MINUTES OF MEETING
STATE BOARD OF FINANCE
Monday, August 10, 2026

A meeting of the State Board of Finance of the State of Arkansas was held Monday, August 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
Honorable John Thurston, Arkansas State Treasurer
Honorable Dennis Milligan, Arkansas State Auditor
Secretary Leslie Fisken, Secretary of the Department of Shared Administrative Services
Commissioner Susannah Marshall, State Bank Department (Via Microsoft Teams)
Jimmy Ritchie, General Securities Representative (Via Microsoft Teams)
Mary Davis, Designee for Jimmy Harris, Arkansas Insurance Commissioner
Tyler Steele, Appointed Commercial Banking Representative (Via Microsoft Teams)
Chad May, General Public 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 10:00 a.m.

The first item for review was the meeting minutes from May 12, 2026 and June 2, 2026. Commissioner Marshall identified an omission in the minutes from the May 12th, 2026 meeting regarding Mike Bonds's role as Secretary Fisken's designee. Mike Bonds acted as Secretary Fisken's designee but was not listed in the minutes. Following the correction substituting Mike Bonds for Secretary Fisken for May 12th, a motion was made by Secretary Fisken and seconded by Commissioner Marshall to approve the May 12th and June 2nd, 2026 meetings as modified. The motion passed without opposition.

Next, Chair Hudson turned the meeting over to Treasurer Thurston for a review of the state treasury. Treasurer Thurston reported that the fiscal year (FY 2026) closed with $391 million in investment income, the second highest in Arkansas Treasury history, despite inflation concerns and geopolitical uncertainty. Treasurer Thurston then turned the presentation over to Steven Kilgore, Steve Pulley, and Robert Romanik.

Steven Kilgore detailed the portfolio's composition, noting increases in short-term earnings and a slight decline in long-term bond earnings. Investment income went from $31.9 million for April to $32.5 million for June. There was stable quarterly net income ranging from $95.6 million to $99.2 million during the fiscal year, with a net of $391 million for the fiscal year, with book returns annualized within the 3.5% range.

Steve Pulley stated that we have been able to bring in over $1.4 billion dollars to the State of Arkansas over the last four years. Mr. Pulley explained the intentional reduction in liquidity to lock in higher rates, maintenance of a stable duration profile, and the use of mortgage-backed securities to manage cash flows, with $1.1 billion expected to roll off in 2027. The yield on those assets are 3.19%. If we reinvest that, we will be able to maintain our 3.43% returns on the long-term portfolio. Mr. Pulley noted that $1.2 billion was invested in the long-term portfolio at an average yield of 4.91% in FY26, and $1.4 billion at over 5% in FY25, with expectations to maintain strong returns if reinvestment rates hold.

The board discussed the anticipated full distribution of $375 million in COVID funds by the end of the calendar year, with Mr. Pulley and Chair Hudson agreeing that the impact on earnings should be offset by overall portfolio performance. Robert Romanik provided a macro view of the economy to set the rate for the first quarter of FY2027. Romanik cited ongoing Middle East conflict, inflation, and Federal Reserve policy as reasons for keeping short-term rates unchanged, with the Fed funds target range at 3.5–3.75% and expectations of a possible rate hike in December. Mr. Romanik recommended maintaining the target book return rate at 3.4–3.5% for the first quarter of FY2027 (July 1, 2026 – September 30, 2026).

Secretary Fisken made a motion to approve the Treasury report, and Chad May seconded the motion. The motion passed unanimously. Chad May made a motion to set the Target Rate of Book Return maintaining the range of 3.4%-3.5% for July 1, 2026 through September 30, 2026, and Secretary Fisken seconded the motion. The motion passed unanimously.

Chair Hudson made a motion that no funds are available for deposit into the State Board of Finance Certificate of Deposit Program. Secretary Fisken seconded the motion, and the motion passed unanimously. Chair Hudson made a motion for the Board to direct the Treasurer of State to purchase warrants for the succeeding quarter (July 1, 2026, through September 30, 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 transaction of day-to-day activities. Secretary Fisken seconded the motion, and the motion passed unanimously.

Chair Hudson referred the Board to a letter submitted by Treasurer Thurston confirming that previously approved polices are in place in terms of various activities such as the ledger balance and activity and fund transactions by type. If there is ever a change a

motion will be brought before the Board, but it continues as already approved.

Secretary Fisken made a motion to approve the State Board of Finance's Code of Ethics, and Commissioner Marshall seconded the motion. The motion passed unanimously. Secretary Fisken made a motion to approve the investment policy that was amended November 10, 2025 be approved, and Mr. May seconded the motion. The motion passed unanimously.

Chair Hudson turned the meeting over to Grant Wallace for EBD Pharmacy and Medical Drug Formulary Updates. Mr. Wallace presented the EBD pharmacy and medical drug formularies for June, July, and August 2026, including new generics, specialty drugs, exclusions, and changes in coverage criteria. Mr. Wallace outlined the addition of new generics, exclusion of certain new-to-market drugs, tiering adjustments for specialty therapies, and specific changes such as adding a new breast cancer drug to the specialty tier with prior authorization and quantity limits. Mr. Wallace clarified that approved formulary changes would take effect prospectively on September 1, 2026, despite being labeled by the month they were reviewed. Mr. Wallace detailed the addition of new biosimilars, hemophilia drugs with prior authorization, exclusions for drugs that can be self-administered or lack sufficient evidence, and coverage adjustments for emergent settings and drug shortages.

Secretary Fisken made a motion to approve the June, July, and August pharmacy formularies, and Mr. May seconded the motion. The board approved the pharmacy recommendations unanimously. Secretary Fisken made a motion to approve the June, July, and August medical formularies, and Commissioner Marshall seconded the motion. The motion passed unanimously, and the recommendations were approved.

Mr. Wallace next presented EBD contract renewals. The first contract renewal was for Navitus, the pharmacy benefit manager for a three-year renewal, with an estimated cost of $34.1 million. One of the significant changes is that Navitus will no longer do EBD's prior authorizations; those will be shifted to EBRX, resulting in $1.7 million in savings to the plan. Post-checks for medical drug spending will be implemented, resulting in savings of $1.4 million to the plan. There will be a shift from the retiree drug subsidy program to an employer group waiver program, resulting in savings of $32 million to the plan. The renewal also expands the coupon program. Mr. May made a motion to approve the contract with Navitus. Secretary Fisken seconded the motion. The motion was passed with all in favor.

The next contract was the one-year extension for United Healthcare, the Medicare Advantage group plan. There is a premium increase from $280 to $390 for state retirees and $200 to $352 for public school retirees. This is a 90/10 cost share, so the monthly premium

will go from $28 to $39 for state retirees and $20 to $35 for public school retirees. The change will be effective January 1, 2027. There is a decoupling of medical and pharmacy benefits into separate cards, and cost containment measures in response to industry and CMS changes. Secretary Fisken made a motion to approve the United Healthcare extension, and Mr. May seconded the motion. The motion passed unanimously.

Mr. Wallace presented the Colonial Life contract for extension. The extension is for one year for the base accidental death and disability insurance (the state pays $10,000 for every state employee), with no rate increases and a plan to study the benefit further before considering longer-term renewals. The rate stays the same on the voluntary component. Secretary Fisken made a motion to approve the Colonial Life contract, and Commissioner Marshall seconded the motion. The motion was passed unanimously.

Mr. Wallace then presented the Crowe Chizek, LLP three-year initial term contract for the Office of Property Risk. The projected cost is $55,000 per year, and $165,000 over the three-year term. Crowe will do the financial auditing for the captive insurance program as required by statute and in accordance with governmental accounting standards. Commissioner Marshall asked if Leg Audit helped with the scope of work for the contract, and Mr. Wallace stated that the statute outlined what was required. Secretary Fisken made a motion to approve the Crowe Chizek contract, and Commissioner Marshall seconded the motion. The motion passed unanimously.

Seeing no other business before the Board, Chair Hudson adjourned the meeting at 10:38 a.m.