



Final Minutes
Endowment Fund Investment Board
Regular Board Meeting
May 21, 2019

A regular meeting of the Endowment Fund Investment Board (“Board”) was held in the conference room at 816 W. Bannock Street, Suite 301 in Boise, Idaho on May 21, 2019. Chairman M. Dean Buffington called the meeting to order at 9:34 a.m. and recognized that a quorum was present. Prior to commencement of the meeting, the Board presented its semi-annual report to the Idaho Board of Land Commissioners.

Member’s Present:

Dean Buffington
Jerry Aldape
Warren Bakes
Irv Littman
Gary Mahn
Richelle Sugiyama (arrived 10:35 a.m.)
Tom Wilford (arrived at 10:15 a.m.)
Senator Winder

Member’s Absent:

Representative Anderson

Staff Present:

Chris Anton
Chris Halvorson
Kathy Van Vactor
Liz Wieneke

Legal Counsel:

Julie Weaver, Deputy Attorney General

Guests:

Janet Becker-Wold, Callan
Michael Ray, TimesSquare
Tony Rosenthal, TimesSquare *
Rhet Hulbert, Clearwater Advisors
Bill Haagenson, IDL
Kari Kostka, IDL

*participated via teleconference

Hard copies of board materials were distributed 5 days prior to the meeting and a meeting notice was posted on the EFIB office door on May 15, 2019.

Board Meeting Minutes:

Mr. Bakes moved that the minutes of the special meeting held on March 25, 2019, be approved as submitted. The motion was seconded by Mr. Mahn and approved unanimously. Senator Winder abstained since he was not present.

TimesSquare – U.S. Mid Cap Growth Presentation (Michel Ray and Tony Rosenthal)

Michael Ray, Product Manager, reviewed TimesSquare’s investment philosophy, assets under management and key personnel. Mr. Ray noted that Affiliated Managers Group (AMG) owns 51% of TimesSquare. Mr. Rosenthal reviewed the firm’s investment philosophy and processes and noted that while investment performance has slightly lagged the benchmark, the risk adjusted returns are outstanding as reflected in the Sharpe Ratio. They tend to perform best in declining markets.

Investment Performance Review (Janet Becker-Wold, Callan)

The Endowment Fund posted gains of 10.1% and 4.7% for the quarter and twelve months ended March 31, 2019, respectively, which are 0.7% above and 0.2% better than the benchmark. The fund's performance ranked in the top 6th and 28th percentile of the Callan Public Fund Sponsor Database for the quarter and twelve months ended March 31, 2019.

The State Insurance Fund posted gains of 3.6% and 3.9% for the quarter and twelve months ended March 31, 2019, respectively, which are 0.10% and 0.20% below the benchmark.

Mr. Anton asked if Callan had any concerns with the financial health of Deutsche Bank, who is one of EFIB's private real estate managers. Ms. Becker-Wold discussed some of the financial challenges faced by Deutsche Bank and indicated the situation would be monitored going forward.

Approve EFIB Policies (Chris Anton)

Mr. Anton provided an overview of significant changes made to EFIB's policies. Discussion followed.

Ms. Sugiyama moved to approve EFIB Policies. The motion was seconded by Mr. Bakes and approved unanimously.

Rule Setting (Julie Weaver, Deputy AG)

Ms. Weaver presented EFIB Rule IDAPA 32.01.01 and explained the need for temporary and proposed rulemaking. The effective date for the temporary rule is June 30, 2019, which will allow EFIB to continue charging school districts fees for school bond credit enhancement. The credit enhancement program is beneficial to Idaho Public Schools because it lowers the cost of financing associated with the construction of new schools.

Mr. Aldape moved to approve the Temporary Rule IDAPA 32.01.01. The motion was seconded by Mr. Wilford and approved unanimously.

Approve the Capitol Permanent Fund FY2020 Distribution* (Kathy Van Vactor)

Ms. Van Vactor presented the Capitol Permanent Endowment Fund distribution recommendation. The staff recommended a distribution of \$1,409,300 in FY2020, which is consistent with the 5% distribution policy.

Mr. Aldape moved to approve a transfer of \$1,409,300 from the Capitol Permanent Fund to the Capitol Maintenance Reserve Fund at the beginning of the new fiscal year. The motion was seconded by Mr. Littman and approved unanimously.

Senator Winder, who serves on the Capitol Commission, provided some examples of recent Capitol improvement projects.

Review Preliminary Estimate of FY2021 Beneficiary Distributions (Chris Anton)

Mr. Anton presented a preliminary estimate of FY2021 beneficiary distributions based on fiscal 2019 investment performance through March 31, 2019.

Review draft of EFIB's Strategic Plan*(Chris Anton)

Mr. Anton presented the draft of EFIB's Strategic Plan FY2020 – FY2024. The Board reviewed and discussed the Strategic Plan and provided feedback.

Ms. Sugiyama moved to approve EFIB's Strategic Plan FY2020 – FY2024 as presented. The motion was seconded by Mr. Aldape and approved unanimously.

Summary of Compensation Committee Actions

Mr. Bakes provided an overview of the Employee Compensation Plan for FY2020 as submitted by the Compensation Committee. Mr. Bakes was complimentary of the staff's performance.

Land Board Audit Committee Update

Mr. Mahn provided a summary of the Land Board Audit Committee Meeting held on May 15, 2019. Mr. Mahn indicated that CliftonLarsenAllen plans to be onsite to conduct a pre-audit review from June 12 - 14, 2019. They also plan to be onsite for

audit activities from July 24 - 26, 2019 and July 31 - August 2, 2019. The next Land Board Audit Committee meeting is scheduled on August 14, 2019.

EFIB Staff Reports

Mr. Anton presented the financial update.

Mr. Anton presented the gift log.

Mr. Anton presented an update on the Investment Consultant RDP process.

Mr. Anton presented upcoming meetings.

Ms. Sugiyama moved to approve the recommended meeting dates with the exception of the February 2020 meeting. Staff was asked to look for an alternative date. The motion was seconded by Mr. Aldape and approved unanimously.

Adjournment

There being no further business to come before the Board, Ms. Sugiyama moved to adjourn, which was seconded by Mr. Aldape and passed unanimously.

The meeting adjourned at 1:56 p.m.