

Part I – Agency Profile

Agency Overview

The Idaho Endowment Fund Investment Board (EFIB) is responsible for managing approximately \$2.4 billion of investments consisting of state land grant endowment funds, the financial assets of the State Insurance Fund, the assets of the Judges' Retirement Fund, the assets of the Trail of the Coeur d'Alene's Endowment and the assets of the Ritter Island Endowment Fund.

The EFIB consists of nine individuals appointed by the Governor, including one state senator, one state representative, a public education administrator, and six members of the public "knowledgeable and experienced in financial matters." The EFIB has four employees in its Boise office, including a Manager of Investments who oversees day-to-day operations. Periodic reports of the EFIB's activities and investment performance are made to the Board of Land Commissioners, the manager of the State Insurance Fund, representatives of the Supreme Court, and the Department of Parks and Recreation (Parks & Rec).

The EFIB's expenses are not paid from General Funds, but are reimbursed by its clients: the land grant endowment funds, the State Insurance Fund, the Ritter Island Endowment Fund and the Trail of the Coeur d'Alenes Endowment, and, through the end of FY 2015, the Judges' Retirement Fund.

Core Functions/Idaho Code

Land Grant Endowment Funds – Essentially all revenue from state endowment lands are transferred to the EFIB by the Idaho Dept. of Lands for investment under policies established by the Board of Land Commissioners. In turn, the EFIB, based on a Distribution Policy approved by the Board of Land Commissioners, makes monthly distributions to thirteen beneficiaries, the largest of which is a public school fund (Title 57, Chapter 7, *Idaho Code*). Annual distributions of income for a fourteenth beneficiary, the Capitol Commission, are determined by the EFIB (Title 67, Chapter 16, *Idaho Code*).

State Insurance Fund – The EFIB, under policies approved by the State Insurance Fund, invests the surplus and reserve funds established to pay worker's compensation claims insured by the State Insurance Fund. (Title 72, Chapter 9, *Idaho Code*)

Judges' Retirement Fund – Under supervision of the Supreme Court, through the end of FY 2014, the EFIB oversaw investment of a fund to pay retirement compensation to Supreme Court justices and judges of the Court of Appeals and District Courts. Effective July 1, 2014, responsibility for investing these funds transferred to the Public Employee Retirement System. (Title 1, Chapter 20, *Idaho Code*)

Parks & Rec Endowment Funds – The EFIB oversees investment of an endowment that supports the maintenance of the Trail of the Coeur d'Alenes, a recreational rail trail, and one that supports management of the Ritter Island Unit of the Thousands Springs State Park. Asset mix and distributions of income are determined by Parks & Rec. (Title 57, Chapter 7, *Idaho Code*)

Bunker Hill Water Treatment Endowment – The EFIB began overseeing investment of an endowment to support perpetual operation of a water treatment plant and related collection systems. It is part of the Bunker Hill Superfund site and is designed to remove heavy metals from the groundwater. Asset mix and distributions of income are determined by the Dept. of Environmental Quality. (Title 57, Chapter 7, *Idaho Code*)

Revenue and Expenditures:

Revenue	FY 2011	FY 2012	FY 2013	FY 2014
Misc. Revenue	149,100	153,700	123,600	126,700
Endowment Funds	<u>452,900</u>	<u>449,000</u>	<u>484,000</u>	<u>498,100</u>
Total	\$602,000	\$602,700	\$607,600	\$624,800
Expenditure	FY 2011	FY 2012	FY 2013	FY 2014
Personnel Costs	384,700	389,000	402,300	423,700
Operating Expenditures	183,300	180,400	201,500	150,100
Capital Outlay	<u>5,900</u>	<u>3,800</u>	<u>1,800</u>	<u>6,600</u>
Total	\$573,900	\$573,200	\$605,600	\$580,400

Profile of Cases Managed and/or Key Services Provided:

Cases Managed and/or Key Services Provided	FY 2011	FY 2012	FY 2013	FY 2014
Key Financial Statistics				
Endowment Distributions to Beneficiaries*	\$67,786,600	\$46,425,000	\$47,508,600	\$48,844,800
Revenue from Endowment Lands	69,298,000	65,551,000	77,318,800	90,172,300
Income from Investments	27,465,800	29,084,600	31,121,300	32,907,600
Continuously appropriated expenditures for manager fees, custodian fees (paid from trust funds)	4,750,600	5,156,000	5,444,400	6,641,000
Total Market Value of Investments				
<i>Public School Endowment Funds</i>	808,158,800	808,563,900	914,939,700	1,086,172,100
<i>Other Funds</i>	459,644,000	471,914,600	545,733,300	658,596,300
Total Land Grant Endowment Funds	\$1,267,802,800	\$1,280,478,500	\$1,460,673,000	\$1,744,768,400
<i>Judges' Retirement Fund</i>	62,851,500	60,387,200	66,438,900	75,065,300
<i>State Insurance Fund</i>	574,710,300	592,204,800	594,437,500	630,220,600
<i>Parks & Rec. Endowment Funds</i>	3,398,700	3,251,700	3,441,200	3,690,500
Total Market Value of Investments	\$1,908,763,300	\$1,936,322,200	\$2,124,990,600	\$2,453,744,800

*Excludes Capitol Permanent Fund

Part II – Performance Measures

Performance Measure/Benchmark	2011	2012	2013	2014	4-Year Avg.
1. RETURN VS. BENCHMARK (net of fees):					
A. LAND GRANT ENDOWMENT FUND - Total Return	24.2%	0.6%	13.9%	18.4%	13.9%
Benchmark	22.9%	1.3%	12.8%	18.0%	13.5%
Excess	1.3%	-0.7%	1.1%	0.4%	0.4%
<i>Exceed benchmark (49% Russell 3000,21% MSCI EAFE, 30% Barclays Capital Aggregate) on a risk-adjusted basis</i>					
B. JUDGES' RETIREMENT FUND – Total Return	23.2%	0.3%	13.5%	17.1%	13.4%
Benchmark	22.9%	1.3%	12.8%	18.0%	13.5%
Excess	0.3%	-1.0%	0.7%	-0.9%	-0.1%
<i>Exceed benchmark (49% Russell 3000, 21% MSCI ACWI ex-US, 30% Barclays Capital Aggregate) by 0.5% on a risk-adjusted basis</i>					
C. STATE INSURANCE FUND - Total Return	7.1%	6.2%	1.7%	6.0%	5.2%
Benchmark	7.2%	5.0%	1.8%	5.7%	4.9%
Excess	-0.1%	1.2%	-0.1%	0.3	0.3%
<i>Meet or exceed the benchmark (12% Russell 3000, 29.8% Barclays Capital Aggregate, 29.8% Barclays Capital Govt. Credit, 17% M/L 1-3 yr. Treasury, 8.5% TIPS, 3% M/L 3 mo. T-Bill)</i>					
Performance Measure/Benchmark	2011	2012	2013	2014	4-Year Avg.
2. RETURN VS. PEERS (gross of fees):					
A1. LAND GRANT ENDOWMENT FUND - Total Return	24.6%	1.0%	14.4%	18.8%	14.3%
Endowment/Foundation Universe median	19.9%	0.8%	12.1%	15.6%	11.9%
Excess	4.7%	0.2%	2.3%	3.2%	2.4%
<i>Exceed the median of peers on a risk adjusted basis</i>					
A2. LAND GRANT ENDOWMENT FUND - Total Return	24.6%	1.0%	14.4%	18.8%	13.6%
Public Funds Universe median	21.6%	1.2%	12.0%	16.1%	12.1%

Performance Measure/Benchmark	2011	2012	2013	2014	4-Year Avg.
Excess	-0.2%	-0.2%	2.4%	2.7%	1.5%
<i>Exceed the median of peers on a risk-adjusted basis</i>					
B. JUDGES' RETIREMENT FUND - Total Return	23.5%	0.5%	13.5%	17.6%	13.5%
Public Funds Universe median	21.6%	1.2%	12.0%	16.1%	12.5%
Excess	1.9%	-0.7%	1.5%	1.5%	1.0%
<i>Exceed the median of peers on a risk-adjusted basis</i>					
3. CONSECUTIVE YEARS THE PUBLIC SCHOOL PERMANENT FUND IS BELOW THE LOSS BENCHMARK:					
	0 yrs.	0 yrs.	0 yrs.	0 yrs.	
<i>Less than 10 years below the cumulative loss benchmark</i>					

Performance/Benchmark	2011	2012	2013	2014	4-Year Avg.
4. CHANGE IN DISTRIBUTIONS TO LAND GRANT BENEFICIARIES:					2015 \$51.9 M
	\$67.8 M	\$46.4 M	\$47.5 M	\$48.8	2016 \$56.5 M (est.)
A. No reduction in the total Endowment Distribution					
B. Land Grant Endowment Earnings Reserves at least 500% of next year's approved distribution					
Number of endowments below 500%	Four	One	One	Zero	--
C. Growth in Land Grant Endowment distribution exceeds Inflation and Population Growth over a five year period (average annual compound growth for all endowments)	2008-2013	2009-2014	2010-2015E	2011-2016E	
Change in Distribution*	4.2%	2.9%	2.6%	4.3%	
Inflation	1.8%	1.8%	2.1%	2.1%	
Population growth	1.0%	1.1%	1.1%	1.3%	
*2011 calculations exclude a \$22 million special distribution	1.4%	0.0%	-0.6%	0.9%	
5. GROWTH IN CORPUS:					
A. Land Grant Endowment growth in Permanent funds to exceed the rate of inflation and population growth					

Annual growth in corpus	21.5%	1.8%	11.8%	15.6%	12.5%						
Annual rate of Inflation	2.0%	2.9%	1.6%	1.6%	2.0%						
Annual population growth	0.7%	0.8%	1.1%	1.4%	1.0%						
Excess	18.8%	-1.9%	9.1%	12.6%	9.5%						
<p>B. Ritter Island Endowment Fund growth in corpus in excess of the rate of inflation over a five-year period</p> <table border="1"> <tbody> <tr> <td>Five-year growth in corpus</td> <td>6.1%</td> </tr> <tr> <td>Five-year rate of Inflation</td> <td>1.8%</td> </tr> <tr> <td>Excess</td> <td>4.3%</td> </tr> </tbody> </table>						Five-year growth in corpus	6.1%	Five-year rate of Inflation	1.8%	Excess	4.3%
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Excess	4.3%										
<p>C. Trail of the Coeur d'Alenes Endowment Fund growth in corpus in excess of the rate of inflation over a five-year period.</p> <table border="1"> <tbody> <tr> <td>Five-year growth in corpus</td> <td>3.0%</td> </tr> <tr> <td>Five-year rate of Inflation</td> <td>1.8%</td> </tr> <tr> <td>Excess</td> <td>1.2%</td> </tr> </tbody> </table>						Five-year growth in corpus	3.0%	Five-year rate of Inflation	1.8%	Excess	1.2%
Five-year growth in corpus	3.0%										
Five-year rate of Inflation	1.8%										
Excess	1.2%										

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