



*Final Minutes*  
Endowment Fund Investment Board  
Regular Board Meeting  
August 13, 2020

A regular meeting of the Endowment Fund Investment Board (“Board”) was held via Zoom video conference and in the Conference Room at 816 W. Bannock Street, Ste. 301, Boise, Idaho, on August 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  
Jerry Aldape  
Warren Bakes  
Representative Steven Harris  
Irv Littman  
Gary Mahn  
Richelle Sugiyama  
Tom Wilford  
Senator Chuck Winder

**Staff Present:**

Chris Anton  
Chris Halvorson  
Kathy Van Vactor  
Liz Wieneke

**Legal Counsel:**

Julie Weaver

**Guests:**

Janet Becker-Wold, Callan  
Adam Lozinzki, Callan  
Paul Niedermuller, CliftonLarsenAllen  
Branden Rudd, CliftonLarsenAllen  
Rachel Strong, CliftonLarsenAllen  
Mathew Reiber, DFM  
Bill Haagenson, IDL  
Matt Orem, DEQ  
Chris Farnsworth, SIF  
Bob Maynard, PERSI  
Dan Bates, Clearwater  
Rhet Hulbert, Clearwater  
Sarah Browning, Schroders  
Elizabeth Mahn, Ada County Treasurer  
Justin Slaughter, Financial News

Hard copies of board materials were mailed and delivered 5 days prior to the scheduled board meeting and a meeting notice and agenda were posted on EFIB’s office door and website on August 7, 2020.

**Board Meeting Minutes:**

Mr. Aldape moved that the minutes of the regular meeting held on May 19, 2020 be approved as submitted. The motion was seconded by Ms. Sugiyama and approved unanimously by roll call vote.

**Investment Performance Review (Janet Becker-Wold, Callan)**

The Endowment Fund posted gains of 16.3% and 5.2% for the quarter and twelve months ended June 30, 2020, respectively, which are 2.5% and 0.3% better than their respective benchmarks. The fund’s performance ranks in the top 3<sup>rd</sup> and 15<sup>th</sup> percentile of the

Callan Public Fund Sponsor Database for the quarter and twelve months ended June 30, 2020.

The State Insurance Fund (“SIF”) posted gains of 4.7% and 6.9% for the quarter and twelve months ended June 30, 2020, respectively, which are both even with the benchmark.

### **State Insurance Fund (SIF) Portfolio Update**

Ms. Becker-Wold updated the EFIB on the implementation of the SIF restructuring which was approved by both the SIF Board and EFIB earlier this year. The SIF restructuring is complete, with the exception of a plan to allocate 6% to real assets at a later date. The restructuring included the hiring of DoubleLine to manage a securitized debt mandate, Western Asset to manage an investment grade debt mandate and Income Research and Management to manage an active core fixed income mandate. It also included a consolidation of the U.S. equity into the S&P500. Income Research and Management was hired after a search conducted by Callan. SLC Management was the other finalist for the active core fixed income mandate.

Mr. Anton complemented the team at Callan for their efforts related to the restructuring and recognized Chris Halvorson for his leadership during the implementation process.

Ms. Sugiyama moved to approve the hiring of Income Research and Management. The motion was seconded by Mr. Aldape and approved unanimously by roll call vote.

### **Endowment Fund Public Equity Structure Review (Janet Becker-Wold and Adam Lozinski, Callan)**

Callan conducted a public equity structure review of the Endowment Fund portfolio. Mr. Lozinski from Callan shared their analysis and observations:

- The U.S. equity portfolio has a small and mid-cap bias relative to the Russell 3000 Index and the bias has grown larger over the years due to very strong performance from large caps. In the event the Board decides to reduce the small and mid-cap bias, Callan provides some alternative approaches for consideration.
- The U.S. equity portfolio has a modest growth bias.
- The international equity portfolio contains a 2% allocation to a Vanguard developed country index. Using an All Country World Index – ex U.S. would be more consistent with the international equity benchmark.
- Both global managers have a growth bias. Adding a global low volatility strategy or a global core or value manager could be used to reduce the bias.

The Board decided to discuss the public equity structure review further when it meets in November.

### **Franklin Templeton Acquisition of Legg Mason (Janet Becker-Wold)**

Ms. Becker-Wold made the EFIB aware that Franklin Templeton acquired Legg Mason, the parent of Western Asset. No changes are anticipated at this time.

### **Review FY2020 Audited Financial Statements (Branden Rudd, Paul Niedermuller, Tom Wilford, Kathy Van Vactor)**

Mr. Niedermuller stated that the audit went well. He indicated that CliftonLarsenAllen 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 FY2022 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.

Mr. Wilford stated that the Land Board Audit Committee met with the audit representatives from CliftonLarsenAllen and both EFIB and IDL staff representatives. They approved EFIB’s audited financial statements and anticipated the completion of the agreed upon procedures for IDL in the near future.

Mr. Anton complemented the team from CliftonLarsenAllen, the Audit Committee and staff representatives for their efforts on the audit. He highlighted the efforts of Kathy Van Vactor.

### **Approval of FY2022 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 \$88.1 million in FY2022, which represents an increase of 4.2% from \$84.5 million in FY2021. He also asked the Board to approve the transfer of \$18.7 million from earnings reserves into the permanent fund and to treat the transfers as an addition to the Gain Benchmark.

Mr. Bakes moved to approve the FY2022 beneficiary distributions and transfers as proposed and to recommend them to the Land Board for final approval. The motion was seconded by Ms. Sugiyama and approved unanimously by roll call vote.

### **Compensation Committee FY2022 Budget Recommendation (Mr. Bakes, Committee Chair)**

Mr. Bakes presented a recommendation on behalf of the Compensation Committee to increase the compensation for the Manager of Investments in EFIB's FY2022 budget submittal. He highlighted the rationale for the recommendation and indicated further discussions would need to take place with the Governor's Office, Department of Financial Management, Legislative Services and the Department of Human Resources.

Mr. Bakes moved to approve the Committee's budget recommendation. The motion was seconded by Mr. Littman and approved unanimously by roll call vote.

### **Approve FY2022 EFIB Budget \* (Kathy Van Vactor, Chris Anton)**

Mr. Anton requested the Board approve the FY2022 budget of \$767,064, which includes \$565,000 in personnel costs, \$200,064 in operating expenses and \$2,000 in capital expenses.

Ms. Sugiyama moved to approve the FY2022 EFIB Budget as amended to include the recommendation from the Compensation Committee. The motion was seconded by Mr. Bakes and approved unanimously by roll call vote. The Board asked the staff to distribute an updated budget that reflects the new personnel costs.

### **EFIB Investment Policy Update\* (Chris Anton)**

Mr. Anton indicated that the tight rebalancing ranges reflected in EFIB's Investment Policy Statement, required rapid rebalancing of the portfolio during the financial market sell-off and recovery driven by the COVID-19 pandemic. He suggested that slightly wider equity bands would provide for more patient rebalancing during times of financial market distress.

Ms. Sugiyama moved to approve the update to the asset allocation table that is included in the Investment Policy Statement as proposed. The motion was seconded by Mr. Littman and approved unanimously by roll call vote.

### **Cash Equitization Update\* (Chris Anton and Rhet Hulbert, Clearwater)**

Mr. Anton explained some of the challenges associated with the cash equitization process during the recent period of financial market volatility. He suggested we discontinue the practice of purchasing equity futures, but continue to purchase U.S. Treasury futures.

Mr. Aldape moved to approve the recommendation to discontinue purchasing equity futures as proposed. The motion was seconded by Mrs. Sugiyama and approved unanimously by roll call vote.

### **EFIB Staff Reports**

Mr. Anton reviewed upcoming meetings.

It was agreed that a special board meeting would be held on September 24, 2020 to discuss investing in infrastructure

Mr. Buffington thanked everyone for their hard work.

The meeting adjourned at 11:58 a.m.

There being no further business to come before the Board, Ms. Sugiyama moved to adjourn, which was seconded by Mr. Bakes and approved unanimously by roll call vote.