

SCHOOL AND INSTITUTIONAL TRUST FUND
BOARD OF TRUSTEES
350 N STATE ST STE C180
SALT LAKE CITY, UT
NOVEMBER 14, 2014

Draft Minutes

Board Members Attending: Richard Ellis, John Lunt, Duane Madsen (by phone), Kent Misener and David Nixon.

Others Attending: David Damschen and Allen Rollo, staff; Michael Green, OAG; Bruce Williams, Tim Donaldson and Paula Plant, USOE.

1. Call Meeting to Order

Mr. Ellis called the meeting to order.

2. Approval of Minutes

Mr. Misener requested that the last sentence in item 8 of the October 10, 2014 minutes be amended by adding an “a” before “better measure of fund performance”. Mr. Nixon made a motion to approve the minutes as amended by Mr. Misener, Mr. Lunt seconded the motion. The motion to approve the October 10, 2014 minutes as amended passed unanimously.

The Board then considered the approval of the minutes from the October 31, 2014 meeting. Mr. Misener made a motion to approve the minutes, Mr. Nixon seconded the motion. The motion to approve the October 31, 2014 minutes passed unanimously.

3. Adopt Ethics and Conflicts Policy

Mr. Ellis asked for comments on the Ethics and Conflicts Policy. The only change noted related to the Ethics and Conflicts Certification on page six of the meeting packet, which had two number 3's in the numbered list. Mr. Lunt made a motion to adopt the Ethics and Conflicts policy with an amendment to the numbering on the Certification form, Mr. Misener seconded the motion. The motion to adopt the Ethics and Conflicts Policy as amended was passed unanimously.

4. Adopt Board Bylaws

Mr. Ellis noted that under Article II there was a number 3 in the list that was not needed and Article X should be amended to require the vote of two-thirds (2/3) of the members of the Board to amend the bylaws. Mr. Nixon commented that Article VII should start a new paragraph and the first heading, letter A should be combined with item number 1 below it, since it is not a list. Mr. Misener made a motion to approve the bylaws as amended, Mr. Nixon seconded the motion. The motion to approve the bylaws passed unanimously.

5. Discuss Director Recruitment

Mr. Damschen provided additional information about Charles A. Skorina & Co. (Skorina) as requested by the Board. The Board members expressed concerns about the number of engagements that Skorina had referenced and the limited information provided by Mr. Skorina. Mr. Ellis noted that the Board was not obligated to use the small procurement purchase process and may be better served by going through a RFP process to select an executive search firm.

The board members concurred and Mr. Damschen will prepare an updated RFP and score sheet for the Board to review.

6. Review 2014 Q3 Callan Report

Mr. Ellis reviewed the Summary of Beneficiaries' Investment Balances as of September 30, 2014 and noted that the market value exceeded \$2.0 billion and that the School Fund constituted the majority of the trust fund assets with a market value of \$1.9 billion. The Summary of Real Estate Activity schedule showed that the trust funds had outstanding capital commitments totaling approximately \$58 million as of September 30, 2014. Mr. Ellis noted that the UBS Trumbull funds are open end real estate funds, while the rest of the real estate funds are closed end with the exception of Coral Canyon Town Center, which is owned directly by the Miner's Hospital trust. The investment income summary showed that the trust funds had earned about \$6.5 million as of September 30, 2014. Mr. Rollo noted that a substantial amount of dividends will be received in December from domestic equity funds' annual distributions.

Mr. Rollo reviewed the quarterly report prepared by Callan Associates for the quarter ending September 30, 2014. Mr. Rollo noted all of the trust funds had a slightly negative return for the quarter, but those returns exceeded their respective blended benchmark returns for the quarter. The domestic equity funds exceeded their respective benchmarks for quarter, 1-year, 3-year and 5-year periods. The international equity fund has tracked the benchmark closely over the long-term, although over shorter periods the return has deviated from the benchmark due to fair value pricing. The fixed income funds slightly outperformed their respective benchmarks for the quarter, although the Vanguard Intermediate Term Investment Grade Fund underperformed by about 150 basis points for the year. The core real estate funds had returns in the mid to upper two percent range, while the value added real estate funds had returns between 0% and 14%. The Fidelity Real Estate Growth Fund III and Long Wharf Real Estate Partners IV had returns of 11% and 14% respectively, due to sales of properties at above carrying values and an increase in carrying values. Mr. Rollo noted that the School Fund has performed well over the last five years ranking in the 13th percentile versus the Public Fund-Large (>1B) universe, but was ranked in the 54th percentile over 10 years due to weak performance versus the peer group in 2005, 2006 and 2007.

The next meeting will be held on December 12 at 10:30 am.

There were no other items of business, so Mr. Misener made a motion to adjourn, Mr. Lunt seconded the motion. The board voted unanimously to adjourn the meeting.