



Final Minutes
Endowment Fund Investment Regular Board Meeting
November 13, 2007

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

Jim McClure and Bill Underwood from Barrow, Hanley, Mewhinney and Strauss, Inc., gave a presentation regarding their firm's management of a Small Cap Value mandate for the endowments, the State Insurance Fund and the 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
Brad Little
John Taylor
Larry Johnson
Chris Halvorson
Andy Potter
Judy Shock

Guests included: Adam Benton, Clearwater
Tamara Humiston, Parks & Recreation
Bob Meinen, Parks & Recreation
Jim Burns, Finance Dept.
Patrick Hodges, Controller's Office
Bill Reese, Judges Retirement System
Janet Becker-Wold, Callan
Jay Kloepfer, Callan

The following guests departed at 8:55 a.m.: Adam Benton, Tamara Humiston, Bob Meinen, Jim Burns, and Patrick Hodges.

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 November 13, 2007. Chairman M. Dean Buffington called the meeting to order at 9:07 a.m. and recognized that a quorum was present.

Member's Present:

Dean Buffington
Gavin Gee
John Taylor
Max Black
Brad Little
Sue Simmons

Richelle Sugiyama (*arrived 9:41 a.m.*) Julie Weaver (*arrived 9:21 a.m.*)

Staff Present:

Larry Johnson
Chris Halvorson
Andy Potter
Judy Shock

Legal Counsel:

Member's Absent:

Tom Kealey
Vaughn Heinrich

Guests:

Janet Becker-Wold, Callan
Jay Kloepfer, Callan
Julia Moriarty, Callan (*via teleconference*)
Bill Reese, Judges' Retirement System

Corrie Keller, Judges' Retirement System
Roland Gammill, Judges' Retirement System
Patrick Hodges, Controller's Office
Michele Soderlund, Pinnacle Consulting
Ray Houston, Legislative Services
Kathy Opp, Department of Lands

Hard copies of board materials were mailed and delivered four days prior to the scheduled board meeting and a meeting notice was posted on the door of the EFIB office beginning November 6, 2007.

Board Meeting Minutes: Approved (August 9, 2007 and September 13, 2007)

Mr. Taylor made a motion that the minutes of the August 9, 2007 regular meeting be approved as submitted. The motion was seconded by Mr. Gee and approved unanimously.

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

Judges' Retirement Fund Actuarial Evaluation (Michelle Soderlund)

Michelle Soderlund, from Pinnacle Pension Systems presented the results of the June 30, 2007 actuarial evaluation for the Judges' Retirement Fund. The funded ratio of the plan stands at 93.6%, but employer and employee contributions are expected to be 11.1% of payroll short of the actual annual cost of the fund going forward. The report concludes that the sources of contributions to the Judges' Retirement Fund are inadequate to fund the projected benefits.

Mr. Johnson reviewed an analysis showing that the improvement in the funded ratio last year was essentially all due to fund returns exceeding the 7.5% expectation. The shortfall of contributions vs. normal annual cost will reduce the funded ratio by about 1.3% each year

Julie Weaver arrived at 9:21 a.m.

The board discussed the funding of the Judges' Retirement Plan and expected future returns of the investment portfolio.

Mr. Keller indicated that the request to confirm the qualified status of the Judges' Plan is scheduled to be considered by the IRS in early 2008.

Mr. Taylor made a motion to for EFIB to write a letter to the Chief Justice regarding the expected return of the fund, as assumed in the valuation. The motion was seconded by Mr. Gee and approved unanimously.

Mr. Keller, Ms. Soderlund, Mr. Gammill departed 9:40 a.m.

Ms. Sugiyama and Mr. Houston arrived 9:41 a.m.

Capitol Permanent Fund

Mr. Johnson reported that he had made a presentation regarding investment management to the Capitol Commission. The presentation included a forecast of expected distributions over the next several years, assuming alternatives of an 8% return or a 4% return.

Mr. Johnson also reported that a calculation error was discovered in the fiscal year 2009 distributions to the Capitol Commission that were approved by the EFIB at its August meeting.

Senator Little made a motion to approve distribution of \$659,179 to the Capitol Commission from the Capitol Permanent Fund on July 1, 2008 for fiscal year 2009. The motion was seconded by Mr. Gee and approved unanimously.

Asset Mix/Spending Policy study update (Janet Becker-Wold and Jay Kloepfer)

Mr. Kloepfer and Ms. Becker-Wold, along with Julia Moriarty (by teleconference at 9:55 a.m.) presented information regarding spending policy and asset mix.

Kathy Opp and Patrick Hodges arrived at 10:21 a.m.

Chairman Buffington called for a short break at 10:35 a.m.

The board reconvened at 10:45 a.m.

Mr. Johnson discussed how the concepts described by Callan apply to the Idaho endowment funds and presented different options for the long-term spending objective.

Mr. Houston departed 11:48 a.m.

After discussion, the consensus of the board was to use current spending policy of 5% of the permanent fund as its long-term strategic spending objective.

Break for lunch 12:08 p.m.

Ms. Simmons and Mr. Kloepfer departed at 12:15 p.m.

The board reconvened at 12:34 p.m.

Endowment Lands update (Kathy Opp)

Kathy Opp, Deputy Director of the Department of Lands presented the Land Board's progress in approving an Asset Management Plan, including initiatives at the Department of Lands to improve returns on endowment lands. The EFIB's Investment Policy and Spending Policy will be an important part of that document. She concluded her presentation with an update on the mass appraisal of endowment lands (expected completion: December 2007) and related efforts to pool assets of the smaller endowments.

Ms. Opp departed at 1:30 p.m.

Fund Performance and Evaluation – Callan (Janet Becker-Wold)

Endowment Fund – Ms. Becker-Wold stated that the Endowment Fund had a great quarter. The Fund's 3.7% performance for the quarter placed it in the 1st percentile of the public fund universe and in the 10th percentile for the last year. The endowment portfolio outperformed its benchmark by 1.7% for the quarter and 3.5% for the year.

Judges' Retirement Fund – Ms. Becker-Wold indicated that Chicago Equity's performance during the last quarter was poor. Ms. Becker-Wold concluded that Callan and EFIB staff will continue to monitor Chicago Equity's performance and report back to the EFIB in more detail in the spring of 2008.

Mr. Hodges and Mr. Taylor departed at 1:48 p.m.

State Insurance Fund - Ms. Becker-Wold stated that all the managers performed relatively well for the last quarter.

Mr. Reese departed at 2:00 p.m.

EFIB Staff Reports

Mr. Potter presented the Market Value Report, Coverage ratio, Expenses vs. Budget, and Land Revenues vs. Forecast.

Mr. Johnson presented the six-month average stumpage price information and the Gift Log.

Mr. Halvorson described the Small Cap Growth transition to Eagle Asset Management.

Mr. Halvorson presented the performance report for the new client, Ritter Island Endowment Fund. As of October 31, their performance is up 4.1% since inception in September 2007.

Mr. Johnson described upcoming issues. At the January 15, 2008 meeting, Callan will focus on spending policy and asset allocation for EFIB. At the February 14, 2008 meeting, there will be a review of all EFIB policies, a review of the international component of SIF and JRF portfolios and a review of Chicago Equity.

Representative Max Black departed at 2:19 p.m.

Senator Little described recent activity with regard to divestment legislation related to Sudan.

Adjournment

There being no further business to come before the Board, Ms. Sugiyama made a motion to adjourn, seconded by Mr. Gee, and passed unanimously. The meeting adjourned at 2:24 p.m.