



Minutes
Endowment Fund Investment Board
Regular Meeting
February 13, 2019

A regular meeting of the Endowment Fund Investment Board (Board) was held in the Conference Room at 816 W. Bannock Street, Ste. 301, Boise, Idaho on February 13, 2019. Chairman M. Dean Buffington called the meeting to order at 9:02 a.m. Chairman Buffington noted there was a quorum.

Member's Present:

Dean Buffington
Jerry Aldape
Representative Anderson (Arrived at 11:15 a.m.
and departed at 1:15pm)
Warren Bakes*
Irv Littman
Gary Mahn
Richelle Sugiyama
Senator Winder (departed at 10:30 a.m.)

Member's Absent:

None

*Teleconference

Staff Present:

Chris Anton
Chris Halvorson
Kathy Van Vactor
Liz Wieneke

Legal Counsel:

Julie Weaver

Guests:

Janet Becker-Wold, Callan
Kari Kostka, IDL
Joshua Purkiss, IDL
Ryan Montoya, IDL
Mike Keough, DWS
Josh Lenhart, DWS
Brandon Wolf, SCO
Josh Whitworth, SCO
Rhet Hulbert, Clearwater Advisors
Dan Bates, Clearwater Advisors
Larry Johnson
Gavin Gee
Libby Gee

Hard copies of board materials were mailed and delivered five days prior to the scheduled board meeting and a meeting notice and agenda were posted on the door of the EFIB office on February 7, 2019.

Mr. Anton welcomed Kathy Van Vactor, EFIB's new Fiscal Officer effective January 7, 2019.

Board Meeting Minutes:

Mr. Aldape moved to approve the minutes of the November 20, 2018, regular meeting. The motion was seconded by Mr. Mahn and approved unanimously.

Investment Performance Review – 4th quarter 2018 (Janet Becker-Wold)

Endowment Fund Performance: The endowment portfolio posted a -9.4% return for the quarter ended December 31, 2018, 1.2% below benchmark, ranking 85th percentile relative to public fund peers and 76th percentile relative to endowment and foundation peers.

The endowment portfolio posted a -4.8% return for the calendar year ended December 31, 2018. Performance was even with the benchmark and ranked in the 65th percentile relative to public fund peers and 40th percentile relative to endowment and foundation peers.

State Insurance Fund (SIF) Performance: The SIF portfolio posted a -0.8% return for the quarter and -0.6% return for the calendar year ended December 31, 2018.

Review 2019 Capital Markets Assumptions:

Ms. Becker-Wold reviewed Callan's updated capital market assumptions and reviewed the international equity and fixed income structure.

Ms. Becker-Wold presented a set of unconstrained asset allocations that were optimized around the efficient frontier. The unconstrained optimization suggests that our current allocation is efficient – there are no other portfolio mixes of assets with a higher rate of return at the same level of risk. Based on our asset allocation, Callan's expects an average annual return of 6.7% with an expected risk of 13.2%.

Callan's international equity structure review considered the removal of the 2% allocation to the EAFE index. The analysis indicated that removal of the EAFE index would have no impact on the total fund risk and return. It also indicated that active managers in this asset class exhibited a greater probability of success in beating the benchmark. Staff indicated that it was not cost effective to maintain a separate account for an allocation of this size and concurred with Callan's recommendation to remove the 2% allocation to the EAFE Index.

Approve the elimination of the MSCI EAFE Index allocation:

Mr. Aldape moved to approve the elimination of the MSCI EAFE Index Allocation. The motion was seconded by Mr. Littman. The motion failed.

Callan's fixed income structure review considered the removal of the 4% allocation to TIPS. The analysis indicated that excluding TIPS would have modestly increased the return and reduced the risk of the portfolio over the last seven years. Since TIPS were added to the portfolio, we added real estate which is correlated to inflation and hired active fixed income managers who have the ability to hold TIPS. Staff indicated that DoubleLine and Western Asset Management were holding TIPS allocations of approximately 2% and concurred with Callan's recommendation to remove the dedicated 4% allocation to TIPS.

Approve the elimination of the dedicated TIPS allocation:

Following a thorough discussion, there was no motion.

Review of the relationship with Systematic Financial, our Mid-Cap Value Manager:

Staff indicated that Ronald Mushock, who is the Portfolio Manager for Systematic Financial's mid cap value strategy, was leaving the firms.

Mr. Aldape moved to give staff the authority to terminate Systematic Financial, when and if they deem it appropriate. The motion was seconded by Mr. Mahn and approved unanimously.

DWS REEF II America Core Real Estate Fund Presentation (Mike Keough and Josh Lenhart, Portfolio Manager) provided an update on their core U.S. real estate fund. The performance of the fund has been very strong. They indicated that income was anticipated to remain strong, but that price appreciation would likely slow in 2019.

IDL Land Acquisition Update (Josh Purkiss and Ryan, Montoya, IDL) provided an overview of IDL's land acquisition plan. They indicated that IDL invested \$50.2 million in land acquisitions from fiscal years 2017 - 2019, including a \$42.8 million, 32,160 acre, acquisition from the Molpus Group in December of 2018.

Recognition of Gavin Gee

Chairman Buffington thanked Mr. Gavin Gee for his 26 years of outstanding service on the EFIB board. He presented him with a letter signed by the State Board of Land Commissioners and provided him with a plaque from the EFIB.

LUMA Project Overview (Brandon Woolf, State Controller)

Mr. Woolf provided an overview of the LUMA Project including historical perspective, vision, goals, and project timeline followed by the software and integration services evaluation processes.

Annual Review of EFIB Policies

Mr. Anton presented an overview of staff's suggested changes to the existing policies. Discussion followed. The board was asked to provide comments by the end of February. The staff was asked to incorporate board recommendations, review the changes with legal counsel and circulate revised policies to the board.

EFIB Staff Reports

Mr. Anton presented the financial update.

Mr. Anton presented a Fiscal 2020 budget update.

Mr. Anton presented the gift log.

Mr. Anton reviewed the list of upcoming meetings.

Independence Requirement Statement

Mr. Anton distributed independence requirement statements for the Board members to sign. The signed version will be saved electronically.

Adjournment

There being no further business to come before the Board, Mr. Buffington declared the meeting adjourned.

The meeting adjourned at 2:20 p.m.