

Tuesday, January 14, 2025; 10 a.m. - 12 p.m.

Anchor Location: 310 S Main St., Suite 1275, Salt Lake City, Utah, 84101

Zoom access:

https://us02web.zoom.us/j/5893447457?pwd=QTRWN3VLUloxaXNpTjNnWGVoZXNtdz09

The agenda will be as follows:

- 1) Welcome and call meeting to order
- 2) Chairman's report
- 3) Action Item: Elect chair and vice chair
- 4) Approval of minutes: October 8, 2024 attached, exhibit (A) pages 2-6
- 5) Calendar and confirmation of meeting dates attached, exhibit (B) page 7-8
- 6) Stakeholder and public input

The committee will set aside 15 minutes at the committee meeting to hear from anyone wishing to speak. Each presenter is allowed one opportunity and has up to three (3) minutes for remarks. If joining by Zoom, please use the "raise hand" feature at the bottom of the screen, in order to be called upon to provide comment.

- 7) Trust System reports
 - a) TLAC, Paula Plant
 - b) SITFO, Peter Madsen exhibit (C) page 9-18
 - c) Trust Lands Administration (TLA), Marla Kennedy
 - d) Protection & Advocacy Office
 - i) Liz Mumford
 - (1) Study Group Progress and Updates
 - (a) Beneficiary Subcommittee
 - (2) Office Procedures and Protocol Discussion
 - (3) Purpose Statement: Alignment and Clarifications
 - ii) Jessie Stuart
 - (1) FY 2024 Annual Report Summary
 - (2) SITFO/TLA Nominating Committee: February Kickoff and Timeline
 - iii) Kim Christy
 - (1) 2025 Legislative Session
 - (a) Legislative Outreach
 - (b) Trust System Session Coordination
 - (c) Review Performance Measures
 - (2) Formation of Advocacy Stakeholder and Alumni Network
- 8) Adjourn

October 8, 2024 – Draft Minutes **EXHIBIT A**



Draft Minutes

Land Trusts Protection & Advocacy Committee

Tuesday, October 8, 2024, 10 a.m.-12 p.m.

Anchor Location: 310 S Main St., Ste. 1275, Salt Lake City, UT 84101

In-Person Participants:

Richard Ellis, Advocacy Committee Chair
Paula Plant, Advocacy Committee Vice Chair
Louie Cononelos, Advocacy Committee
Roger Barrus, Advocacy Committee
Marlo Oaks, Utah State Treasurer
Kim Christy, Advocacy Office Director
Jessie Stuart, Advocacy Office Assistant Director
Chris Pieper, Assistant Attorney General
Margaret Bird

Zoom Participants:

Peter Madsen, SITFO Director Brittany Griffen, Policy and Communications Deputy, OST Terri Francis, TLAC Member Deena Loyola-Merrill, Advocacy Office Communications Specialist

1. Call meeting to order

Meeting called to order by Chair Ellis at approximately 10:00 a.m.

2. Chairman's report

Chairman Ellis made note of the presentations to the Legislative Audit Subcommittee as well as efforts made in advancing Amendment B.

3. Approval of minutes

Mr. Cononelos motioned to approve the July 9, 2024, meeting minutes. Ms. Plant seconded. The vote was unanimous in the affirmative.

4. Calendar and confirmation of meeting dates

Upcoming meeting dates for Trust System entities were provided in the packet. The Advocacy Committee will continue to meet on the second Tuesday of January, April, July and October.

5. Stakeholder and public input

Margaret Bird expressed appreciation for the work the office has done and offered her and former Representative Brown's support as the office moves forward.

6. Trust System reports

Trust Lands Advisory Committee (TLAC) Report:

The Board of Education is reviewing all funded programs. This included a review of the School LAND Trust Program. Key updates from this review include:

- TLAC will review LAND Trust Program code and rule and prepare a 2026 bill to remove outdated requirements.
- The School Children's Trust will seek funding in 2025 for an additional FTE to handle administrative tasks allowing the other staff members to focus more on training and compliance as identified in code.
- A 'common needs assessment' will be created for schools. The common needs assessment will first be created at the Local Education Agency (LEA) level. Once completed, assessments for

individuals' schools will be created. This compilation of data will help volunteer councils who are charged with identifying the 'greatest academic need of students with back-up data to support their decisions.

Ms. Plant reported on the benefit of TLAC members attending the TLA Board tours and plans to have more TLAC members attend at future opportunities.

TLAC members serve four-year terms, with half up for appointment or reappointment every two years. Appointment/re-appointment will be completed in March by the Board of Education.

SITFO Report:

The SITFO Summit will be held December 2-3. Mr. Madsen presented an overview of the anticipated agenda and presentations.

Mr. Madsen provided a budget update. Currently, SITFO's expenses are below forecasted levels and are expected to remain below both the annual projections and the appropriated budget.

Strategic Asset Allocation (SAA) is currently in progress, with analysis and recommendations scheduled for presentation at the December SITFO Board meeting. SITFO is working with a risk consultant to tailor the analysis for the following considerations: long-term return objective, earnings/corpus structure, quarterly distribution under a 4% or 5% cap, liquidity needs.

A performance update on the permanent funds as of August 31, 2024 was provided. The FY 2024 audit is expected to be nearly finalized by the December Board meeting. It is best practice to use the fund balance totals from SITFO's audited financial statements when communicating with the public and to update communication materials annually with the latest audited figures.

Mr. Madsen informed the Advocacy Committee that SITFO is still seeking to fill the Deputy CIO position at SITFO.

Trust Lands Administration (TLA) Report:

A representative of TLA was not present. Mr. Christy relayed that final FY 2024 revenue numbers were \$129.7 million and the legislative audit for TLA has been presented to Legislative Subcommittees.

Protection & Advocacy Office (Advocacy Office) Report:

Constitutional Amendment B Campaign Update:

Ms. Loyola-Merrill provided an overview of the campaign strategy to promote Amendment B. Marketing efforts include website development, securing endorsements, social media advertising, designing promotional materials, in-person events, newsletter placements, speaking points, and traditional media outreach. Mr. Christy commended Ms. Loyola-Merrill on the campaign efforts.

Mr. Christy informed the Advocacy Committee that all four original ballot measures (including Amendment B) were in violation of the state's requirement that the legislature provide proper public notices in newspapers at least 60 days before the election. If Amendment B does not face any legal challenges regarding the 60-day public notice requirement, it will remain on the ballot.

Mr. Ellis shared that he received a call from the state auditor inquiring about the office's campaign regarding Amendment B. He explained that, by statute, the Land Trust Protection and Advocacy

Office has an obligation to advocate for legislative change that serves the interests of the trust beneficiaries and is funded by trust funds, not tax dollars. Mr. Peiper received a similar phone call and echoed the same information, inviting the State Auditor to call the office directly. Mr. Christy has not received a phone call.

FY 2025/26 Distribution Update and Discussion

The FY 2025 distribution calculation has been run by SITFO, the first installment has been sent to beneficiaries. Total distributions for all trusts are \$118 million with \$111 million going to public schools. An announcement on the \$111 million to schools will not be announced until after the election to minimize any confusion. All other beneficiaries have been notified.

Ms. Stuart noted that Public School Trust distributions get sent to an account at the Utah State Board of Education, but distributions to individual schools from the LAND Trust Program occur the following year when schools complete LAND Trust Program requirements. The \$111 will be distributed to schools in the 2025-2026 school year.

FY 2026 Protection & Advocacy Office Budget Review

Ms. Stuart provided a budget overview for FY 2026, noting the on-going \$120,000 additional appropriation approved by the legislature for a third employee. Once the election ends, Ms. Loyola-Merrill will conclude here temporary part-time employment with the office and a full-time employee will be hired.

Action Item: DHRM Rule R477-8-3; Exercise Release Time Policy

State DHRM Rule R477-8-3 enables state employees to participate in exercise release time if a participating agency has an approved internal policy. The policy includes three 30-minute paid breaks a week to exercise during a regular 8-hour shift, subject to work demands and performance. Ms. Plant motioned to approve the policy. Mr. Barrus seconded. The vote was unanimous in the affirmative.

Miners Hospital Update

The Miners Hospital Permanent Fund balance is getting closer to \$100 million, having nearly doubled over the past five years. This growth has allowed for significant distributions, including a \$3 million distribution for FY 2025. If Amendment B passes, these distributions are expected to increase further. The hospital's annual operating budget is approximately \$1.5 million, far less than the recent annual distributions. As a result, Miners Hospital has initiated a transfer of \$1.4 million back to the permanent fund, while maintaining \$3 million in reserves.

This anticipated transfer has prompted discussions about whether the program's reach can be expanded to serve additional miners or address other opportunities for using the funds prudently. Suggestions include revisiting ideas such as scholarships.

To address these concerns and explore potential changes, Mr. Cononelos, Ms. Plant, Director Christy, and Ms. Stuart met with Mark Ward and Shawn Shipley. Initial discussions were perceived as defensive rather than solution focused. A subsequent meeting with the Miners Hospital Advisory Council, attended by Mr. Christy and Ms. Stuart, was more positive. The Council expressed receptiveness to exploring expanded outreach efforts and potential alternative uses for the funds.

Ms. Plant highlighted a positive experience shared by a friend who received care from the Miners Hospital but acknowledged that there is room to expand the program's reach and additional opportunities.

Director Christy proposed considering a statutory change to change the rigid 5% distribution calculation to a 5% "cap" instead. An adjustment like this would allow SITFO to distribute less than the 5% in years when operational needs are lower, thereby avoiding repetitive transfers of unused funds back into the Permanent Fund.

The discussion also included input from Mr. Pieper, who offered several considerations. He noted that while the 2004 settlement agreement remains in effect, it is now outdated and presents an opportunity to negotiate an updated agreement. Additionally, exploring legislative changes to establish a statute that directs the use of the funds could be another option to consider.

Conversations on these matters will continue as stakeholders work toward solutions that optimize the program's impact.

Audit Response Update

The legislative audit has been completed and presented to the Legislative Audit Subcommittee, with a follow-up presentation planned for the EOCJ Committee, to which the Advocacy Office is accountable.

The audit identified two primary areas for improvement: the need for enhanced beneficiary accountability in the spending of trust distributions and the need for clarification of the role and responsibilities of the Protection & Advocacy Office.

Mr. Christy provided historical context on the Trust System, noting that SITLA and SITFO were established following in-depth analyses conducted by multi-year task forces. In contrast, the Advocacy Office, created in 2018, did not receive the same level of review and input. To ensure the audit findings are thoroughly and effectively addressed before any legislative action is taken, Mr. Christy emphasized the need for a comprehensive evaluation of the Land Trusts Protection & Advocacy Office, an idea originally proposed by Paula Plant.

Mr. Christy outlined recent efforts to gauge the proposal with legislators, including meetings with Senator Vickers, Representative Jefferson Moss, and the EOCJ Committee Co-Chairs, Senator Owens and Representative Burton. These discussions were productive, with all parties expressing support for the idea of an informal study group. The Co-Chairs invited Mr. Christy to draft a motion for the EOCJ Committee for formal endorsement.

The proposed study group's structure and timeline were also discussed. The group would meet once before the holidays. Concluding the legislative session the study group would reconvene monthly meetings with the goal to present findings and recommendations to the EOCJ Appropriations Committee by October.

<u>Closed Meeting – Annual Review of Protection & Advocacy Office Director</u> (pursuant to Utah Code §53D-2-202.1(c) Mr. Cononelos motioned to move into closed session, Mr. Barrus seconded. The vote was unanimous in the affirmative.

Once back in open session, Mr. Ellis entertained a motion to provide a 5% increase for Mr. Christy along with a \$4,000 bonus, and a \$4000 bonus for Ms. Stuart. Mr. Barrus motioned, with a second from Mr. Cononelos. The vote was unanimous in the affirmative.

<u>Adjourn</u>

Mr. Barrus moved to adjourn. Mr. Cononelos seconded. The vote was unanimous in the affirmative.

Calendar and Confirmation of Meeting Dates **EXHIBIT B**



Trust System Calendar Dates

This information is provided for the convenience to track key dates and meetings related to the School and Institutional Trust Lands System for the next several months. Dates are subject to change.

Land Trusts Protection and Advocacy Committee

Committee Meetings are typically held the second Tuesday of January, April, July and October at 10am

 Tuesday, April 8, 2025
 10am-12pm

 Tuesday, July 8, 2025
 10am-12pm

 Tuesday, October 14, 2025
 10am-12pm

School and Institutional Trust Lands Administration

Board of Trustee Meetings typically held the third Thursday of every month at 10 am

Thursday, January 16, 2025 10am-1pm Thursday, February 20, 2025 10am-1pm Thursday, March 20, 2025 10am-1pm Thursday, April 20, 2025 10am-1pm

School and Institutional Trust Funds Office (SITFO)

Board of Trustee meetings are typically held the ninth Tuesday after quarter-end at 9am

Tuesday, March 4, 2025 9am-4pm

Trust Lands Advisory Committee (TLAC - Advisory to USBE)

Committee Meetings typically held the third Monday of every month at 12 pm

Monday, March 17, 2025 12pm-2pm Monday, April 21, 2025 12pm-2pm

Other Significant Dates

Tuesday, January 21, 2025 First Day of Legislative General Session Friday, March 7, 2025 Last Day of Legislative General Session

SITFO Update **EXHIBIT C**





SITFO Summit



- Day 1
 - → What's Next for Capital Allocators? The Total Portfolio Approach John Bowman, CEO, CAIA
 - → Private Equity Perspectives from SITFO's Strategic Partners Catalyst, Hamilton Lane, Aksia
 - → Asset Allocation SITFO, Apeiron
 - → Heber Valley Creamery Activity
 - → Friend of the Trust Award Dinner LTPAO, SITLA, Senator Ann Millner

Board Meeting Schedule - FY 26 and FY 27

SITFO

- Tuesday, March 4, 2025
- Tuesday, June 3, 2025
- Tuesday, September 9, 2025
- Thursday, December 4, 2025, and Friday, December 5, 2025
- Tuesday, March 3, 2026
- Tuesday, June 2, 2026
- Tuesday, September 1, 2026
- Thursday, December 3, 2026, and Friday, December 4, 2026
- Tuesday, March 2, 2027
- Tuesday, June 8, 2027

Finance & Operations



- The fiscal year 2025 audit was completed ahead of schedule.
- SITFO received an unqualified (clean) audit opinion from Eide Bailly for fiscal year 2025.
- The clean audit highlights SITFO's commitment to rigorous internal controls and effective governance practices, ensuring the prudent stewardship of resources.

Organization Chart

- SITFO Staff
 - Currently consists of 13 persons: 10 full-time and 3 part-time professionals
 - → Scheduled changes:
 - Offer out to Deputy Chief Investment Officer candidate

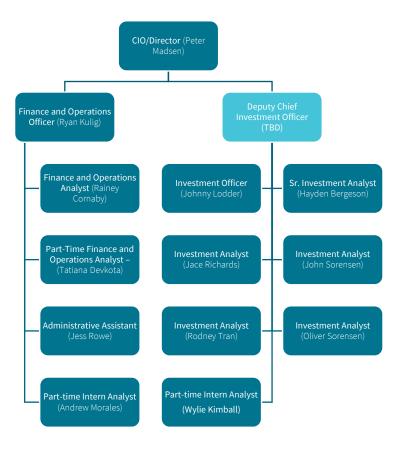
Legend



uture Start Date



SITFO Staff Org Chart



FY24 Budget in Review – Summary



Summary		Q1 FY2024			Q2 FY2024		Q3 FY2024			Q4 FY2024			FY 24 Annual		
	Forecast	Actuals	Over / (Under)	Forecast	Actuals	Over / (Under)	Forecast	Actuals	Over / (Under)	Forecast	Actuals	Over / (Under)	Forecast	Actuals	Over / (Under)
AA Personnel Services	466,712	432,386	(34,325)	554,548	458,405	(96,143)	656,511	629,050	(27,460)	703,405	642,939	(60,466)	2,381,176	2,162,781	(218,395)
BB Travel/In State	326	293	(34)	326	938	612	326	62	(265)	326	56	(272)	1,305	1,349	43
CC Travel/Out of State	24,551	10,383	(14,169)	24,551	15,252	(9,299)	24,551	5,094	(19,457)	24,551	47,066	22,514	98,204	77,795	(20,409)
DD Current Expense	81,068	92,513	11,441	81,068	105,536	24,464	81,068	103,741	22,671	81,068	66,359	(14,711)	324,273	368,149	43,875
EE Data Processing Exp	20,397	14,439	(5,957)	20,397	15,424	(4,973)	20,397	22,089	1,692	20,397	23,567	3,170	81,587	75,519	(6,068)
GG Capital Expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
HH Other Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSE BUDGET APPROPRIATION DIFFERENCE	593,054 780,748 (187,694)	550,014 780,748 (230,734)	(43,040)	680,891 836,687 (155,796)	595,554 836,687 (241,132)	(85,336)	782,853 948,563 (165,710)	760,036 948,563 (188,527)	(22,817)	829,747 1,004,502 (174,755)	779,987 1,004,502 (224,515)	(49,761) -	2,886,545 3,570,500 (683,955)	2,685,592 3,570,500 (884,908)	-
<u>Legend</u>															
FY2024: 7/1/2023 - 6/30/2024		Q1FY24: July 1, 2023 - Sept 30, 2023													
Above/Below Forecast Budget Appropriation		\$10,000+ Under Forecast \$5,000-\$9,999 Under Forecast \$5,000-\$9,999 Above Forecast \$10,000+													
Forecast		Fixed forecast set at the beginning of the fiscal year to estimate what SITFO intends to spend in each category													
Outlook		Dynamic dollar amount based on expected spend, revisted quarterly to provide more up to date estimates													
Actuals		Amount SITFO spent in each category													

Fees and Expenses



- Size and "complexity" are drivers of cost
 - → Smaller endowments tend to pay higher fees, have less resources, and less alternatives
 - → Larger endowments tend to pay lower fees, have more resources, and more alternatives
- Expenses and fees
 - > From administration .14 %
 - → With Investment Management Fees 1.17 % (1.16 % including sec lending) vs peers ~1.43% *

Expense	SITFO	
Custody	.01 %	
Investment Consultant	.04 %	
Data, Risk, Audit	.01 %	
Operating Budget	.07 %	
Total	.14 %	

As a percent of Total Portfolio Value of \$3.6 B Totals may not sum due to rounding

Note: Incentive fees are not included in the manager fee calculation. Source: 2021 NACUBO Expense Data by Fund Size, Fees Paid to Investment Managers, FY2021.

Costs	\$10B	\$2B	\$500MM	
Staffing and Compensation	\$10,833	\$3,728	\$1,392	
Hardware, Office Supplies	\$34	\$12	\$8	
Internal Systems & Data Licenses	\$755	\$685	\$200	
Manager Diligence, Monitoring Costs	\$777	\$397	\$250	
Other Costs	\$48	\$4	\$4	
Total Costs	\$12,466	\$4,825	\$1,854	
Total Costs in basis points	12.0	24.0	37.0	

Source: 2024, Strategic Investment Management, LLC. Estimated costs for \$3.6B to be 21.5bps, based on a simple interpolation.

Approved Strategic Asset Allocation

SITFO

- Approved GRID weights are similar to our previous SAA
 - → Risk profile is inline with our previous SAA while improving the expected return
- Increase Private Equity while decreasing Public Equity
- Increase Public Income while decreasing GRIPs

	Previous SAA	Approved SAA	70/30
Median Ann. Ret	8.2%	8.6%	6.0%
Median Std. Dev	8.5%	8.4%	11.9%
Median MDD	-14.1%	-13.8%	-25.9%
5 th Percentile MDD	-31.0%	-31.2%	-51.3%

(%) Allocation	Pervious SAA	Approved SAA	70/30
Growth	43.5	45.0	
Public Equity	30.5	25.0	
Private Equity	13.0	20.0	
Real Assets	17.5	15.0	
Public Real Assets	5.0	5.0	
Private Real Assets	12.5	10.0	
Income	27.0	30.0	
Public Income	17.0	20.0	
Private Income	10.0	10.0	
Defensive	12.0	10.0	
GRIPs	5.0	3.0	
Systematic Convexity	7.0	7.0	
Total Private Markets	35.5	40.0	
P Ann. Ret < CPI + 5%	37.9%	32.2%	70.0%
P Corpus Breach	6.7%	6.1%	35.3%
P Liquidity Cushion X	0.1%	1.0%	0.0%

Performance and Risk



State of Utah School and Institutional Trust Funds Office Asset Allocation & Performance

As of November 30, 2024

			Plan A	Illocation	& Perfor	mance						
	Allocatio	n			Performance (%)							
	Market Value (\$)	%	10 Years	5 Years	3 Years	1 Year	CYTD	FYTD	QTD	MTD	Since Incep.	Inception Date
Total Fund	3,784,115,205	100.00	6.17	7.51	5.80	14.94	12.05	5.28	1.51	2.47	7.05	07/01/2003
Consumer Price Index+5%			8.09	9.38	9.53	7.89	7.56	2.48	0.88	0.35	7.69	
Difference			-1.91	-1.87	-3.73	7.06	4.49	2.80	0.63	2.12	-0.64	
Total Fund Interim Target Index			6.62	7.95	4.82	12.69	9.71	4.45	0.45	1.75	7.18	
Difference			-0.44	-0.44	0.98	2.26	2.34	0.83	1.06	0.71	-0.14	
Plans												
School Fund Total Fund	3,514,586,527	92.88	6.19	7.51	5.80	14.94	12.05	5.28	1.51	2.47	7.07	07/01/2003
Deaf School Fund Total Fund	5,334,589	0.14	5.58	7.51	5.80	14.94	12.05	5.28	1.51	2.47	6.65	07/01/2003
Industrial School Total Fund	10,932,604	0.29	5.60	7.51	5.80	14.94	12.05	5.28	1.51	2.47	6.45	07/01/2003
Institute for the Blind Total Fund	26,406,098	0.70	5.95	7.51	5.80	14.94	12.05	5.28	1.51	2.47	6.93	07/01/2003
Miners Hospital Total Fund	108,429,182	2.87	5.79	7.51	5.80	14.94	12.05	5.28	1.51	2.47	6.45	07/01/2003
Normal School Total Fund	9,734,705	0.26	5.64	7.51	5.80	14.94	12.05	5.28	1.51	2.47	6.42	07/01/2003
Reservoirs Fund Total Fund	25,514,211	0.67	5.60	7.51	5.80	14.94	12.05	5.28	1.51	2.47	6.53	07/01/2003
School of Mines Total Fund	28,932,599	0.76	5.83	7.51	5.80	14.94	12.05	5.28	1.51	2.47	6.75	07/01/2003
University of Utah Total Fund	15,078,250	0.40	5.90	7.51	5.80	14.94	12.05	5.28	1.51	2.47	6.62	07/01/2003
Utah State Hospital Total Fund	11,072,438	0.29	5.56	7.51	5.80	14.94	12.05	5.28	1.51	2.47	6.35	07/01/2003
Utah State University Total Fund	28,094,001	0.74	6.08	7.51	5.80	14.94	12.05	5.28	1.51	2.47	6.74	07/01/2003

Performance is net of fees. Performance is annualized for periods greater than one year. The fiscal year ends 06/30. Total Fund includes market values and performance for overlay and private funds. Private funds are valued as of 6/30/2024 Investment Book of Record (IBOR) data, adjusted for subsequent cash flows. Plan performance represents performance at the total fund level after unitization in 11/2016. Plan allocations are as of 10/2024 due to data unavailability.