



Final Minutes  
Endowment Fund Investment Regular Board Meeting  
February 14, 2008

**Investment Manager Presentation – 8:00-8:55 a.m.**

Leon Richardson and David Coughenour from Chicago Equity gave a presentation regarding their firm's management of the Mid Cap Core mandate for the State Insurance Fund and Judges' Retirement Fund. A quorum of the board was present at the beginning of the presentation.

Board & Staff present: Gavin Gee  
Max Black  
Susan Simmons  
Dean Buffington  
Tom Kealey  
Vaughn Heinrich (*arrived 8:35 a.m.*)  
Richelle Sugiyama (*arrived 8:50 a.m.*)  
Larry Johnson  
Chris Halvorson  
Andy Potter  
Judy Shock

Guests included: Roland Gammill, JRF  
Corrie Keller, JRF  
Bill Reese, JRF  
Janet Becker-Wold, Callan  
Darla Rankin, SCO  
Tiffany LeJeune, SCO  
Catherine Mumm, SCO  
Kathy Opp, Lands  
Clive Strong, AG

*The following guests departed at 8:55 a.m.: Darla Rankin, Tiffany LeJeune, Catherine Mumm, Clive Strong .*

**EFIB Regular Meeting – 9:00 a.m.**

A regular meeting of the Endowment Fund Investment Board (Board) was held in the Board Conference Room at 816 W. Bannock Street, Ste. 301, Boise Idaho on February 14, 2008. Chairman M. Dean Buffington called the meeting to order at 9:05 a.m. and recognized that a quorum was present.

**Member's Present:**

Dean Buffington  
Max Black (*departed at 12:10 p.m.*)  
Gavin Gee  
Tom Kealey  
Sue Simmons  
Vaughn Heinrich  
Richelle Sugiyama

**Staff Present:**

Larry Johnson  
Chris Halvorson  
Andy Potter  
Judy Shock

**Legal Counsel:**

Julie Weaver

**Member's Absent:**

John Taylor  
Brad Little

**Guests:**

Janet Becker-Wold  
Kathy Opp  
Roland Gammill  
Corrie Keller  
Bill Reese

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 February 7, 2008.

**Board Meeting Minutes: *Approved***

Mr. Gee made a motion that the minutes of the January 15, 2008 regular meeting be approved as submitted. The motion was seconded by Mr. Kealey and approved unanimously.

**Fund Performance and Evaluation: Callan (Janet Becker-Wold)**

Endowment Fund – The endowment portfolio posted a minus 0.03% return for the fourth quarter and 11.4% for the calendar year, placing it in the 12<sup>th</sup> percentile of the CAI Public Fund Sponsor Database group for the quarter and in the 3<sup>rd</sup> percentile for the year (and at 8<sup>th</sup> percentile of the Endowment/Foundation Database for the quarter and in the 18<sup>th</sup> percentile for the year). The endowment's portfolio outperformed its benchmark by 1.2% for the quarter and 4.8% for the year.

Judges' Retirement Fund – The portfolio posted a minus 1.7% return for the fourth quarter and 6.8% for the calendar year, placing it in the 98<sup>th</sup> percentile of the CAI Public Fund Sponsor Database group for the quarter and in the 83<sup>rd</sup> percentile for the calendar year. The Judges' portfolio underperformed its benchmark by 0.5% for the quarter and outperformed for the year by 0.2%.

Ms. Becker-Wold discussed Tradewinds as an international equity manager. She indicated that Callan has confidence in Tradewinds as an active manager, but that Tradewinds' concentrated portfolio and high volatility make it an unsuitable stand-alone core international manager.

Mr. Johnson added that EFIB Staff recommends that Tradewinds be terminated as an international manager and be replaced by an all-country world index (excluding the U.S.). No specific index manager has been selected at this point.

The board discussed the staff recommendation and other options, including adding another international manager and going to 100% index management for the whole portfolio. Mr. Johnson suggested the EFIB address the total structure of the Judges' Fund, including the 100% index management option or using more active managers, after the IRS qualification letter is received.

Ms. Becker-Wold stated that Callan would visit Chicago Equity and develop a recommendation for the May meeting.

Ms. Sugiyama made a motion in support of Callan and Staff recommendations: Recommend to the Manager of the State Insurance Fund and the Supreme Court that Tradewinds Global Investors be terminated as an international manager and be replaced by a passive option. The motion was seconded by Mr. Gee and approved unanimously.

State Insurance Fund – The portfolio earned a 2.2% return for the fourth quarter and a 7.7% return for the calendar year. It underperformed its benchmark by 0.1% in the quarter and outperformed by 0.1% for the year.

**Legislative Update – Judges' Retirement Fund Contributions – Corrie Keller, JRF**

Mr. Keller discussed HB 369 which would provide additional contributions to the Judges' Retirement Fund. The legislation failed in the House earlier in the week by one vote.

*Mr. Keller, Mr. Reese and Mr. Gammill departed at 10:08 a.m.*

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

*The board reconvened at 10:25 a.m.*

### **Spending Policy Update**

Mr. Johnson presented an update on the Spending Policy. The board discussed the 400% and 500% reserve levels after it was clarified that other details of implementation (i.e. floors/ceilings and timing/amount of transfers from Earnings Reserve to the Permanent Fund) will be considered later by the EFIB.

Ms. Sugiyama made a motion that the EFIB recommend to the Land Board a 500% reserve level. The motion was seconded by Mr. Heinrich and approved unanimously.

Mr. Johnson discussed a draft of the Spending Policy to be recommended to the Land Board. The EFIB discussed the policy and asked for a minor change.

Mr. Kealey made a motion that EFIB endorse the policy, as amended, to the Land Board. The motion was seconded by Ms. Simmons and approved unanimously.

### **Asset Mix**

Mr. Johnson discussed asset allocation options and recommended that consideration of alternative asset classes be deferred until 2009. In the interim, options should be examined for increasing international equity exposure and restructuring fixed income to ensure it is effective in diversifying equity exposure. He indicated that Callan is ready to perform a detailed structure analysis for presentation at the next board meeting in May.

The consensus of the board was to accept the staff recommendation.

### **Annual Review of Policies**

Mr. Johnson described potential changes to management policies and investment policies.

Purchasing and Travel Policy: Mr. Heinrich made a motion to approve the proposed changes to the Purchasing and Travel and Training Expense policies. The motion was seconded by Mr. Black and approved unanimously.

Audit Policy: Mr. Gee made a motion to approve the proposed changes to the Audit Policy. The motion was seconded by Mr. Black and approved unanimously.

Administrative Duties Policy: Mr. Heinrich made a motion to approve the proposed changes to the Administrative Duties Procedure. The motion was seconded by Ms. Sugiyama and approved unanimously.

Endowment Policy: Mr. Black made a motion to approve the proposed changes to the Endowment Fund Investment Policy. The motion was seconded by Mr. Gee and approved unanimously.

State Insurance Fund Policy: Mr. Gee made a motion to endorse the proposed changes to the State Insurance Fund Investment Policy. The motion was seconded by Mr. Heinrich and approved unanimously.

Ritter Island Endowment Fund Policy: Mr. Gee made a motion to approve the proposed changes to the Ritter Island Endowment Investment Fund Policy. The motion was seconded by Mr. Heinrich and approved unanimously.

Mr. Johnson said it is the on staff's long-term to-do list to reexamine the asset mix of the State Insurance Fund. The EFIB asked that consideration of the Judges' Retirement Fund Investment Policy be deferred until May, pending discussion with the Supreme Court regarding elimination of the expected return from active management of 50 basis points.

Harassment Prevention Policy: Mr. Johnson discussed, in detail, the EFIB policy.

Conflict of Interest Statement: Board members were asked to sign the statement on conflict of interest.

*Ms. Opp departed at 12:00 p.m.*

*The board took a short lunch break at 12:00 p.m.*

*Mr. Black departed at 12:10 p.m.*

*The board reconvened at 12:30 p.m.*

### **EFIB Staff Reports**

Ritter Island Endowment Fund: Mr. Halvorson reviewed performance. Since inception in September, the fund is up 0.4%.

Mr. Potter reviewed the following reports: Market Value Report, Expenses vs. Budget, Coverage Ratio, and Lands Revenues vs. Forecast. Mr. Johnson reviewed the report on Stumpage Auction Prices and Employee Gift Log.

Upcoming Issues: Mr. Johnson reviewed upcoming agenda items and noted a correction on the Upcoming Issues memorandum: February 20<sup>th</sup> will be the EFIB's performance review presentation before the House State Affairs Committee (not June 20<sup>th</sup>). He added that, given the approval of the proposed changes to the Audit Policy that there will be no Special Board meeting in September to review the financial statements and audit report.

EFIB Policies: Mr. Johnson noted that additional changes to EFIB policies were under consideration by staff and handed out additional material on a proposed policy specifying the EFIB's expectations for staff analysis to support the annual Spending Policy recommendation and questions related to the board's desire to give its advice and consent regarding employment of paid and unpaid consultants and advisors.

Mr. Johnson mentioned that Eide Bailly suggested the EFIB consider reviewing the agency's expense line items on a regular basis. The EFIB discussed this idea and directed staff to defer any action on this idea.

Mr. Johnson distributed information on a policy addressing information to be supplied to the EFIB to support the Land Board Spending Policy and on a policy clarifying staff's authority to retain consultants. Mr. Johnson asked for feedback from the EFIB by March 10. These policies will be presented for approval at the May EFIB meeting.

There were no items for discussion in Executive Session.

### **Adjournment**

There being no further business to come before the Board, Mr. Gee made a motion to adjourn, seconded by Mr. Heinrich, and passed unanimously. The meeting adjourned at 1:30 p.m.