



## Board of Trustees Minutes

### Snowbird Summit 2021: SITFO Investment Process Part 2

Tuesday, October 5, 2021

*During the June 18, 2020, special session, the Legislature passed House Bill 5002, which became law on July 1, 2020. The amendment is found in Utah Code Section 52-4-207(4) and (5). The new language states that the public body must comply with Utah Code Section 52-4-207(4) in order to hold an electronic meeting without an anchor location. This new provision requires the chair of the public body to; 1. Make a written determination which must be included in the public meeting notice; 2. Read the determination at the beginning of the meeting; and 3. Make certain that the public notice/agenda includes information about how the public can access the electronic meeting to observe and make comments.*

Board Members Attending: Jason Gull, John Lunt, Kent Misener, Marlo Oaks, David Nixon

Others Attending: Matthias Bauer, RVK; Hayden Bergeson, SITFO; Margaret Bird, Higher Education Beneficiaries; Symone Caldwell, SITFO; Scott Day, SITFO; Tim Donaldson, LTPAO; Garry Evans, BCA; Richard Foster, SITFO; Stephen Kennedy, Albourne; Ryan Kulig, SITFO; John Linder, SLC Management; Jonny Lodder, SITFO; Miranda Lotze, SITFO; Peter Madsen, SITFO; Tatiana Makransky, SITFO; Jeremy Miller, RVK; Carson Monson, SITFO; John Sorensen, SITFO; Jessie Stuart, LTPAO; James Walsh, Albourne

Others Attending (via Zoom): Allen Rollo, Treasurer's Office; John Masdea, Community Member; Paula Plant, SCT

#### **1. Call Meeting to Order (Start time 1:35 PM)**

Board Chair Oaks read the electronic meeting determination letter, declaring there would be no anchor location for the Board Meeting and the meeting would be held electronically via Zoom. Chair Oaks noted the trustees present were David Nixon, John Lunt, Kent Misener and Jason Gull in addition to himself. Chair Oaks called the meeting to order at 1:35 PM, and promptly turned the meeting over to Mr. Madsen.

#### **2. Investment Process**

Mr. Madsen reviewed the agenda for part 2 of the investment overview and reminded the attendees that part 1 could be thought of as a top-down review. Mr. Madsen then proceeded to turn over the meeting to Mr. Lodder and Mr. Monson to review the investment manager research process.

One or more members of the Board may participate via electronic conference originated by the Chair, and the meeting may be an electronic meeting, and the anchor location shall be as set forth above, within the meanings accorded by Utah law. In compliance with the Americans with Disabilities Act, individuals requiring special accommodations during the meeting may notify SITFO in advance 801-388-0622 or [sitfoadmin@utah.gov](mailto:sitfoadmin@utah.gov).



Mr. Lodder introduced the subject of manager selection and noted that the goal of manager selection is to identify managers that can outperform their benchmark and peer group for a given investment mandate. The overall process is thorough, repeatable and leverages technology and data.

Mr. Lodder proceeded to review the selection process of potential new managers. Mr. Lodder explained how data and research from partners, personal networks and databases is utilized to funnel the list of potential candidates to fit a given mandate.

Trustee Lunt asked a question on how the managers are eliminated or selected. Mr. Lodder answered that managers are reviewed and ranked by quantitative and qualitative data that is collected during the selection process. Mr. Monson followed up to inform that the team adheres to a process to insure consistency in the manager selection process.

Trustee Misener asked about the data points that are used to compare the managers. Mr. Lodder reviewed the various software and databases utilized. Mr. Lodder detailed that within the Trustee Library, there is detailed documentation on all investment selections. Mr. Monson added that the asset class philosophy and structure documents are also provided to the Trustees.

Trustee Misener asked how manager searches are prioritized and selected for further work. Mr. Lodder answered that this is a result of asset allocation work. Mr. Lodder explained that asset allocation results in a number of underweights and needed exposures to satisfy the desired allocation. The prioritization of a given manager research effort is a direct function of asset allocation and pacing requirements as opposed to a purely tactical or opportunistic agenda.

Trustee Gull questioned how the team keeps track of managers for potential future investments. Mr. Monson reviewed the shared spreadsheet that is continually being updated of potential managers. In addition to the spreadsheet, the investment team makes sure to keep a working relationship with various managers for future collaboration.

Trustee Lunt asked Mr. Walsh how their work with other clients differs from working with SITFO. Mr. Walsh responded that they work in similar fashion with their other clients, with SITFO striking a good balance between purely relying on their own research and purely relying on Albourne.

Mr. Lodder informed that SITFO has ultimately passed on managers that SITFO viewed positively but that Albourne had rated less favorably, highlighting that Albourne's direction and opinions are highly valued internally. Mr. Monson stated that the



relationship with Albourne goes both ways of sharing ideas and comparing analyses. Mr. Lodder discussed the operational due diligence and legal review processes as well. He noted that all underwriting documents are sent out within 3-4 weeks prior to close in case the trustees have any questions. Mr. Lodder and Mr. Monson turned the meeting over to Mr. Day.

Mr. Day reviewed the current portfolio's risk management capabilities. Mr. Day discussed how daily reports are run to get a full view of the cash flows and positioning of the portfolio. In addition to the cash flow, these reports monitor the overall trends within the market in case the risk positioning needs to be altered. Mr. Day continued to note that the reports generated help to paint of picture of the potential risks, which in turn affects the portfolio's allocation of assets. He presented a diagram of reporting deliverables (Daily, Weekly, Monthly, Quarterly and Annually). The market risks, portfolio risks, and performance reports are utilized in conjunction to create a feedback loop for the team to fully assess the portfolio and ensure that the current managers are meeting expectations.

Mr. Day introduced Mr. Bergeson who processes the daily reports. Mr. Bergeson presented a high-level overview on the software programs and data analysis behinds the reports.

Mr. Madsen concluded the meeting by requesting feedback on the presentation, and the summit in general. There were no remarks or questions presented. Mr. Madsen turned the meeting over to Chair Mr. Oaks.

### 3. Adjourn (action item)

Chair Mr. Oaks entertained a motion to adjourn, which was motioned by Trustee Misener and seconded by Trustee Nixon. The meeting was adjourned.

Record of vote:

Mr. Oaks: Yes

Mr. Gull: Yes

Mr. Misener: Yes

Mr. Lunt: Yes

Mr. Nixon: Yes