STATE INVESTMENT COMMISSION
MINUTES
JUNE 30, 2026
10:30 AM

The State Investment Commission ("SIC" or "the Commission") meeting was called to order on Tuesday, June 30, 2026, in Conference Room C106 of the Transportation Cabinet Office Building by Robert Gullette, General Counsel and proxy for Treasurer Mark Metcalf, Kentucky State Treasury. Mr. Gullette asked for a roll call. Other members present were Geri Grigsby, proxy for Secretary Holly M. Johnson, Finance and Administration Cabinet ("FAC"); Controller Joe McDaniel, Office of the Controller; 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; Kim Bechtel, Deputy Executive Director; Daniel Auxier; Richard Osborn; and Aubry McDonald.

Other Guests: none.

Mr. Gullette verified a quorum was present, and the press was notified of the meeting.

Mr. Gullette called for a motion to approve the minutes from the March 10, 2026, meeting. A motion was made by Mr. Johnson and was seconded by Ms. Grigsby to approve the minutes. Motion **CARRIED**.

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 C, the second quarter Market Overview. He noted the sustained drop in treasury yields that you can see in the graph on page 12 suddenly reversed when the war began at the beginning of March. The debate quickly shifted from how many rate cuts there would be in 2026 to how many rate hikes might be needed. Other than the very short end, this rise happened almost uniformly across the curve and left yields at levels last seen a year and a half ago. He then directed the Commission to the following page showing how the yield curve currently looks. Noted here, for the first time in a long time, we are looking at a normalized yield curve that slopes up and to the right. If the next rate move really is a hike, that checkmark shape could return as the short end lifts but right now there's a positive slope. On the right he stated you'll see that our portfolios have posted $486 million in earnings for FY26 through the end of May and the General Fund alone is earning close to $20 million a month. Previously it seemed certain rates would continue to fall, and portfolio earnings would decrease from this level, but that's no longer guaranteed or even expected. Mr. Auxier stated he had always included the disclaimer at the bottom saying these earnings would fall as rates normalize, but it's possible they already have normalized and this just reflects our new reality. On page 14 you will see the latest inflation numbers. What had been simply stalled progress on bringing inflation down regressed into deterioration in 2026 as the rate began to rise again. This signifies a rate hike is upcoming but it's uncertain if the labor market, while improving, can support that now. 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 $13.8 billion. He noted the receipts in the General Fund for February, fell 0.6% compared to February of 2025. For March, receipts rose 6.2% compared to March of 2025. For April, receipts rose 15.2% compared to April of 2025. The total fiscal year 2026 receipts rose by 1.7%. The Commission took no action.

Short Term Pool – Mr. Osborn directed the Commission to Attachment E, on PDF page 18, you can see the Average Investable Balances Graph. The average investable balance in the Short Pool for the month of April was almost $5.6 billion. He then directed the Commission to the next page showing the Short Term Pool Portfolio Composition. US Treasury Debt made up about 27% of the portfolio, US Government Agency Debt 45%, Government Money Market Funds 22.2%, Repurchase Agreements 5.7%, and Asset Back less than 0.1%. Page 20, the Portfolio Performance, the orange bar represents the Short Term Pool and the dark blue bar represents the benchmark. As of April 30, 2026, the portfolio remained in-line with the benchmark. 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 23. She stated for April the one month return of 0.313% slightly overperformed in comparison with both benchmarks. On the next page, the Limited Pool Holdings Summary, the total amortized cost as of April 30, 2026, was slightly above $3.0 billion with a net inflow of approximately $503 million for the month.

Ms. Bechtel directed the Commission to page 25 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. To the right side of the page, the distribution was mainly invested in U.S. Treasuries at 41.6%, government agencies at 19.6% and money market funds at 23.7% of the Pool. Moving forward to the Liquidity and Maturity page, the Limited Pool continued to stay within guidelines. As of April 30, 2026, the Weighted Average Maturity was 28.4 days with the last three month average at 28.8 days. The daily at 42% and weekly liquidity at 45% and remained above requirements. She then directed the Commission to 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 F 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 March and April and University of Kentucky General Receipts in March. The largest weekly withdrawals occurred in University of Kentucky General Receipts in March and April. The largest accounts for April 30, 2026 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 31 of Attachment G, titled Intermediate Term Pool Fundamentals. The most significant data point here is the increase in duration the pool saw after February when cash that had been previously stockpiled in money market funds was deployed to take advantage of the higher rates produced by the start of the Iran war. This brought pool duration up from .76 to .94 in April and in May that reached .99. At the bottom of the page, he stated you will see sector allocation for the portfolio. The biggest change is that drop in money market allocation and the corresponding increase in both treasury and agency securities. Other than that, it remains largely the same. On the following page you will see Intermediate performance. The Intermediate Pool has outperformed both benchmarks for every time period out to the three-year mark. 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. Mr. Gullette called for a motion. A motion was made by Mr. McDaniel and was seconded by Mr. Johnson. 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 there was one addition this time, Piper Sandler under non-primary dealers. There were three removals which can be seen at the bottom of the page. Those are Stephens, Keybanc, and Mitsubishi UFJ. This item will also require approval from the Commission. Mr. Gullette called for a motion. A motion was made by Mr. Jones and was seconded by Ms. Grigsby. 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 FY2027. This item will also require approval from the Commission. Mr. Gullette called for a motion. A motion was made by Mr. Johnson and was seconded by Mr. McDaniel. Motion **CARRIED**.

Trading Limits – Ms. Bechtel directed the Commission to Attachment K, Trading Limits. It was suggested that Mr. Osborn's daily trading limit for the Money Market Trader position be increased, as well as the overall group limits, given the significant amount of cash OFM continues to hold. This item will require approval from the Commission. Mr. Gullette called for a motion. A motion was made by Mr. McDaniel and was seconded by Ms. Johnson. Motion **CARRIED**.

OFM Executive Director Update – Executive Director Robert K. Miller directed the Commission to Attachment L, on page 42 of the packet stating that OFM has a project currently underway to replace CAMRA Investment Accounting software as well as certain legacy in-house developed Access-based applications with automated interfaces between State Street Custodial Daily Accounting Services for Portfolio Accounting (State Street) and Fund Accounting provided by Northeast Retirement Services, LLC (NRS) and the Commonwealth of Kentucky Statewide Accounting System (eMARS). He noted included was an Investment Accounting As-Is and To-Be System maps for a high-level view of the project. Mr. Miller stated OFM will be working with consultants to document the design and use of those interfaces, develop and document the techniques to ensure that the files are in balance with one another train and test Commonwealth employees on monitoring and maintaining these balancing techniques, and prepare certain daily, monthly, and annual reports. The Commission took no action.

There being no further business, Mr. Gullette called for a motion to adjourn. Ms. Grigsby made a motion to adjourn, and Mr. Jones seconded. With no further business before the Commission, the meeting adjourned at 11:00 AM ET.

Respectfully submitted,

Signed by:

Robert K. Miller

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Secretary