



Final Minutes  
Endowment Fund Investment Special Board Meeting  
January 15, 2008

A special meeting of the Endowment Fund Investment Board (EFIB) was held in the Board Conference Room at 816 W. Bannock Street, Ste. 301, Boise Idaho on January 15, 2008. Chairman M. Dean Buffington called the meeting to order at 9:04 a.m. and recognized that a quorum was present.

**Member's Present:**

Dean Buffington  
John Taylor  
Vaughn Heinrich  
Sue Simmons  
Max Black  
Richelle Sugiyama  
Tom Kealey (*departed at 11:35 a.m.*)  
Gavin Gee  
Brad Little (*arrived at 10:35 a.m.*)

**Member's Absent:**

**Staff Present:**

Larry Johnson  
Chris Halvorson  
Andy Potter  
Judy Shock

**Legal Counsel:**

Julie Weaver

**Guests:**

Janet Becker-Wold  
Jay Kloepfer  
Julia Moriarty (telephone)  
Bob Maynard

Hard copies of board materials were mailed and delivered six days prior to the scheduled board meeting and a meeting notice was posted on the door of the EFIB office beginning January 8, 2008.

**Board Meeting Minutes: *Approved (November 13, 2007)***

Mr. Taylor made a motion that the minutes of the November 13, 2007 regular meeting be approved as submitted. The motion was seconded by Mr. Gee and approved unanimously.

*Mr. Maynard arrived at 9:25 a.m.*

**Spending Policy**

Mr. Johnson explained that high reserve levels would be necessary because the volatility of portfolio earnings flowing to earnings reserve would increase dramatically once a fund crosses the gain benchmark. At that point, only total return above inflation will flow to reserves.

Mr. Kloepfer, Ms. Becker-Wold, and Ms. Moriarty presented Callan's analysis of the reserve levels required to avoid reductions in spending vs. a target of 5% of the permanent fund, concluding that 3 to 4 years of Earnings Reserves would be sufficient at a 95% confidence level.

Mr. Johnson presented a draft of a formal Spending Policy based on 5% of the Permanent Fund, adjusted depending on the Earnings Reserve levels recommended by Callan. The EFIB discussed the proposed policy and the reserve levels.

Mr. Heinrich made a motion that the following strategic objectives be established for the Spending Policy:

1. Avoid reductions in total endowment distributions
2. Distribute approximately 5% of the 3-year moving average value of the Permanent Funds
3. Maintain adequate Earnings Reserves to protect distributions from temporary shortfalls in fund returns and land revenues
4. Grow distributions and the Permanent Funds in excess of inflation by recommending transfer of excess Reserves to the Permanent Funds

The EFIB asked staff and Callan to prepare information to facilitate a discussion at the February meeting of whether 4 years or 5 years of reserves for all endowments would be most appropriate. In addition, the EFIB will further review and consider the other proposals including the floors/ceilings on earnings reserve balances.

*Senator Little arrived at 10:35 a.m.*

*The board took a break at 10:45 a.m.*

*The board reconvened at 11:00 a.m.*

### **Asset Allocation**

Mr. Kloepfer and Ms. Becker-Wold discussed asset allocation, including current EFIB allocation vs. peers; diversification; Callan's capital market projections; adding asset classes (Real Estate, Private Equity and Absolute Return hedge funds); and portfolio structure options (additional international equity and restructuring fixed income).

*(Mr. Kealey departed at 11:35 a.m.)*

Mr. Johnson recommended that the objective of asset allocation changes be to improve diversification while maintaining return and asked for the EFIB's counsel on implementing structure changes and adding new asset classes. The EFIB discussed the issues and asked that they be added to the February's board meeting agenda for further consideration. The EFIB also asked staff to confer with Land Board members to determine their support of additional asset classes.

### **November 2008 Board Meeting**

There is a scheduling conflict with the planned November 20, 2008 meeting. The EFIB set a new date of Tuesday, November 18, 2008.

### **Upcoming Issues**

Mr. Johnson briefly reviewed upcoming agenda items for February and May board meetings.

There were no issues for Executive Session.

### **Adjournment**

There being no further business to come before the Board, Mr. Taylor made a motion to adjourn, seconded by Ms. Simmons, which passed unanimously. The meeting adjourned at 12:00 noon.