

## ***Part I – Agency Profile***

### **Agency Overview**

The Idaho Endowment Fund Investment Board (EFIB) is responsible for managing over \$2.6 billion of investments consisting of state land grant endowment funds, the financial assets of the State Insurance Fund, assets of the Parks and Recreation endowment funds, assets of the Department of Environmental Quality endowment fund (Bunker Hill Water Treatment) and assets of two Fish & Game wildlife mitigation endowment funds.

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 and other clients. The EFIB’s expenses are not paid from General Funds, but are reimbursed by its clients.

### **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 building, are determined by the Capitol Commission (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*)

***Parks & Recreation 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*)

***Department of Environmental Quality Bunker Hill Water Treatment Endowment*** – In FY 2015, 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 Department of Environmental Quality. (Title 57, Chapter 7, *Idaho Code*)

***Department of Fish & Game Wildlife Mitigation Endowment Funds*** – In FY 2015, the EFIB began overseeing investments of two public endowments, Stewardship Account and Trust Fund, which fund the maintenance of land acquired to enhance wildlife habitat. Asset mix and distributions of income are determined by the Department of Fish and Game. (Title 57, Chapter 7, *Idaho Code*)

**Revenue and Expenditures**

Revenue	FY 2013	FY 2014	FY 2015	FY 2016
Misc. Revenue	123,600	126,700	133,000	135,900
Endowment Funds	<u>484,000</u>	<u>498,100</u>	<u>497,300</u>	<u>508,600</u>
<b>Total</b>	<b>\$607,600</b>	<b>\$624,800</b>	<b>\$630,300</b>	<b>644,500</b>
Expenditure	FY 2013	FY 2014	FY 2015	FY 2016
Personnel Costs	402,300	423,700	430,300	448,500
Operating Expenditures	201,500	150,100	164,700	165,500
Capital Outlay	<u>1,800</u>	<u>6,600</u>	<u>900</u>	<u>3,600</u>
<b>Total</b>	<b>\$605,600</b>	<b>\$580,400</b>	<b>\$595,900</b>	<b>\$617,600</b>

**Profile of Cases Managed and/or Key Services Provided**

Cases Managed and/or Key Services Provided	FY 2013	FY 2014	FY 2015	FY 2016
<b>Key Financial Statistics</b>				
Endowment Distributions to Beneficiaries*	\$ 47,508,600	\$ 48,844,800	\$ 52,078,200	\$ 56,873,200
Earnings Reserve Receipts	74,419,100	87,868,800	83,092,500	78,181,600
Total Income from Investments***	182,551,300	273,751,300	53,167,600	(2,837,600)
Continuously appropriated expenditures for manager fees, custodian fees	5,444,400	6,641,100	7,236,100	6,999,700
<b>Total Market Value of Investments</b>				
Public School Endowment Funds	914,939,700	1,086,172,100	1,137,651,600	1,130,058,400
Other Funds	545,733,300	658,596,300	705,087,800	700,317,600
Total Land Grant Endowment Funds	1,460,673,000	1,744,768,400	1,842,739,400	1,830,376,000
Judges' Retirement Fund**	66,438,900	75,065,300	N/A	N/A
State Insurance Fund	594,437,500	630,220,600	621,540,200	669,898,300
Parks & Rec. Endowment Funds	3,441,200	3,690,500	3,658,800	3,648,500
Dept. of Environmental Quality	N/A	N/A	53,725,400	54,044,500
Fish & Game Mitigation Funds	N/A	N/A	17,433,400	19,412,800
<b>Total Market Value of Investments</b>	<b>\$ 2,124,990,600</b>	<b>\$ 2,453,744,800</b>	<b>\$ 2,539,097,200</b>	<b>\$ 2,577,380,100</b>

\*Excludes Capitol Funds

\*\*Transferred to the oversight of the Public Employees Retirement System of Idaho on July 1, 2014.

\*\*\* Includes market gains/losses

**Part II – Performance Measures**

Productivity Measures		2013	2014	2015	2016	Current Year	4-Year Avg.
<p><b>As our clients' individual needs for managing an endowment fund require, we will:</b>  <i>Develop a prudent long-term investment strategy, utilize the best portfolio managers, consultants and others agents to execute that strategy, diligently evaluate performance over time, develop an effective distribution policy, help them fulfill their fiduciary responsibilities and communicate with their stakeholders</i></p>							
1. Return vs. Benchmark (net of fees)							
A. Land Grant Endowment Fund <sup>1</sup>	total return	13.9%	18.4%	2.6%	-0.5%	N/A <sup>1</sup>	8.3%
	benchmark	12.8%	18.0%	3.1%	0.9%	N/A <sup>1</sup>	8.5%
	excess	1.1%	0.4%	-0.5%	-1.4%	N/A <sup>1</sup>	-0.2%
B. State Insurance Fund <sup>2</sup>	total return	1.7%	6.0%	1.8%	3.6%	N/A <sup>2</sup>	3.2%
	benchmark	1.8%	5.7%	1.6%	3.6%	N/A <sup>2</sup>	3.2%
	excess	-0.1%	0.3%	0.2%	0%	N/A <sup>2</sup>	0.0%
2. Return vs. Peers (gross of fees)							
A. Land Grant Endowment Fund <sup>3</sup>	total return	14.4%	18.8%	3.0%	-0.2%	N/A	8.7%
	endowment/ foundation universe median	12.1%	15.6%	2.3%	-1.6%	N/A <sup>3</sup>	7.0%
	excess	2.3%	3.2%	0.7%	1.4%	N/A <sup>3</sup>	1.7%
B. Land Grant Endowment Fund <sup>4</sup>	total return	14.4%	18.8%	3.0%	-0.2%	N/A <sup>4</sup>	8.7%
	public funds universe median	12.0%	16.1%	3.2%	0.5%	N/A <sup>4</sup>	7.7%
	excess	2.4%	2.7%	-0.2%	-0.7%	N/A <sup>4</sup>	1.0%
3. Growth in Corpus							
A. Land Grant Endowment: growth in Permanent funds to exceed the rate of inflation and population growth	annual growth in corpus	11.8%	15.6%	3.9%	-4.7%	6.4% <sup>5</sup>	6.4%
	annual rate of inflation	1.6%	1.6%	0.7%	0.7%	1.1% <sup>5</sup>	1.1%
	annual population growth	1.1%	1.4%	1.3%	1.3%	1.2% <sup>5</sup>	1.2%
	excess	9.1%	12.6%	1.9%	-6.7%	4.1% <sup>5</sup>	4.1%
B. Ritter Island Endowment Fund: growth in corpus in excess of the rate of inflation over a five-year period	five-year growth in corpus	N/A	N/A	3.8%	1.1%	N/A	N/A
	five-year rate of inflation	N/A	N/A	1.8%	1.5%	N/A	N/A
	excess	N/A	N/A	2.0%	-0.4%	N/A	N/A

C. Trail of the Coeur d’Alenes Endowment Fund: growth in corpus in excess of the rate of inflation over a five-year period	five-year growth in corpus	N/A	N/A	1.2%	1.6%	N/A	N/A
	five-year rate of inflation	N/A	N/A	1.8%	1.5%	N/A	N/A
	excess	N/A	N/A	-0.6%	0.1%	N/A	N/A
<b>4. Change in Distributions to Land Grant Beneficiaries</b>							
A. No reduction in the total Endowment Distribution	Change	\$47.5 M	\$48.8 M	\$52.1 M	\$56.9 M	\$63.2 M	2018: \$73.4
	<i>benchmark</i>	Increase from prior year	Increase from prior year	Increase from prior year	Increase from prior year	Increase from prior year	N/A
B. Land Grant Endowment Earnings Reserves at least 500%-700% of next year’s approved distribution	number of endowments below 500%	1	0	0	5	N/A	N/A
	<i>benchmark</i>	0	0	0	0	0	N/A
<b>Productivity Measures</b>		<b>2010-2015</b>	<b>2011-2016E</b>	<b>2012-2017E</b>	<b>2013-2018E</b>	<b>Current Year</b>	<b>4-Year Avg.</b>
C. Growth in Land Grant Endowment distribution exceeds inflation and population growth over a five-year period (avg. annual growth for all endowments)	<i>inflation</i>	2.7%	4.3%	6.3%	9.2%	6.3% <sup>6</sup>	N/A
	<i>population growth</i>	1.8%	1.5%	1.4%	1.5%	1.4% <sup>6</sup>	N/A
	<b>Excess</b>	1.0%	1.2%	1.3%	1.4%	1.3% <sup>6</sup>	N/A

**Performance Measure Explanatory Notes**

<sup>1</sup> Exceed benchmark (49% Russell 3000, 21% MSCI EAFE, 30% Barclays Capital Aggregate) on a risk-adjusted basis  
<sup>2</sup> 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)  
<sup>3</sup> Exceed the median of peers on a risk adjusted basis  
<sup>4</sup> Exceed the median of peers on a risk-adjusted basis  
<sup>5</sup> Based on four year averages, subject to true up at time of assessment  
<sup>6</sup> Based on projections

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