quarter, which is down about 2.6% from a year ago. The posture of the portfolio is positioned for favorable performance if interest rates decline in the future. There will be

some negative but not significant impact from the rate cuts. The portfolio is working as intended. The total size of the portfolio remained steady at \$11.6 billion. The long-term portfolio has a book value of \$9.8 billion, which is currently earning 3.36%, and the liquidity portion had a return rate of 4.33%. The Money Management Trust Fund earned 4.41%. Mr. Pulley recognized Robert Romanik for the macro-view and the Q2 benchmark recommendation.

Mr. Romanik stated that since the August SBOF meeting, the Federal Reserve Committee members delivered two consecutive twenty-five (25) basis point interest rate cuts. This moves the Fed Funds target range to 3.75-4.00%. Market participants fully anticipate a third interest rate cut at this year's final Fed policy meeting in December, although Chair Powell stated that a December cut was far from a foregone conclusion. A lack of fundamental data caused by the government shutdown has also hindered the Fed's ability to present updated forward guidance. The Fed's "dot plot" or forward projection for short-term borrowing rates still reflects one more twenty-five (25) basis point interest rate cut for 2025, and the Fed Funds Futures market also anticipates a December cut. The Investment Team has purchased securities believed to create a defensive posture and will preserve and provide steady income into a declining interest rate environment. Therefore, the Investment Team proposed leaving the Target Rate of Book Return unchanged for the October through December period, maintaining a second quarter range of 3.40-3.50%. Mr. Steele made a motion to leave the Target Rate of Book Return unchanged at the rate of 3.40-3.50%. Commissioner Marshall seconded the motion. The motion passed with all in favor. There was a motion to approve and file the Treasurer's report. The motion passed with all in favor.

Chair Hudson stated that there was an approved brokers and dealers list for informational purposes only. Next, Chair Hudson moved on to review the investment policy changes. Mr. Steve Pulley stated that there were statutory changes after the recent legislative session that allowed for clean-up language that is more procedural than operational. Nothing in the policy will change how business is done day-to-day. The Money Management Trust mirrors the investment policy. Secretary Fisker moved to approve the changes to the investment policies, and Ms. McCollett seconded the motion. The motion to change the investment policies was approved with all in favor.

Chair Hudson then addressed the quarterly business by making a motion that no funds are available for deposit into the State Board of Finance certificate of deposit program. The motion was seconded by Chief Deputy Treasurer Bill Huffman. The motion was adopted with all in favor.

Secretary Hudson next made a motion that the Board direct the Treasurer of State to purchase warrants for the period of October 1, 2025, through December 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 transactions of the day-to-day activities of the State. The motion was seconded by Secretary Fisker. The motion was adopted with all in favor.

Chair Hudson then recognized Mr. Grant Wallace, Director of the Employee Benefit Division, to address the EBD business. The first item under EBD was the pharmacy formulary for September 2025. Mr. Wallace presented all drugs and the reasons for changes. Mr. Wallace then presented the formulary recommendations for October 2025. Mr. Wallace presented the drugs and reasons for changes or additions. Next, Mr. Wallace presented the November formulary recommendations. Secretary Fiskin made a motion to approve the formulas presented, and Ms. McCollett seconded the motion. The motion was approved with all in favor.

Mr. Wallace then presented the medical formularies, which are administered in a clinical setting and not ones an individual can receive from their pharmacy. Mr. Wallace presented the November medical formularies. Flu vaccines are being updated for the new flu season. The RSV drug is being discontinued, but it will be approved until December 31, 2025. Commissioner Marshall asked Mr. Wallace if there were other RSV options that would be covered, to which Mr. Wallace replied that there would be other options. Secretary Fiskin made a motion to approve the medical formularies, and Ms. McCollett seconded the motion. The motion passed with all in favor.

Mr. Wallace presented a contract for review for EBD for consultant and actuarial services. Public Consulting Group out of Boston was the winner of the RFP. The initial contract term is two (2) years. The contract is valued at \$1.39 million, and the total cost if extended out for the full seven years is \$4.8 million. Secretary Fiskin moved to approve the contract, and Ms. McCollett seconded the motion. The motion to approve the contract passed with all in favor.

Mr. Wallace then moved to the next topic, the investment policy statement for the captive insurance company. The strategy is to begin working with Stephens Capital, have a base starting point for the investment policy, and extend a year and see where things go. We have worked with DFA and the Treasurer's office to scrub anything that would be prohibited by state law, and we are comfortable with where the policy is at this point. Chair Hudson said the first year will need to be focused on capital preservation. This policy will be the document that governs Stephens Investments. Chief Deputy Treasurer Huffman asked if Stephens will get everything in general funds. Commissioner Marshall stated that item number 8 regarding asset allocation guidelines will need to have something more specific in place, which are good things to have at the onset rather than after the fact. Secretary Fiskin made a motion to approve the investment policy, and Chief Deputy Treasurer Huffman seconded the motion. The motion to approve the investment policy was passed with all in favor.

Seeing no additional business, Mr. Hudson declared the meeting adjourned at 10:36 a.m.