

**STATE INVESTMENT COMMISSION  
MINUTES  
DECEMBER 15, 2020  
11:30 AM**

The State Investment Commission (“SIC” or “the Commission”) meeting was called to order on Tuesday, September 08, 2020, at 11:01 AM ET via ZOOM video teleconference by Allison Ball, Kentucky State Treasurer. Treasurer Ball asked for a roll call. Other members present were Elizabeth Carlin, proxy for Holly M. Johnson, Secretary, Finance and Administration Cabinet (“FAC”); John T. Hicks, State Budget Director, Office of the State Budget Director (“OSBD”), permanent proxy for Governor Andy Beshear; and W. Fred Brashear, II, representing the Kentucky Bankers Association.

Office of Financial Management (“OFM”) Staff Present: Ryan Barrow, Executive Director of OFM and Secretary to the Commission; Brian Caldwell, Deputy Executive Director, Daniel Auxier, Kim Bechtel, Amber Lee, Billy Aldridge, and Marcia Hutcherson.

Other Guests: WTVQ

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

Treasurer Ball called for a motion to approve the minutes from the September 08, 2020, meeting. A motion was made by Mr. Brashear and was seconded by Director Hicks to approve the minutes as written. Motion **CARRIED**.

**Compliance Reporting** – Mr. Barrow stated there were no Statute or Administrative Regulation violations during the period of September 01, 2020 – November 30, 2020. He noted the OFM Staff Internal Guideline per the Investment Manual of \$200 million maximum limit on repurchase agreements and money market mutual funds. In April, \$1.6 billion Federal Relief Aid was sent to the Commonwealth. OFM invested those proceeds across four money market mutual funds resulting in breaking the \$200 million limit per mutual fund. As of August 31, this applies to three money market mutual funds.

**Intermediate Pool Performance** – Mr. Caldwell directed the Commission to the Intermediate Term Pool report as of November, 2020. He reported the market value of the pool ended in November a little over \$2.7 billion, which was a little less than October’s number of \$2.8 billion and basically in line with September at just under \$2.7 billion. The Yield stood at 0.20%, at the end of November 2020, which was very close with benchmark A and 9 basis points more than benchmark B. The prior two months were in-line with the benchmark A, slightly more than benchmark B. The average credit quality is Aaa by Moody’s. At the end of November, duration stood at 1.19 or approximately fourteen months, as you can see is right in between both benchmarks A and B. In November, the net cash flow had a net outflow of \$68 million, but over the 3 months total, the portfolio had a net inflow of over \$173 million. The Portfolio Sector Allocations page gave a snapshot of how the portfolio is diversified across the different market sectors. The top left side is the Intermediate Pool with benchmark A on the top right side and

benchmark B at the bottom. Money Market Securities and Cash allocations decreased to 3% and 4%, respectively, allowing us to increase our Treasury allocation 10%. The additional 3% came from the cash inflow over the prior 3 months. All other sectors were basically unchanged since our last report in September. He continued with the Portfolio Performance page, which showed the Portfolio performance through the end of November. Blue bar represents the Intermediate Pool, the red bar is benchmark A and the green bar is benchmark B. There was a very slight gain in the Intermediate Pool in November and, coincidentally, the 3-month return was also 4 basis points. For all other time periods listed, the portfolio matched or performed slightly better than Benchmark A, obvious under-performance over longer time periods because of the duration mismatch being about half a year. The Commission took no action.

**Limited Pool Performance** - Ms. Bechtel presented the Limited Term Pool monthly report as of November 30, 2020, and directed the Commission to the Limited Term Pool monthly performance graph. She reported that rates are slightly under the benchmark, which represents the Local Government Investment Pool. Securities that are held in the portfolio, the amount of it is about \$1.5 billion and hasn't changed since last reporting for the end of October, 2020.

The next page illustrated the Credit Rating Distribution as of the end of November 30, 2020. High rated assets with government agency debt being a significant piece of this portfolio. We are in High Quality Asset and we are comfortable with the portfolio as is.

The weighted average maturity daily liquidity is 16%, and the weekly liquidity requirement is 57%. Going forward we will probably see a change in this quite a bit. Treasurer Ball asked if there was any concerns for the time being about our liquidity and where we are at. Ms. Bechtel stated that we are in a good position as far as liquidity is concerned. Mr. Caldwell also added that we have loaded up money market mutual funds, which has same day liquidity and right now there is so much unknown, from a revenue and investment standpoint, that we do not invest anything longer than 3 months for the foreseeable future. The Net Asset Value for the Limited Pool. We like this line to stay simple and straight. Director Hicks asked the meaning of "broken the buck". Ms. Bechtel explained. Mr. Caldwell added that "breaking the buck" means you are at a loss. Ms. Bechtel directed the commission to turn to the Limited Term Pool Liquidity Analysis to largest daily withdrawals and largest weekly withdrawals, UK is a significant piece as far as funds moving in and out during the month to meet their obligation. The largest individual accounts, Personnel Health Self-Insurance being the largest, followed by Medicaid Benefits Fund, and UK General Receipts. The goal is to maintain the prior approved requirements for daily and weekly liquidity of 15% and 30% respectively. The Commission took no action.

**Cash Flow** – Ms. Lee presented the Monthly Average Investable Balances Cash Flow Summary graph chart, blue line represents the 3 year average and the green line represents the 2021 fiscal year. Given the pandemic in 2020, fiscal year 2021 has been surprisingly positive year to date. These balances do not include Federal Cares money to give us a better picture of typical cash flow movement. The fiscal year to date receipts for the General Fund and Road Fund are up 3.1% and 1.7% respectively. For August to November we typically see a decrease in the balances when compared to July, due to spending the beginning of the new fiscal year including debt payments and transportation projects. The Commission took no action.

**Credit Considerations** – Mr. Auxier presented the list of Corporate Credits Approved for Purchase, and the list of Securities Lending Agent Approved Counterparties as of December 15, 2020. Mr. Auxier reported two minor changes for the Approved Corporate Credit List this quarter. First, we removed Guggenheim Securities from the list. They were included because we utilized them for triparty repo, but they have since exited that business and thus, we dropped them from the list. The other item is a name change due to a merger. Praxair is now Linde. Ratings remain the same, only the name has changed and they remain on the list. Director Hicks asked why Cornell University is on the list. Mr. Auxier explained that we used to buy Commercial Paper from them. While this hasn't occurred in some time, we still monitor their ratings and keep them on the list if needed in the future. Treasurer Ball asked why the Securities Lending Approved Counterparty List is no longer present. Mr. Auxier explained that we no longer participate in the Securities Lending Program with Deutsche Bank due to it not being profitable and an unnecessary administrative expense. Treasurer Ball called for a motion to approve both lists. A motion was made by Mr. Brasher to approve both lists and was seconded by Director Hicks. Motion **CARRIED**.

There being no further business, Treasurer Ball called for a motion to adjourn. Ms. Carlin made a motion to adjourn and was seconded by Mr. Brasher. With no further business before the Commission, the meeting adjourned at 11:46 AM ET.

Respectfully submitted,



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Ryan Barrow  
Secretary