

STATE INVESTMENT COMMISSION
MINUTES
MARCH 10, 2026
2:30 PM

The State Investment Commission (“SIC” or “the Commission”) meeting was called to order on Tuesday, March 10, 2026, in Conference Room C106 of the Transportation Cabinet Office Building by Treasurer Mark Metcalf, Kentucky State Treasury. Treasurer Metcalf asked for a roll call. Other members present were Geri Grigsby, proxy for Secretary Holly M. Johnson, Finance and Administration Cabinet (“FAC”); Mark Johnson, Appointee for the Kentucky Bankers Association; and Jason Jones, Appointee for the Bluegrass Bankers Association. Both Mr. Johnson and Mr. Jones attended via ZOOM video teleconference.

Office of Financial Management (“OFM”) Staff Present: Robert K. Miller, Executive Director; Steven Starkweather, Deputy Executive Director; Kim Bechtel, Deputy Executive Director; Amber Lee; Daniel Auxier; Richard Osborn; and Aubry McDonald.

Other Guests: none.

Treasurer Metcalf verified a quorum was present, and the press was notified of the meeting.

Treasurer Metcalf called for a motion to approve the minutes from the December 9, 2025, meeting. A motion was made by Mr. Jones and was seconded by Ms. Grigsby to approve the minutes. Motion **CARRIED**.

Appointment of Secretary, Robert K. Miller – Treasurer Metcalf presented Resolution 2026-01 of the State Investment Commission of the Commonwealth of Kentucky appointing a Secretary of the Commission. As the new Executive Director of OFM, Mr. Robert K. Miller was appointed as Secretary.

Treasurer Metcalf called for a motion to approve Resolution **2026-01**. Mr. Johnson made a motion to approve, which was seconded by Ms. Grigsby. The motion **CARRIED** and Resolution **2026-01** was **ADOPTED**.

Compliance Reporting – Mr. Miller referred to the letter in the packet and stated there were no Statute or Administrative Regulation violations during the reporting period.

Market Overview – Mr. Auxier directed the Commission’s attention to Attachment D, the first quarter Market Overview. He noted due to the extreme volatility we’ve seen over the past week the two-year treasury is 11 basis points higher than what is noted in the packet and sits at 3.56%. While the war and the effect it’s had is dominating the conversation, you can see that 3.56% is right in line with where it’s been the past six months, the conflict just erased the recent drop. On the longer end, the ten-year treasury has seen a similar spike and now sits at 4.12%.

On the following page, the current yield curve, the check mark inversion persists but it continues to get shallower. He stated as of this morning it's even shallower than it is here with the recent rise in yields. One more fed funds cut, and the dip should be pretty much gone, and we will return to a fully normalized yield curve for the first time in three years. While there are bumps along the way, yields across the curve are slowly dropping and returning to historical averages. As you would expect, this has a large impact on the returns our portfolios generate. While not at the record highs seen last year, returns for the first half of fiscal year 26 were very strong, coming in at \$295 million. The general fund alone is still bringing in around \$20 million.

He then directed the Commission to the next page, the latest inflation data. Normally a graph of the consumer price index would be included because that's what generates the headlines. But today the personal consumption expenditure metric, or PCE is included. I chose to include the PCE because this is the Fed's preferred inflation gauge and what they primarily look at when deciding to adjust rate policy. After the huge drop from the highs of 2022, it appeared inflation was well on its way to the 2% goal when in 2024, that progress suddenly halted. Looking at this graph it's difficult to imagine inflation suddenly plunging down to the 2% mark and for that reason, some have begun to argue that maybe the 2% goal is outdated and 3% should be the new target. The Fed isn't quite ready to take that step and insists 2% long-run inflation is still obtainable. Complicating things is the labor market is beginning to show significant weakness, which is normally a call for rate cuts. With inflation possibly on the rise again, are further rate cuts appropriate? It's a difficult situation and one that may not have a fully correct answer. The Commission took no action.

Cash Flow – Mr. Osborn presented the Monthly Average Investable Balances Cash Flow Summary. Looking at the fiscal year 2026, represented by the green line, the average investable balance was around \$14.3 billion. He noted the receipts in the General Fund for November, rose 9.2% compared to November of 2024. For December, receipts fell 3.4% compared to December of 2024. For January, receipts fell 3.7% compared to January of 2025. The total fiscal year 2026 receipts fell by 1.1%. The Commission took no action.

Short Term Pool – Ms. Lee directed the Commission to Attachment F, on PDF page 20, you can see the Average Investable Balances Graph. The average investable balance in the Short Pool for the month of January was about \$5.8 billion. She then directed the Commission to the next page showing the Short Term Pool Portfolio Composition. US Treasury Debt made up about 23.3% of the portfolio, US Government Agency Debt 55.9%, Government Money Market Funds 15.1%, Repurchase Agreements 5.1%, Commercial Paper 0.4%, and Asset Back 0.1%. Page 22, the Portfolio Performance, the orange bar represents the Short Term Pool and the dark blue bar represents the benchmark. The portfolio slightly underperformed the since inception date of July 2022 but outperformed the benchmark for all other time-periods listed. The Commission took no action.

Limited Term Pool – Ms. Bechtel presented the Limited Term Pool monthly report and directed the Commission to the Limited Term Pool monthly performance graph, Attachment G on page 24. She stated for January the one month return of 0.304% slightly underperformed the benchmark B. On the next page, the Limited Pool Holdings Summary, the total amortized cost as of January 31, 2026, was slightly under \$2.6 billion with a net inflow of approximately \$26 million for the month.

Ms. Bechtel directed the Commission to page 27 which detailed the Pool Ratings and Sector Distribution. The credit rating distribution percentages based on short term and long term ratings are on the left side of the page. The right side of the page, the distribution was mainly invested in U.S. Treasuries at 27.8%, government agencies at 19.2% and money market funds at 32.8% of the Pool. Moving forward to the Liquidity and Maturity page, the Limited Pool continued to stay within guidelines. As of January 31, 2026, the Weighted Average Maturity was 23 days with the last three-month average at 18 days. The daily and weekly liquidity was 53% and remained above requirements. She then directed the Commission to page 29 for the Limited Pool, Net Asset Value graph. The line of the shadow NAV continued to show small fluctuations in value but has not exceeded 0.0025 level to trigger a notification to SIC.

The final document under Attachment G is the Limited Pool Liquidity Analysis detailing transactions and largest accounts in the portfolio. The largest daily withdrawals occurred in the Medicaid Benefits Fund in December and University of Kentucky General Receipts in January. The largest weekly withdrawals occurred in University of Kentucky General Receipts in November and December. The largest accounts for January 31, 2026, were University of Kentucky, Personnel Self-Insurance and Kentucky Permanent Pension. The staff will continue to maintain daily and weekly liquidity of 15% and 30%, respectively. The Commission took no action.

Intermediate Pool Performance – Mr. Auxier directed the Commission to page 33 of Attachment H, titled Intermediate Term Pool Fundamentals. At the top we have the fundamentals of the Intermediate Pool over the past three months. A large bond closing in November caused a large jump in portfolio assets and put the balance over \$6 billion. Duration has begun to creep back up as money market rates are less appealing after several rate cuts and money is invested further out the curve to pick up additional yield. At the bottom you will see the sector allocation, which remains roughly the same from the previous quarter. The next page shows Intermediate Pool performance. The portfolio has performed as expected across all time frames and even exceeded both benchmarks for the fiscal year to date and three-year time frames. The Commission took no action.

Credit Considerations – Mr. Auxier directed the Commission to the first page of Attachment I and stated that there was a minor change this time, Swedbank was removed due to its inclusion on the Treasurer's Restricted Financial Companies list. No other changes were made. This item will require approval from the Commission. Treasurer Metcalf called for a motion. A motion was made by Mr. Johnson and was seconded by Mr. Jones. Motion **CARRIED**.

Introduction of OFM Executive Director – Ms. Grigsby welcomed Mr. Robert K. Miller as the new Executive Director to OFM and provided a brief introduction. The Commission took no action.

There being no further business, Treasurer Metcalf called for a motion to adjourn. Mr. Jones made a motion to adjourn, and Ms. Grigsby seconded. With no further business before the Commission, the meeting adjourned at 2:58 PM ET.

Respectfully submitted,

Signed by:



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Secretary