State Investment Commission
March 23, 2017
1:00 p.m. ~ Room 182 ~ Capitol Annex
Frankfort, Kentucky

The State Investment Commission ("SIC" or "the Commission") meeting was called to order on March 23, 2017 at 1:00 p.m. in Room 182 of the Capitol Annex by Allison Ball, Kentucky State Treasurer. The Treasurer asked for a roll call. Other members present were Mark Bunning, permanent proxy for Secretary William M. Landrum III, Finance and Administration Cabinet ("FAC"); Director John Chilton, proxy for Governor Matthew G. Bevin; W. Fred Brashear, II, President and CEO, Hyden Citizens Bank, Hyden, Kentucky; and William Fallon, President and CEO, The Bankers' Bank of Kentucky, Frankfort, Kentucky.

Office of Financial Management ("OFM") Staff Present: Sandy Williams, Deputy Executive Director; Brian Caldwell, Kim Bechtel, Dwight Price, Amber Lee and Tammy McCall.

Other Guests: Ed Ross, Controller, Office of the Controller, FAC; and Dennis Piava, Kentucky State Treasury.

Treasurer Ball verified that a quorum was present and that the press had been notified of the meeting.

Treasurer Ball called for a motion to approve the minutes from the December 7, 2016, meeting. A motion was made by Mr. Bunning and seconded by Mr. Fallon to approve the minutes as written. Motion CARRIED.

Compliance Reporting – Mr. Barrow presented the Memorandum regarding Bloomberg Compliance Reporting stating there were no violations for the period of November 1, 2016 thru February 28, 2017.

Personnel Update - Mr. Barrow introduced Amber Lee who began employment on March 1, 2017. She will be assigned to Cash and as back-up Credit. He noted that OFM is in the process of hiring one more individual to bring the investment group back up to full staff.

Intermediate Pool Performance - Mr. Caldwell directed the Commission to the Intermediate Term Pool report as of February 28, 2017. The Pool market value was just over $2.7 billion. The Yield to Worst was 1.16%, which was slightly under the benchmark. Quality remained high at Aaa. Duration was slightly under the benchmark by a third of the year or 1.21%. The Portfolio Sector Allocations page gave a snapshot of how the Portfolio is diversified across the different sectors of the fixed income market as of February 28, 2017. He noted an increase in the Corporates, ABS and Treasury sectors from last quarter. Mr. Caldwell continued with the Portfolio Performance page, which showed the Portfolio performance versus the Benchmark as of February 28, 2017. He stated the Pool's good performance was driven by the short duration as rates have increased and by the spread of product allocations.

Limited Pool Performance - Ms. Bechtel presented the Limited Term Pool monthly report as of February 28, 2017. She directed the Commission to the Limited Term Pool monthly performance graph which compared the Pool to the Local Government Investment Pool benchmark. The second page of the report listed all the securities held in the Pool as of February 28, 2017, with a total balance slightly above $1.7 billion. Ms. Bechtel noted that Prime Money Market funds were utilized because
they were providing a yield in the mid 80’s which should continue to increase because of the rise of interest rates that took place in the middle of this month. The next page illustrated a breakdown of the Pool by credit rating and sector distributions, showing the portfolio consists of high quality diversified assets. The next page provided a detail on the weighted average maturity and life plus liquidity positions. Ms. Bechtel stated that the daily liquidity was running high due to the utilization of the money market funds but was well within the parameters. The Net Asset Value graph was steady as it should be. The memo regarding Limited Term Pool Liquidity Analysis dated March 23, 2017, listed the largest daily withdrawals, largest weekly withdrawals and largest individual accounts in the Pool. The largest daily and weekly withdrawals was the Med Assessment Revolving Trust Fund. The largest individual account in the portfolio was the Employee Self-Insurance Fund. The daily liquidity requirement as set forth by the Commission is 15% and the weekly liquidity requirement is 30%. Staff recommended maintaining the current liquidity requirements of the Pool requiring no action from the Commission. The Commission took no action.

Country Bank - Mr. Price presented an update on the Kentucky Bank Program as of March 10, 2017. He reported that The Bank of Jamestown had a Loans to Deposits ratio of 68%, just slightly below the required 70%. Mr. Price stated that all four participating banks are well collateralized and there was no risk to the Commonwealth. The Commission took no action.

Credit Considerations – Mr. Caldwell presented the list of Corporate Credits Approved for Purchase and the list of Securities Lending Agent Approved Counterparties as of March 23, 2017. There were no additions or removals from last quarter. Staff recommended approval as presented. Mr. Fallon made a motion and was seconded by Mr. Brashear. Motion CARRIED.

Trading Limits - Ms. Bechtel presented the proposed trading limits and requested approval to maintain the three Senior Portfolio Managers (Dwight Price, Kim Bechtel and Brian Caldwell) and to add Amber Lee as a Money Market Trader. There being no discussion, Treasurer Ball called for a motion to approve. Mr. Fallon made a motion to approve the Trading Limits as presented, and was seconded by Mr. Bunning. Motion CARRIED.

There being no other business, Treasurer Ball called for a motion to adjourn. Mr. Fallon made a motion and was seconded by Mr. Bunning. The meeting adjourned at 1:15 p.m.

Respectfully submitted,

[Signature]

Ryan Barrow
Secretary