

MINUTES OF MEETING
STATE BOARD OF FINANCE
Tuesday, February 10, 2026

A meeting of the State Board of Finance of the State of Arkansas was held Tuesday, February 10, 2026, 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 in the DFA Conference Room located at 1509 W. 7th Street, Little Rock and via Microsoft Teams.

The following members were present:

Jim Hudson, Secretary Department of Finance and Administration
Selby McCollett, Designee for Governor Sarah Sanders
Honorable John Thurston, Arkansas State Treasurer
Honorable Dennis Milligan, Arkansas State Auditor
Secretary Leslie Fiskens, Secretary of the Department of Shared Administrative Services
Commissioner Susannah Marshall, State Bank Department Commission
Jimmy Ritchie, General Securities Representative
Mary Davis, Designee for Jimmy Harris, Arkansas Insurance Commissioner
Tyler Steele, Appointed Commercial Banking Representative
Chad May, General Public Representative
Marc Emrich, Certified Public Accountant Representative

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 and Grant Wallace, Director of Employee Benefit Division.

Chair Jim Hudson, seeing a quorum, called the meeting to order at 10:01 a.m. The chair welcomed members to the building and new conference room. A motion was made by Mr. Marc Emrich to approve the minutes from the January 29, 2026 meeting, and Secretary Fiskens seconded the motion. The motion was adopted with all in favor of approval of the minutes.

Secretary Hudson recognized Treasurer Thurston for the presentation of the Treasury report. Treasurer Thurston reported that the results remain within the Board-approved benchmarks despite low short-term interest rates. For the last quarter, the net income was approximately \$98 million. For the first half of FY2026, the net income was more than \$197 million.

Treasurer Thurston then recognized Mr. Steven Kilgore, Mr. Steve Pulley, and Mr. Robert Romanik from the Arkansas State Treasurer's Office to further expand on these results. Mr. Steven Kilgore, Director of Investment Accounting, reported that the most recent month provided \$27.4 million in long-term revenue and \$5.1 million from short-term investments for a total of \$32.5 million for the month, as compared to \$30.6 million from the previous

month. While earnings in the short-term segment have declined, long-term investments have provided a more consistent yield. Net income from the quarter was \$98 million. Income receipted in a cash ledger basis also totaled about \$98 million. Mortgage-backed security coupon receipts as a total provided the largest share of these at \$51.5 million.

In the most recent quarter, net investment income totaled \$97.96 million, compared with \$99.2 million in the prior quarter, primarily because short-term interest rates declined. Net transfers out rose from \$14.7 million in the first quarter to \$254 million in the most recent quarter. Over the last 12 months, the total return (market value over book value) shows an interest-income return of 3.72% and a price-change return of 3.72%. Together, these components produce a total return of 7.44% for the period. Looking at fiscal-year trends, net income rose from \$37.4 million during the low-interest-rate COVID FY21 to nearly \$400 million last fiscal year. Midway through the current fiscal year, net income totals \$197.2 million. Mr. Kilgore then turned the presentation over to Mr. Steve Pulley and Mr. Robert Romanik to discuss the investment portfolio from a strategic perspective.

Mr. Pulley reported another quarter of consistent results. The book rate of return was 3.43%, within the target benchmark projection of 3.40%-3.50%. The return generated almost \$98 million in income for the quarter and over \$197 million for the first half of the fiscal year 2026. This is down 2.3% from the first half of the fiscal year 2025. The quarter ended with the federal reserve cutting short-term interest rates by 75 basis points. These cuts will immediately reduce earnings in our short-term portfolio and may place downward pressure on overall investment results if further cuts are warranted. The portfolio profile is positioned to preserve principal and income through shifting market cycles.

The total size of the portfolio remained steady at \$11.4 billion. Our long-term portfolio has a book value of over \$9.7 billion and is currently earning 3.32%. The short-term portfolio stands at approximately \$1.7 billion, yielding 3.94%, which is a decline from the previous quarter. The Money Management Trust Fund is averaging \$575 million and earned 4.05% for the same period, which is also down, consistent with the cuts in short-term rates. Despite the uncertainty around interest rates, the investment team continues to structure the bond portfolio to protect income, manage reinvestment risk and preserve stability as market conditions evolve. Commissioner Marshall asked about the \$80 million increase in transfers year over year. Mr. Kilgore stated that there was a lot of variation on when tax receipts arrive, and there were significant outflows; Mr. Kilgore did not have the details before him. Chair Hudson stated that could be the liquidity from refund season. Mr. Pulley then turned the presentation over to Robert Romanik.

Mr. Romanik spoke regarding setting the new target rate of book return for the third quarter of FY2026. Federal Reserve committee members opted to hold the Fed Funds steady when they met on January 28th. This brings the cumulative reduction in short-term rates to +175 basis points (1.75%) and leaves the Fed Funds target range at 3.50-3.75%. Fundamental data reflects diminished downside risks to the labor market, which had been considered the decisive variable in the Fed's decision to cut rates. Fed Chair Powell suggested

economic activity was expanding at a solid pace, the unemployment rate was showing signs of stabilization, and the risks between the labor market growth and inflation appear to be balanced. The implication was the FOMC could be on hold, instead of on pause, which is in opposition to the Administration's monetary policy preferences. President Trump nominated former Fed Governor Kevin Warsh to be the next Fed chair. As Chair, we believe Warsh will make a concerted push to continue reducing short-term interest rates, at least in the near term. We believe interest rates will remain attractive through our third quarter, supported by moderate economic tailwinds. This should create opportunities for the team to invest at higher long-term yields. We propose to leave the Target Rate of Book Return unchanged for the January through March period maintaining a third quarter range of 3.40%-3.50%. Commissioner Marshall made a motion to maintain the Target Rate of Book Return at 3.40%-3.50%, and Secretary Fiskens seconded the motion. The motion maintaining the Target Rate of Book Return passed unanimously.

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 Mr. Chad May. The motion was adopted with all in favor.

Chair Hudson next made a motion that the Board direct the Treasurer of State to purchase warrants for the period of January 1, 2026, through March 31, 2026, 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 recognized Mr. Grant Wallace, Director of the Employee Benefit Division, to address the EBD business. Mr. Wallace presented the Formulary Review for December, January, and February, and the Medical Formulary for February. Secretary Fiskens moved to approved December, January, and February pharmacy formulations. Ms. McCollett seconded the motion, and the motion passed unanimously.

Mr. Wallace next presented the February medical formularies (drugs administered in a clinical setting). Secretary Fiskens made a motion to approve the February medical formularies, and Ms. McCollett seconded the motion. The motion passed unanimously.

Mr. Wallace reported on the State Captive Insurance Program. The rules make permanent the emergency rules already reviewed. These rules were reviewed by the Department of Education and Mitchell Williams. These rules were in response to Act 560 and 571 that put in place the captive insurance program. A motion was made by Secretary Leslie Fiskens to approve the rules. The motion was seconded by Mr. Marc Emrich. The motion was adopted with all in favor. This will go to ALC in March for review before becoming final.

Chair Hudson noted the copies of the Investment and MMTF policy. Seeing no other business, the meeting was adjourned at 10:27 a.m.