The State Investment Commission ("SIC" or "the Commission") meeting was called to order on Tuesday, March 24, 2020, at 1:30 PM ET via ZOOM video teleconference by Allison Ball, Kentucky State Treasurer. Treasurer Ball asked for a roll call. Other members present were Geri Grigsby, permanent 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, Sandy Williams, Deputy Executive Director, Daniel Auxier, Kim Bechtel, Amber Lee, Billy Aldridge, and Jennifer Yount.

Other Guests: Josh Rayborn, Office of the Kentucky State Treasurer; Katherine Halloran, Legislative Research Commission ("LRC"); Julia Wang, LRC; and Edgar C. Ross, State Controller and Executive Director, Office of the Controller.

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 November 26, 2019, 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 violations during the period of November 1, 2019 – February 29, 2020.

Intermediate Pool Performance – Mr. Caldwell directed the Commission to the Intermediate Term Pool report as of February 29, 2020. He reported the market value of the pool ended in February a little below $2.8 billion, which was approximately $300 million more than the three months prior average of $2.4 billion. The $300 million increase was due to the UK sending money in February, as you will see when we get to Net Cash Flow The Yield to Worst stood at 1.26%, at the end of February 2020, which was 28 and 13 basis points more than Benchmark A and Benchmark B, respectively. The average credit quality is Aaa by Moody’s. At the end of February, duration stood at 0.85 of a year which was little over half a year shorter than Benchmark B but basically in-line with benchmark B. The net cash flow over the past four months had a net inflow of $357 million; including $300 million from the UK in February. The Portfolio Sector Allocations page gave a snapshot of how the Portfolio was diversified across the different market sectors. Mr. Caldwell reported the left side is the Intermediate Pool with Benchmark A on the top right side and Benchmark B on the bottom. ABS, Treasury, MBS, and Corp sectors decreased about 2%, each allowing us to increase our allocation to money market securities, which includes money market mutual funds and other short, high-quality securities by 8%. He continued with the
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Portfolio Performance page, which showed the Portfolio performance versus the benchmarks as of February 29, 2020. The Intermediate Pool has performed in-line or slightly better than Benchmark B, represented by the green bar. Compared to Benchmark A, under-performance for all time periods because of the duration mismatch with the Intermediate Pool.

**Limited Pool Performance** - Ms. Bechtel presented the Limited Term Pool monthly report as of February 29, 2020, and directed the Commission to the Limited Term Pool monthly performance graph. She reported the Limited Term Pool slightly underperformed the benchmark in February 2020, and the fiscal year to date. The pool performed slightly below the benchmark at the three months, six months, and one year range. The second page of the report is the balance of the portfolio, as of February 29, 2020, which has not changed since October 2019. The next page illustrated a breakdown of the pool by credit rating and sector distributions. The largest group holding in the sector distribution is Government Agency Debt at 21.43%. The next page liquidity and maturity, the average as of February 29, 2020, was approximately 16% with daily liquidity and weekly liquidity of 57%. The Net Asset Value graph has no major divergence. The memo regarding Limited-Term Pool Liquidity Analysis dated March 24, 2020, listed the largest daily withdrawals, largest weekly withdrawals, and largest individual accounts in the pool for four months ending February 29, 2020. The largest daily and weekly withdrawals were the UK General Receipts. The largest individual account in the portfolio was the Personnel Health 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.

**Cash Flow** – Ms. Lee presented the Monthly Average Investable Balances Cash Flow Summary graph chart, which compared the last three years averages to the current fiscal year. She noted the blue line represents the three-year average, and the green line represents the 2020 FY. From December to February, the trend line moved upward. There was not as much spending going on during this time, as well as lower debt payments when compared to July to November. There was an increase in revenue. However, this is expected to decrease. The Commission took no action.

**TRAN** – Ms. Lee presented the Tax Revenue Anticipation Notes ("TRAN"), which closed on July 10, 2019, providing over $400 million to invest. Two securities were purchased with a weighted market yield of 1.91%. The securities will mature in June of 2020 and will fund debt service. As of February 29, the market value was a little over $411 million yielding 1.19%. On the left shows, the Sector Allocations on the right are the returns. The return for one month was 0.15%, for three months 0.48%, six months 0.95%, and fiscal year to date at 1.12%. 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 March 24, 2020. Mr. Auxier reported a change to the Corporate Credit Approved List. Boeing was removed in December after a series of credit rating downgrades throughout the year left them below our minimum standard. No Boeing securities were owned when they were removed. The Securities Lending Approved Counterparties List remained unchanged. Staff recommended approval as
presented. Treasurer Ball called for a motion to approve both lists. A motion was made by Mr.
Brashear 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. Mr. Brashear made
a motion to adjourn and was seconded by Ms. Grigsby. With no further business before the
Commission, the meeting adjourned at 1:55 p.m.

Respectfully submitted,

[Signature]

Ryan Barrow
Secretary