



Final Minutes
Endowment Fund Investment Board Regular Board Meeting
February 13, 2020

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, 2020. 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
Warren Bakes
Irv Littman
Gary Mahn
Richelle Sugiyama* (*called in 10 am*)
Senator Chuck Winder
Jerry Aldape

Staff Present:

Chris Anton
Chris Halvorson
Kathy Van Vactor
Liz Wieneke

Legal Counsel:

Julie Weaver

Member’s Absent:

Representative Steven Harris (In Session)
Tom Wilford

Guests:

Janet Becker-Wold, Callan
Keith Bruch, LSV Asset Management
Bill Haagenon, IDL
Dustin Miller, IDL
Matthew Reiber, DFM
Mike Barela, Voya

** Via Phone*

Hard copies of board materials were distributed 5 days prior to the scheduled board meeting and a meeting notice and agenda were posted on EFIB’s office door and website on February 6, 2020.

Modify order of Agenda:

Mr. Mahn moved to modify the order of the agenda. The motion was seconded by Mr. Aldape and approved unanimously.

Board Meeting Minutes:

Mr. Bakes moved that the minutes of the regular meeting held on November 19, 2019 be approved. The motion was seconded by Mr. Aldape and approved unanimously.

EFIB Policy Review

Mr. Anton reviewed a new cyber security policy called the *Incident and Data Breach Notification* and described its purpose. The purpose for this policy is to ensure EFIB complies with proper incident response and data breach procedures with follows applicable federal and state privacy laws and ITA policies, standards and guidelines.

The Office of Information Technology has sent the EFIB staff mock phishing emails. The staff has successfully identified mock phishing emails as potential threats.

Mr. Aldape recommended that the policy be modified to indicate the EFIB Board be notified in the event of a data breach.

Mr. Aldape moved that the Incident and Data Breach Notification policy be approved as modified. The motion was seconded by Mr. Littman and approved unanimously.

Notice of Adoption of Temporary Rule

Mr. Anton presented the Notice of Adoption of Temporary Rule. He asked the Board to adopt as temporary and proposed the EFIB Rules Governing the Credit Enhancement Program for School District Bonds and delegate to the Manager of Investments the authority to make and approve all notices and filings under the rule making process in the event the EFIB's rules are not approved by the Legislature upon sine die of the 2020 session.

Mr. Littman moved that the Notice of Adoption of Temporary Rule be approved and that the Manager of Investments be given authority to make and approve notices and filings under the rule making process. The motion was seconded by Mr. Aldape and approved unanimously.

LSV Asset Management Presentation (Keith Bruch)

Mr. Keith Bruch, Partner, reviewed LSV's investment philosophy, discussed key personnel, and highlighted performance results. Mr. Bruch discussed the underperformance of value equity vs. growth equity. He noted a 20% discount in the forward price-to-earnings ratio of the MCSI U.S Value Index compared to MSCI U.S. Core Index. He wasn't sure when this trend would change but showed that historically after periods in which the spread in relative valuations are wide, value strategies have outperformed growth 80% of the time over the next 1-year. Mr. Bruch answered questions regarding portfolio positioning and LSV's broad equity market outlook.

Investment Performance Review (Janet Becker-Wold, Callan)

Endowment Fund Performance: The endowment portfolio posted gains of 6.5% for the quarter and 22.7% for the twelve months ended December 31, 2019. This performance was 0.5% over the benchmark during the quarter and 2.0% over the benchmark during the year. The fund ranked in the 5th percentile for both the quarter and year in the Callan Public Fund Sponsor Database.

State Insurance Fund (SIF) Performance: The State Insurance Fund portfolio posted gains of 1.5% for the quarter and 9.6% for the twelve months ended December 31, 2019.

Review 2020-2029 Capital Markets Assumptions:

Ms. Becker-Wold reviewed Callan's 2020 capital market assumptions. She noted that equity return expectations were similar to those from a year ago, but fixed income returns were anticipated to be considerably lower over the next ten years. She indicated that the endowment fund portfolio was anticipated to generate a compound annual return of 6.4% with a standard deviation of 12.8% over the next ten years.

Ms. Becker-Wold presented a set of unconstrained asset allocations that were optimized around the efficient frontier. She indicated that the endowment funds current asset allocation is efficient, but that the model suggests modest decreases in U.S. equity, modest increases in international equity, modest increases in real estate or real assets like infrastructure and the elimination of TIPS in favor of board core fixed income.

Ms. Becker-Wold then presented an educational overview of infrastructure investing. She indicated that infrastructure provided

enhanced yields in a low interest rate environment, portfolio diversification, downside protection and inflation protection.

It was agreed that we would continue to evaluate infrastructure and conduct a structure review of the portfolio during the May board meeting.

Department of Lands (Dustin Miller)

Director Miller highlighted some recent organizational changes and presented a video that highlighted the activities conducted by the Department of Lands during calendar 2019.

EFIB Staff Reports

Mr. Anton presented the gift log.

Mr. Anton provided an update on the Fiscal 2021 budget approval process.

Ms. Van Vactor presented the monthly financial package through December 31, 2019.

Mr. Anton discussed the State Economic Reserve.

Mr. Anton asked the Board members to complete the annual Independence Requirement Statements.

Mr. Anton reviewed the upcoming meeting schedule.

There being no further business to come before the Board, the meeting adjourned at 12:27 pm.