The State Investment Commission ("SIC" or "the Commission") meeting was called to order on Wednesday, June 03, 2020, at 11:09 AM 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 March 24, 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 violations during the period of March 01, 2020 – April 30, 2020.

Intermediate Pool Performance – Mr. Caldwell directed the Commission to the Intermediate Term Pool report as of April 30, 2020. He reported the market value of the pool ended in April a little below $2.7 billion, which was about the same for March and a little less than the $2.8 for February. The Yield to Worst stood at 0.33%, at the end of April 2020, which was 14 and 17 basis points more than Benchmark A and Benchmark B, respectively. The average credit quality is Aaa by Moody's. At the end of April, duration stood at 0.75 of a year which was half a year shorter than Benchmark A and slightly shorter than Benchmark B. The net cash flow over the past three months had a net inflow of $207 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. Treasury, and Agency sectors increased 3% and 4%, respectively. All other sectors were unchanged. He continued with the Portfolio Performance page, which showed the Portfolio performance versus the benchmarks as of April 30, 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 April 30, 2020, and directed the Commission to the Limited Term Pool monthly performance graph. She reported the Limited Term Pool slightly underperformed the benchmark in April 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 April 30, 2020, Government Agency Debt and Government Funds are the largest of this section, as it takes longer for yields to decrease giving us liquidity we may need. The total of the portfolio is over $2 billion. The next page illustrated a breakdown of the pool by credit rating and sector distributions. The largest group holding in the sector distribution is Investment Company at 40.71% these are High Quality Assets, we are not currently purchasing Commercial Paper. The next page liquidity and maturity, the average as of April 30, 2020, was approximately 74.57% with daily liquidity and weekly liquidity of 88.94%. The Net Asset Value graph had one major divergence we are required to notify the Commission if it exceeds 0.0025. To date the maximum divergence has been 0.000230. The memo regarding Limited-Term Pool Liquidity Analysis dated June 03, 2020, listed the largest daily withdrawals, largest weekly withdrawals, and largest individual accounts in the pool for two months ending April 30, 2020. The largest daily and weekly withdrawals were themed Assessment Trust. 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. During the previous months there was an increase in revenue, but it was expected to decline. While March continued to follow close to the past 3 years average trend line it did begin to decline in April. This is due in part to the decrease in individual and corporate income taxes as the filing deadline has been extended to mid-July. She noted the Commonwealth received 1.6 billion dollars from the Federal Coronavirus Relief Fund in April. It is not include in the graph to get a better picture of typical cash flow movement. 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 this month in June of 2020 and will fund debt service. As of April 30, 2020, the market value was a little over $412.6 million yielding 0.25%. Sector Allocations on the right are the returns. The return for one month was 0.16%, for three months 0.45%, six months 0.95%, and fiscal year to date at 1.43%. 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.

Approval of NRSRO’s - Mr. Auxier presented the Nationally Recognized Statistical Rating Organizations (NRSRO) for Fiscal Year 2021. Staff recommended the Commission approve S&P, Moody’s and Fitch as the NRSROs used in determining investment compliance for Fiscal Year 2021. Treasurer Ball called for a motion. Director Hicks made a motion to approve and was seconded by Mrs. Grigsby. Motion CARRIED.

Approval of Broker-Dealer List – Mr. Auxier presented the list of Primary Dealers and Non-Primary Dealers for Fiscal year 2021. He explained the requirements of a broker-dealer and the process for placement on the list. He noted there were four minor names dropped from the the non-primary dealers section due to non use. Staff recommended approval. Treasurer Ball called for a motion. Director Hicks made a motion to approve and was seconded by Mr. Brashear. 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 11:41 AM ET.

Respectfully submitted,

[Signature]
Ryan Barrow
Secretary