

Part I – Agency Profile

Agency Overview

The Idaho Endowment Fund Investment Board (EFIB) is responsible for managing over \$2.8 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 a Department of Environmental Quality endowment fund (Bunker Hill Water Treatment) and assets of two Fish & Game wildlife habitat 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 2014	FY 2015	FY 2016	FY 2017
Misc. Revenue	126,700	133,000	135,900	139,500
Endowment Funds	498,100	497,300	508,600	535,900
Total	\$624,800	\$630,300	644,500	675,400
Expenditure	FY 2014	FY 2015	FY 2016	FY 2017
Personnel Costs	423,700	430,300	448,500	452,700
Operating Expenditures	150,100	164,700	165,500	164,800
Capital Outlay	6,600	900	3,600	1,300
Total	\$580,400	\$595,900	\$617,600	618,800

Profile of Cases Managed and/or Key Services Provided

Cases Managed and/or Key Services Provided	FY 2014	FY 2015	FY 2016	FY 2017
Key Financial Statistics				
Endowment Distributions to Beneficiaries*	\$ 48,844,800	\$ 52,078,200	\$ 56,873,200	\$ 63,658,400
Earnings Reserve Receipts	87,868,800	83,092,500	78,181,600	70,667,500
Total Income from Investments***	273,751,300	53,167,600	(2,837,600)	201,342,800
Continuously appropriated expenditures for manager fees, custodian fees	6,641,100	7,304,800	7,211,700	7,592,800
Total Market Value of Investments				
Public School Endowment Funds	1,086,172,100	1,137,651,600	1,130,058,400	1,255,273,600
Other Funds	658,596,300	705,087,800	700,317,600	780,799,300
Total Land Grant Endowment Funds	1,744,768,400	1,842,739,400	1,830,376,000	2,036,066,900
Judges' Retirement Fund**	75,065,300	n/a	n/a	n/a
State Insurance Fund	630,220,600	621,540,200	669,898,300	729,292,700
Parks & Rec. Endowment Funds	3,690,500	3,658,800	3,648,500	4,119,600
Dept. of Environmental Quality	n/a	53,725,400	54,044,500	60,747,300
Fish & Game Habitat Funds	n/a	17,433,400	19,412,800	21,820,400
Total Market Value of Investments	\$ 2,453,744,800	\$ 2,539,097,200	\$ 2,577,380,100	\$ 2,852,046,900

*Excludes Capitol Funds

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

*** Includes market gains/losses

FY 2017 Performance Highlights

All clients benefited from strong returns in equity markets in FY 2017, with the world equity index up 19%, while U.S. fixed income returns were slightly negative.

Part II – Performance Measures

Performance Measure	2014	2015	2016	2017	2018 Projected ⁷	5-Year Avg. ⁶
<i>As our clients' individual needs for managing an endowment fund require, we will: 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, and help them fulfill their fiduciary responsibilities and communicate with their stakeholders</i>						
1. Return vs. Benchmark (net of fees)						
A. Land Grant Endowment Fund ¹	total return	18.4%	2.6%	-0.5%	12.5%	9.2%
	target	18.0%	3.1%	0.9%	12.8%	9.3%
	excess	0.4%	-0.5%	-1.4%	-0.3%	-0.1%
B. State Insurance Fund ²	total return	6.0%	1.8%	3.6%	2.0%	3.0%
	target	5.7%	1.6%	3.6%	2.1%	3.0%
	excess	0.3%	0.2%	0.0%	-0.1%	0.0%
2. Return vs. Peers (gross of fees)						
A. Land Grant Endowment Fund ³	total return	18.8%	3.0%	-0.2%	12.9%	9.5%
	endowment/foundation universe median	15.6%	2.3%	-1.6%	12.7%	8.3%
	excess	3.2%	0.7%	1.4%	0.2%	1.2%

Performance Measure		2014	2015	2016	2017	2018 Projected ⁷	5-Year Avg. ⁶
B. Land Grant Endowment Fund ⁴	total return	18.8%	3.0%	-0.2%	12.9%	6.7%	9.5%
	public funds universe median	16.1%	3.2%	0.5%	12.4%	n/a	8.8%
	excess	2.7%	-0.2%	-0.7%	0.5%	n/a	0.7%
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	15.6%	3.9%	-4.7%	5.8%	5.0%	3.9%
	annual rate of inflation	1.6%	0.7%	0.7%	1.8%	2.3%	1.3%
	annual population growth	1.4%	1.3%	1.3%	1.4%	1.3%	1.4%
	excess	12.6%	1.9%	-6.7%	2.6%	1.4%	1.2%
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	6.1%	3.8%	1.1%	5.1%	5.0%	-----
	five-year rate of inflation	1.8%	1.8%	1.5%	1.3%	2.3%	-----
	excess	4.3%	2.0%	-0.4%	3.8%	2.7%	-----
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	3.0%	1.2%	1.6%	4.8%	5.0%	-----
	five-year rate of inflation	1.8%	1.8%	1.5%	1.3%	2.3%	-----
	excess	1.2%	-0.6%	0.1%	3.5%	2.7%	-----
4. Change in Distributions to Land Grant Beneficiaries⁸							
A. No reduction in the total Endowment Distribution	change	\$48.8M	\$52.0M	\$56.5M	\$63.2M	\$73.5M	2019: \$78.2M
	target	Increase	Increase	Increase	Increase	Increase	Increase
B. Land Grant Endowment Earnings Reserves at least 500%-700% of next year's approved distribution	number below target	0	0	5	0	n/a	n/a
Performance Measure		2010-2015	2011-2016 ⁹	2012-2017	2013-2018E	2014-2019E	
C. Growth in Land Grant Endowment distribution exceeds inflation and population growth over a five-year period (avg. annual growth for all endowments)	growth in distribution	2.7%	4.4%	6.3%	9.1% ⁵	9.9% ⁵	
	inflation	1.8%	1.5%	1.3%	1.4% ⁵	1.5% ⁵	
	population Growth	1.0%	1.2%	1.4%	1.4% ⁵	1.5% ⁵	
	excess	-0.1%	1.7%	3.6%	6.3% ⁵	6.9% ⁵	

¹ Exceed benchmark consisting of 42.3% Russell 3000, 15.2% MSCI ACWI ex-US, 8.5% MSCI ACWI, 26% BBC Aggregate,

8.0% NCREIF-ODCE.

² Meet or exceed the benchmark consisting of 12% Russell 3000, 29.8% BBC Aggregate, 29.8% BBC Govt. Credit, 17% M/L 1-3 yr. Treasury, 8.5% TIPS, 3% M/L 3 mo. T-Bill.

³ Exceed the median of peers on a risk adjusted basis

⁴ Exceed the median of peers on a risk-adjusted basis

⁵ Based on projection

⁶ for the trailing five year period (FY13-FY17)

⁷ Endowment Fund Staff projections based on a ten-year outlook

⁸ Excluding Capitol endowment

⁹ Excludes one-time \$22.5mm distribution to public schools in FY11

For More Information Contact

Christopher E. Halvorson
Endowment Fund Investment Board
816 West Bannock Street Suite 301
Boise, ID 83702
Phone: (208) 334-3728
E-mail: chris.halvorson@efib.idaho.gov