

January 10, 2023

Land Trust Protection & Advocacy Committee Meeting



School and Institutional
Trust Funds Office

Administrative Update

Audit Review

- “Extremely clean audit” Paul Skeen, Partner and Board of Directors at Eide Bailey
 - Office of the State Auditor outsources this function via an RFP process, a re-up with Eide Bailey
 - Publicly available and posted to SITFO’s website, MD&A includes performance and asset allocation information

Trustee Update

- David Nixon elected as vice-chair
 - David worked at Coopers & Lybrand and as Assistant Treasurer and Director of Global Investments at EDS, responsible for assets totaling \$15 billion. David has an accounting MBA. His extensive international experience includes work in both developed and emerging markets and living in Colombia, Belgium, and England.
- One vacancy on the board at present, another in June

Finance Committee Update – FY22 Fees and Expenses

- Size and “complexity” are drivers of cost
 - Smaller endowments tend to have higher consultant fees, fewer resources, and less alternatives
 - Larger endowments tend to have lower consultant fees, more resources, and more alternatives
- Proforma expenses and fees
 - From investments .98%
 - From administration .18%
 - Total expected 1.16% (1.14% including sec lending)

FY22 Fees & Expenses	SITFO	Peer Institutions
Manager Fees	0.89%	1.43%
Custody	0.01%	0.00%
Investment Consultant	0.05%	0.01%
Data/Risk/Audit	0.00%	0.02 %
Operating Budget	0.06 %	0.04 %
Total	1.01%	1.50 %

Notes:

Incentive fees are not included in the manager fee calculation

Peer Institutions include those greater than 1B, average plan size is \$5.052B (a 40% larger denominator)

Source: 2021 NACUBO Expense Data by Fund Size

Proforma assumes no increase of assets

Statute Changes

- Intergenerational equity and potentially increasing the distribution
 - Increase the cap in the constitution
 - Trustees to review distribution policy
 - Remove the cap related to the general education budget
- Efficiency of operations
 - On hold for further education and discussion

Investments Update

Investment Policy and Investment Beliefs Statements Annual Review

- Amended for clarification, no substantial changes

3Q 2022 Performance and Risk Reporting

- In compliance with IPS across all measures, excluding public equity as slightly underweight
- As of 3Q 2022, the total portfolio return is (6.75%) vs the benchmark of (9.13%) for the trailing one-year period. The 3 and 5-year annualized periods are 4.85% and 4.25% respectively, with vs the benchmark returns of 4.93% and 4.70% for the same periods.
- 2022 *estimated* returns are (7-8%) vs a 70/30 proxy of (18%)

Quarterly Reviews

- The growth category, inclusive of public and private equity was discussed in detail among trustees, consultants and staff.
- CIO review, limited to trustees and the CIO.