



Final Minutes
Endowment Fund Investment Board Regular Board Meeting
August 15, 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 August 15, 2019. Chairman M. Dean Buffington called the meeting to order at 9:00 a.m. and recognized that a quorum was present.

Member’s Present:

Dean Buffington
Jerry Aldape
Warren Bakes
Representative Steven Harris (Arrived 10:15am)
Irv Littman
Gary Mahn
Richelle Sugiyama

Staff Present:

Chris Anton
Chris Halvorson
Kathy Van Vactor
Liz Wieneke

Legal Counsel:

None

Member’s Absent:

Tom Wilford
Senator Chuck Winder

Guests:

Paul Erlendson, Callan
Bill Haagenson, IDL
Sarah Browning, Schroders
Derek Power, Schroders
Paul Niedermuller, CliftonLarsenAllen
Branden Rudd, CliftonLarsenAllen
Secretary Lawrence Denny, Idaho Secretary of State
Representative Neil Anderson

Hard copies of board materials were mailed and delivered 6 days prior to the scheduled board meeting and a meeting notice and agenda were posted on EFIB’s office door on August 9, 2019.

Board Meeting Minutes:

Mr. Bakes moved that the minutes of the special meeting held on July 2, 2019 be approved as submitted. The motion was seconded by Mr. Littman and approved unanimously.

Schroders – QEP International Value Presentation (Sarah Browning, Derek Power)

Derek Power, Investment Director, reviewed Schroder’s investment methodology, investment performance and key personnel. Mr. Power noted that we have been in a challenging environment for value strategies and that investment performance since inception (9/17) has lagged the MSCI ACWI ex-US index by 2.1%. Mr. Power indicated they hold close to 700 securities in the portfolio and have higher than normal trading, which provided good diversification and favorable downside capture.

Investment Performance Review (Paul Erlendson, Callan)

Mr. Erlendson provided an update on the economy and financial markets and reviewed the performance of the Endowment Fund and State Insurance Fund. Mr. Erlendson noted the outstanding performance of the Endowment Fund over both the short and long term. He indicated the Endowment Fund was in the top 8th and 4th percentiles for the 10-year and 15-year periods, when compared to other public funds.

The Endowment Fund posted gains of 4.2% and 7.6% for the quarter and twelve months ended June 30, 2019, respectively, which are 0.7% above and 0.4% better than the benchmark. The funds performance ranked in the 1st and 11th percentiles in the Callan Public Fund Sponsor Database for the quarter and twelve months ended June 30, 2019.

The State Insurance Fund posted gains of 2.7% and 6.5% for the quarter and twelve months ended June 30, 2019, respectively, which are 0.04% and 0.2% below the benchmark.

Approve FY2021 Beneficiary Distributions and Transfers* (Chris Anton)

Mr. Anton reviewed the Land Board's policies for calculating beneficiary distributions and earnings reserves. He asked the Board to approve, for recommendation to the Land Board, beneficiary distributions of \$84.5 million in FY2021, which represents an increase of 4.5% from beneficiary distributions of \$80.9 million in FY2020. He also asked the Board to approve the transfer of \$57.8 million from earnings reserves into the permanent fund and to treat the transfers as an addition to the Gain Benchmark.

Ms. Sugiyama moved to approve the FY2021 beneficiary distributions as proposed and to recommended them to the Land Board for final approval. The motion was seconded by Mr. Littman and approved unanimously.

Ms. Sugiyama moved to approve the treatment of transfers as proposed. The motion was seconded by Mr. Mahn and approved unanimously.

Review FY2019 Audited Financial Statements (Branden Rudd, Paul Niedermuller, Gary Mahn, Kathy Van Vector)

Mr. Niedermuller stated that the audit went well. He indicated that they would be issuing an unmodified opinion and that there were no significant deficiencies or material weaknesses identified. He said there were no audit adjustments or disagreements with management. He indicated that once the Land Board approves beneficiary distributions and transfers for FY2021 and staff signs the letter of representation, that they would issue an unmodified opinion, provide a copy of the management representation letter and issue the final report.

Ms. Sugiyama moved to approve the FY2019 EFIB Audited Financial Statements as approved by the Land Board Audit Committee . The motion was seconded by Mr. Littman and approved unanimously.

Appoint EFIB Representative to Land Board Audit Committee (Chairman Buffington)

Chairman Buffington announced his appointment of Mr. Wilford to the Land Board Audit Committee. He stated that Gary Mahn and Jerry Aldape will continue to serve on the Committee.

Approve FY2021 EFIB Budget * (Chris Anton)

Mr. Anton requested the Board approve the FY2021 operating budget of \$753, 500 plus any personnel cost adjustments that may be required.

Ms. Sugiyama moved to approve the FY2020 EFIB Budget as proposed. The motion was seconded by Mr. Bakes and approved unanimously.

Rule Setting Update (Chris Anton)

Mr. Anton provided an update on the status of the EFIB administrative rule IDAPA 32.01.01 - Notice of Omnibus Rulemaking - Temporary and Proposed Fee Rulemaking -Docket No. 32-0101-1900F. Mr. Anton reported that the Senate and House

Subcommittees have reviewed the proposed changes to the Endowment Board Investment Fund rule, and it was determined that no meeting will be held and no objections will be filed.

Land Revenue Forecast (Bill Haagenson, Department of Lands)

Mr. Haagenson provided an overview of the four-year land revenue forecast. The Department of Lands has proposed increasing the annual timber sale volume to 328 mmbf, which is an increase of 32.8% over the 2009 Forest Asset Management Plan

Recognition of Representative Neil Anderson

On behalf of the Idaho Land Board, Idaho Secretary of State Lawrence Denny expressed appreciation to Representative Anderson for his six years of service as a member of the Endowment Fund Investment Board.

Chairman Buffington presented Representative Anderson with a plaque on behalf of EFIB and thanked him for his outstanding service.

Break for lunch 12:00 pm to 12:45 pm

EFIB Staff Reports

Mr. Anton presented the gift log.

Mr. Anton provided an update on the Investment Consultant RFP.

Mr. Anton highlighted upcoming meetings.

The meeting adjourned at 1:03 p.m.

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