

MINUTES OF MEETING
STATE BOARD OF FINANCE
Thursday, August 5, 2025

A meeting of the State Board of Finance of the State of Arkansas was held Tuesday, August 5, 2024, at 1:00 pm, pursuant to notice duly given to each member of the Board and the press by the Chairman. The meeting was held in the Delta Conference Room located in the Winthrop Rockefeller Building, 501 Woodland 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
Courtney Traylor, Designee for Leslie Fiskin, Secretary of the Department of
Shared Administrative Services
Susannah Marshall (via Teams), State Bank Department Commission
Jimmy Ritchie, General Securities Representative
Allison Hatfield, Designee for Alan McClain, Arkansas Insurance Commissioner
Tyler Steele, Appointed Commercial Banking Representative
Chad May (via Teams), 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 1:02 p.m. The chair welcomed new member Tyler Steele, to the State Board of Finance replacing Brent Morgan. To be approved are minutes of the meetings held on May 12, 2025, and June 12, 2025. A motion was made by Dennis Milligan. The motion was seconded by Leslie Fiskin. The motion was adopted with all in favor.

Secretary Hudson recognized Treasurer Thurston for the presentation of the Treasury report. Treasurer Thurston reported consistent results last quarter for a total receipt of almost \$95M. The Treasury had a record year return of almost \$400M, which exceeded the benchmark record earnings fiscal year 2025.

Treasurer Thurston then recognized Mr. Steven Kilgore, Mr. Steve Pully, and Mr. Robert Romanik, all from the Arkansas State Treasurer's Office to further expand on these results. Mr. Kilgore reported that quarterly accrued earnings were \$99.4 Million versus receipted income of \$94.9 Million. Fiscal Year 2025 varied some by quarter, ending the year with \$99 Million in the most recent quarter [Q4]. Total net income by fiscal year continued to increase, growing from \$380 Million for FY24 to just over \$398 Million for FY25. Fiscal Year

2025 earnings were more than ten times greater than in FY21. The Book Return was 3.500% for the last quarter of FY25 and 3.493% for the fiscal year, continuing the trend of increase. The Total Return was 6.663% for the fiscal year as bond price changes were positive. Mr. Kilgore then turned the presentation over to Mr. Steve Pulley and Mr. Rob Romanik for a look at the investment portfolio from a strategic perspective.

Mr. Pulley stated that the occurrence of record returns is not happenstance but the result of Mr. Pulley and Mr. Romanik deciding three years ago to change the material composition of the long-term portfolio. Included adding more diversity of products, as we all maintain consistent duration change to take additional market risk and change the convexity profile from negative to positive. These changes are evident in the last eight quarters. Our investment team has performed well. If you go back three years you can see that the portfolio has generated well over a billion dollars for the State of Arkansas.

Robert Romanik spoke regarding setting the new target rate of book return for the first quarter of FY2026. Federal Reserve committee members voted to keep monetary policy on hold. This was the fifth consecutive pause of the easing cycle keeping range from 4.25 to 4.5 percent. We propose to increase the target rate of book return for the July through September period from 3.35-3.45% to a new range of 3.4–3.5%. Chairman Hudson asked for commentary about the portfolio if rates are reduced. Mr. Pulley stated there is no concern as the funds and portfolio are in great shape. A motion was made by The Honorable Dennis Milligan to set the target range for July to September 2025 quarterly period from 3.35-3.45% to a new range of 3.4–3.5%. The motion was seconded by Jimmy Ritchie. The motion passed with all in favor.

Secretary 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 Secretary Leslie Fiskens. 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 July 1, 2025, through September 30, 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 Fiskens. The motion was adopted with all in favor.

Chair Hudson informed the board that the annual motions will be broken down in batches for items one through six, and items seven and eight would be handled separately.

Items one through six are basic instructions to the Treasurer's staff and are as follows:

1. Approve the record keeping systems of the Treasurer of State with the accounts recorded using the cash basis of accounting for daily transactions. Adjusting entries shall be made at each fiscal year end to properly report the operating results of the Treasurer of

State on the accrual basis of accounting, to comply with generally accepted accounting principles (GAAP).

2. 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)
 - i. Return on Investment (Monthly and Fiscal Year-to-Date)
3. Approve the Collateralization Policy of the Treasurer of State
4. 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
5. To approve the minimum qualifications and standards for all employees of the Board or the Treasurer of State who handle State Treasury Funds or participate in the decisions concerning the deposit or investment of State Treasury Funds.
6. To approve the eligibility requirements for a bank depository, an investment depository, and a securities broker

Commissioner Marshall questioned if there were any proposed amendments of the collateralization policy, it was confirmed there were none. A motion was made by Secretary Leslie Fiskens to approve. The motion was seconded by Commissioner Marshall. The motion was adopted with all in favor.

Item seven was for the approval of a temporary investment policy for the Captive Insurance Program, an insurance company wholly owned and managed by the State of Arkansas. We are working with our investment advisors, Stephens, for a permanent investment policy. Until a long-term investment policy is established, the funds need to be invested someplace. This temporary policy authorizes the Treasury staff to invest these funds as it does for the rest of the portfolio. A motion was made by Secretary Leslie Fiskens to approve. The motion was seconded by Mr. Jimmy Ritchie. The motion was adopted with all in favor.

Item eight is the Remote Meeting Policy, to comply with Act 505 of 2025. The Act requires boards and commissions that have remote meeting capabilities to have a written policy outlining the perimeters. The State Board of Finance policy will become effective at the commencement of today's meeting. A motion was made by Secretary Leslie Fiskens to approve. The motion was seconded by Commissioner Marshall. 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. Mr. Wallace reported on the State Captive Insurance Program Emergency Rule. This rule focuses on processing claims prior to July 1, 2025. This rule is an emergency rule until more permanent rules are established and approved. A motion was made by Secretary Leslie Fiskens to approve. The motion was seconded by Mr. Jimmy Ritchie. The motion was adopted with all in favor. This will go to Legislative review before being final.

Mr. Wallace presented University of Arkansas Athletics Program and their properties. These were held separate from the previous rate and deductible setting exercises. EBD worked with the University for an agreement to set the 2025 & 2026 deductible to \$1 million per occurrence (not per structure), which results in a blended rate of eight cents (\$0.08). A motion was made by Secretary Leslie Fiskens to approve. The motion was seconded by Mr. Marc Emrich. The motion was adopted with all in favor.

Next, Mr. Wallace presented the Lead Policy for all participants within the program as well as the SCIP. The state is absorbing the first \$50 million loss, and once that \$50 million is exhausted the remaining will be managed within the various policy restrictions, etc. This was worked on with all partners Stephens, WTW, KNL, the overseas market, and domestic markets. A motion was made by Leslie Fiskens to adopt. The motion was seconded by Mr. Jimmy Ritchie. The motion was adopted with all in favor.

Mr. Wallace presented three contracts for review. Two contracts are special procurements and one is for a one-year renewal.

- HMO Partners, Inc (Special Procurement). The expiration date for the current contract is August 21, 2025. EBD requested a special procurement to extend the life of this contract for approximately sixteen (16) months through December 31, 2026. The total cost of the contract is \$86 million. This contract will ensure that there is no disruption of service. Commissioner Marshall questioned if this was for calendar year 2026 and 2027 or just calendar year 2026. Mr. Wallace confirmed this contract is for 2026, and new provisions will be determined for 2027 next year. A motion was made by Secretary Leslie Fiskens to approve. The motion was seconded by Commissioner Marshall. The motion was adopted with all in favor.
- UnitedHealthcare is the one year renewal for the Medicare Advantage Group PPO plan. The expiration date for the current UnitedHealthcare contract is December 31, 2025. This is a renewal through December 31, 2026, of our current Medicare Advantage PPO Plan agreement with UHC. This renewal is for time only. No

additional funds have been included in the total projected cost of \$347,861,200.00. The contract renewal is for an approximate twelve-month period. The total premium cost is \$347,861,200.00. No additional funds were added to this renewal. Rates did increase \$60, which will be discussed in the upcoming RATES section. United Health Care absorbs all the claims. A motion was made by Secretary Leslie Fiskens to approve. The motion was seconded by Mr. Marc Emrich. The motion was adopted with all in favor.

- Connect Your Care (Optum) is a special procurement for the HAS/FSA COBRA. EBD requested a special procurement to extend the life of the Optum contract for five months between August 1, 2025 and December 31, 2025. The contract award is for a five-month term. The total cost is \$75,000.00. A motion was made by Secretary Leslie Fiskens to approve. The motion was seconded by Commissioner Marshall. The motion was adopted with all in favor.

Mr. Wallace then presented the 2026 Preliminary Rates. We are holding rates on both the school and state employee side flat for 2026. We are proposing an increase on the retiree plans of \$6.00 for both the Medicare Advantage Plan and the Health Advantage Supplemental Plan. On the classic plans the deductible was increased from \$3,300 to \$3,400 to keep up with the IRS guidelines on both the public school side and the state employee side. Secretary Fiskens made a motion to approve the public school rates and state employee rates. Mr. Emrich seconded the motion. The motion was approved with all in favor.

Mr. Wallace next presented the June and July pharmacy formularies. A lot of what is in the changes is a brand rolling off and a new generic being added. Mr. Wallace then discussed the changes made to specific drugs. Mr. Wallace then presented the August formularies. Chair Hudson requested a motion to approve and abstained from the approval of the Accu-Chek and Freestyle. Secretary Fiskens made a motion to approve, and Mr. Emrich seconded the motion. The motion was approved with all in favor.

Mr. Wallace next presented the medical formularies. These are drugs administered in a clinical setting and are run through the medical coverage, not necessarily the pharmacy coverage. A lot of what you are seeing is adding on biosimilars. We are going with the lower cost alternative. Mr. Wallace then discussed the drugs more specifically. Secretary Fiskens made a motion to approve as recommended by the Advisory Committee. Auditor Milligan seconded the motion, and the motion was approved with all in favor.

Seeing no additional business, Mr. Hudson declared the meeting adjourned at 1:52 p.m.