

**STATE INVESTMENT COMMISSION**  
**MINUTES**  
**JUNE 10, 2025**  
**2:30 PM**

The State Investment Commission (“SIC” or “the Commission”) meeting was called to order on Tuesday, June 10, 2025, 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”); and Controller Joe McDaniel, Office of the Controller.

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

Other Guests: Alexis Larson and Fiorella Riveros Salazar, FAC; Sam Burchett and Robert Gullette, State Treasurers Office; and Marc L’Heureux, Office of the Controller.

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 March 11, 2025, meeting. A motion was made by Ms. Grigsby and was seconded by Mr. McDaniel to approve the minutes. Motion **CARRIED**.

**Compliance Reporting** – Ms. Pillow 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 C, the second quarter Market Overview. He noted that this past quarter was an active one with tariff and trade war headlines dominating the news. With extreme uncertainty prevailing, the bond market had no idea which way to turn and spiked wildly in both directions. The net result, however, was a two-year treasury that ended March around 3.9% before the tariff news began and yet still sits around that same level today. Expectations around what the Federal Reserve would do added to the volatility, with the initial belief that they would be forced to cut quickly evaporating as it became obvious the Fed was content to sit back and let things play out before moving rates again. He then directed the Commission to the following page, where they would see the treasury yield curve. We maintain the checkmark shape we’ve grown accustomed to recently however it did become steeper over the past quarter as rates on the long-end rose dramatically, with the 20 and 30 year briefly topping 5%. Focusing on our own portfolios, earnings for FY25 will come very close to matching the record earnings produced last year. The General Fund, located in our short-term pool, has posted earnings up 13% compared to last year’s record earnings. He directed the Commission to page 13, showing the current graph for the consumer price index year over year. While there have been some unexpected bumps in the road, the overall trend still shows inflation heading back towards 2% with the latest reading sitting at only 2.3%. The biggest question mark hanging over these numbers is how will tariffs affect the inflation rate? Will be a temporary spike or have a

long-term effect? Before the trade war headlines took over, market participants were pricing in a total of four rate cuts for the year since it appeared the battle against inflation had been won for now. Less than three months later, the projected number of cuts is now down to less than two and rates remain elevated. The Commission took no action.

**Cash Flow** – Mr. Osborn presented the Monthly Average Investable Balances Cash Flow Summary. Looking at the fiscal year 2025, represented by the red line, the average investable balance was around \$15.5 billion. He noted the receipts in the General Fund for February, fell 3.0% compared to February of 2024. Due to a delay in reporting, March and April revenue receipts were combined and receipts fell 6.4% compared to the same two-month period of 2024. This decline was mostly attributable to individual income tax and pass through entity tax. The Commission took no action.

**Short Term Pool** – Ms. Lee directed the Commission to Attachment E, on PDF page 17, you can see the Average Investable Balances Graph. The average investable balance in the Short Pool for the month of April was about \$6.6 billion. She then directed the Commission to the next page showing the Short Term Pool Portfolio Composition. US Treasury Debt made up about 46.2% of the portfolio, US Government Agency Debt 27.3%, Government Money Market Funds 19.1%, Repurchase Agreements 5.5%, Commercial Paper 1.4%, and Asset Back 0.6%. Page 19, the Portfolio Performance, the orange bar represents the Short Term Pool and the dark blue bar represents the benchmark. As of April 30<sup>th</sup>, the portfolio slightly underperformed the benchmark for 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 F on page 22. She stated for April the one month return of 0.37% slightly outperformed the benchmarks. The next page, the Limited Pool Holdings Summary, the total amortized cost as of April 30, 2025, was slightly under \$3.3 billion with a net outflow of approximately \$341 million for the month.

Ms. Bechtel directed the Commission to page 24 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 44%, government agencies at 24% and money market funds at 21% of the Pool. Moving forward to the Liquidity and Maturity page, the Limited Pool continued to stay within guidelines. As of April 30, 2025, the Weighted Average Maturity was 33.5 days with the last three month average at 36.4 days. The daily liquidity was 32.7% with weekly at 38% and remained above requirements. She then directed the Commission to page 26 for the Limited Pool, Net Asset Value graph. The line of the shadow NAV continued to show slight fluctuations in value but has not exceeded 0.0025 level to trigger a notification to SIC.

The final document under attachment F is the Limited Pool Liquidity Analysis detailing transactions and largest accounts in the portfolio. The largest daily withdrawals occurred in the Medicaid Trust and Benefits in March and University of Kentucky Accounts in February. The largest weekly withdrawals occurred in Medicaid Account in February and University of Kentucky Accounts in March. The largest accounts for April 30<sup>th</sup> were University of Kentucky, Personnel

Self-Insurance and Medicaid Benefits Fund. 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 30 of Attachment G, titled Intermediate Term Pool Fundamentals. He stated at the top you will see the cash flow, yield, and duration for the past three months. State Prop 132 closed in March causing a large inflow that will steadily flow back out over the next few months. Duration of the portfolio dipped slightly with so much new money coming in and yields still high on the shorter end of the curve. At the bottom of the page, you will see the sector allocation. This remains largely the same as last time, with a small decrease in agency securities and a slight rise in MBS. On the next page you will see Intermediate Pool performance. The Intermediate Pool continues to perform as expected, falling in between both benchmarks according to duration. The Commission took no action.

**Credit Considerations** – Mr. Auxier directed the Commission to the first page of Attachment H and stated that there were no changes this quarter. This item will require approval from the Commission. Treasurer Metcalf called for a motion. A motion was made by Mr. McDaniel and was seconded by Ms. Grigsby. Motion **CARRIED**.

**Approval of Broker Dealer** – Mr. Auxier directed the Commission to Attachment I on page 36, the list of approved broker/dealers. He stated the list was cleaned up a bit and four non-primary dealers that we've never actually used were removed. Those names are Guggenheim Securities, Hilltop Securities, MBS Securities, and South Street Securities. There were no additions to the list this time. This item will also require approval from the Commission. Treasurer Metcalf called for a motion. A motion was made by Ms. Grigsby and was seconded by Mr. McDaniel. Motion **CARRIED**.

**Approval of NRSRO's** – Mr. Osborn directed the Commission to Attachment J, for the Nationally Recognized Statistical Rating Organization (or NRSRO) Approval. He stated the NRSRO Approval is presented annually in June for the upcoming Fiscal year. There were no surprises with Moody's, S&P, and Fitch remaining the largest rating agencies. He recommended Moody's, S&P, and Fitch be adopted as the NRSROs used for credit compliance in FY2026. This item will also require approval from the Commission. Treasurer Metcalf called for a motion. A motion was made by Mr. McDaniel and was seconded by Ms. Grigsby. Motion **CARRIED**.

**Bloomberg SOC Report** – Ms. Bechtel directed the Commission to Attachment K, the Bloomberg SOC Report which gives a brief overview of the compliance process through Bloomberg. The report discusses their system and organization controls (SOC) covering topics on Independent Service Auditor's Assurance Report and the Management's Report of its assertions on the effectiveness of its controls over the Bloomberg Terminal System based on the Trust Service criteria for Security, Availability, and confidentiality. Treasurer Metcalf called for a motion. A motion was made by Mr. McDaniel and was seconded by Ms. Grigsby. Motion **CARRIED**.

There being no further business, Treasurer Metcalf called for a motion to adjourn. All members made a motion to adjourn. With no further business before the Commission, the meeting adjourned at 2:57 PM ET.

Respectfully submitted,

Signed by:

*L. Joe McDaniel, designee*

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Secretary