

January 19, 2022

Legislative Budget Hearing

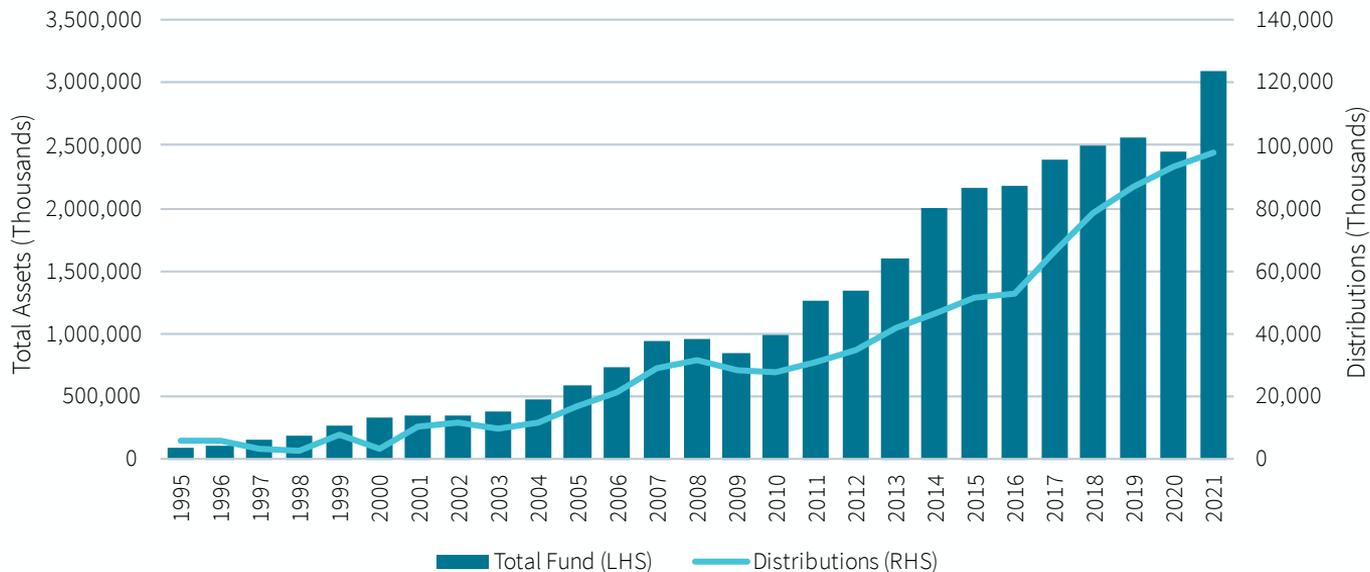


State of Utah, School &
Institutional Trust
Funds Office

OUR MISSION

To responsibly maximize the return on the invested principal of the School and Institutional Trusts for the current and future benefit of Utah's education programs.

Total Fund Value & Distributions (FY)



INTRODUCTION

- Legislated in 2014 to institutionalize the investment management of earnings generated by SITLA
- \$3.2 billion assets
- 11 trusts, not just the “School Fund”
- Self-funding
 - Operations are funded through the earnings of the trust, not tax revenues

“The director shall deposit into the account an amount of money from the earnings from trust fund assets equal to the annual appropriation that the Legislature makes to the office, to pay for the office’s operating costs.” 53D-1-203

INTRODUCTION



INVESTMENT BELIEFS

This document contains our guiding principles, which inform our decision-making and governance. While not a policy or procedural manual, it gives an overview of who we are, what our mission is, and how we aim to achieve it.

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INVESTMENT POLICY

This policy outlines the governing framework within which SITFO operates. It was created in conjunction with the SITFO Board to assist in effectively supervising, monitoring and evaluating the investment of assets.

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FY 2021 ANNUAL REPORT

The annual report is intended to provide a review of the previous fiscal year as well as a look into the ongoing projects and goals of the agency.

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BOARD OF TRUSTEES

The Board of Trustees consists of the State Treasurer as ex-officio Chair and four additional members with expertise in institutional investment management

MARLO OAKS, CFA CAIA - *Chair, Board of Trustees*

Marlo was appointed Utah State Treasurer after a 25-year career in investment banking and investment management. He oversaw institutional portfolios at Farmers Insurance Group (\$24 billion) and Intermountain Healthcare (\$7.5 billion). Marlo holds the CFA and CAIA credentials.

KENT A. MISENER, CFA - *Vice Chair, Board of Trustees*

Kent Misener, CFA serves on several Boards and Investment Committees representing multiple billions of dollars. He managed \$9 billion in benefits-related assets as the Chief Investment Officer of Deseret Mutual Benefit Administrators (DMBA). Kent has an MBA in Business Administration and operates Verapath Global Investing LLC.

DAVID R. NIXON – *Board of Trustees*

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.

JOHN LUNT, CFA - *Board of Trustees*

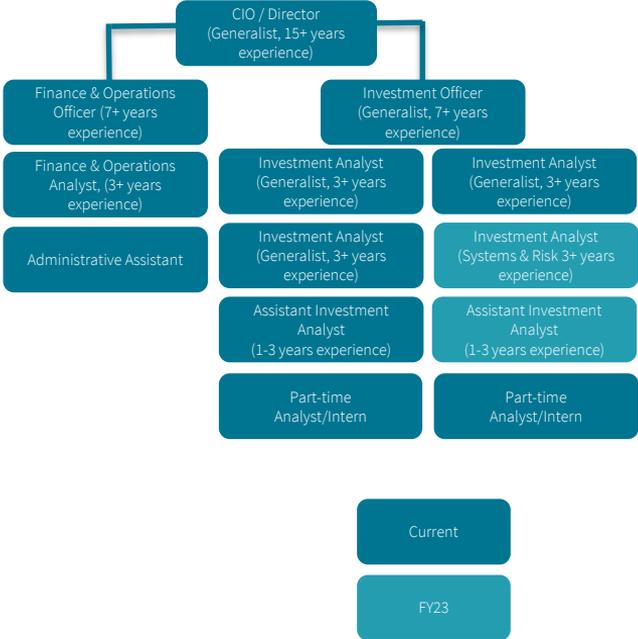
John serves on the investment committee for the \$8 billion Utah Educational Savings Plan (UESP) and was board president of Utah Retirement Systems (URS), a \$20 billion pension fund. He has an MBA in Finance and International Business and is the Founder and President of Lunt Capital Management, Inc.

JASON GULL - *Board of Trustees*

Jason worked as head of secondary investments at Adams Street Partners with \$30 billion of assets under management. He serves as a member of the BYU Cougar Capital Advisory Board and the BYU Marriott School National Advisory Board. Jason has an MBA from Yale.

STAFF

- Currently, staff consists of 11 persons, 9 full-time and 2 part-time professionals:
 - Director, Chief Investment Officer (1)
 - Investment Officer (1)
 - Finance and Operations Officer (1)
 - Investment Analyst (3)
 - Finance and Operations Analyst (1)
 - Assistant Investment Analyst (1)
 - Administrative Analyst (1)
 - Part-time/interns (2)
- Bios available in the appendix
- Hiring for two additional professionals over the next year



RESOURCES

INVESTMENT & RISK CONSULTANTS - *RVK and Albourne*

RVK and Albourne were hired in 2020 to assist with all aspects of SITFO's activities. RVK is a generalist consultant providing support and services in areas ranging from governance, asset allocation, and manager research. Albourne is a specialist consultant providing support in areas such as strategy research and manager selection in alternative asset classes. Each firm is a top-rated consultant with global resources and capabilities.

INDEPENDENT RESEARCH AND DATA - *Bloomberg, eVestment, BCA, Preqin, Top Down, Burgiss*

These partners and advisors facilitate the provision of raw data as well as its objective interpretation.

FUND MANAGERS - *Strategy Specific Investment Advisory Relationships*

The buying and selling of individual securities is carried out by best in class, specialized, investment managers. These investment managers are highly scrutinized before and after selection.

CUSTODIAN BANK - *Northern Trust*

Northern Trust is one of the largest global custodian banks. They were hired in 2016 to institutionalize custody of assets and to provide an independent accounting of the trusts.

RISK MANAGEMENT- *MPI, Bloomberg, and internal tools*

SITFO avails itself of software services such as MPI and Bloomberg to provide quantitative risk management analysis. In addition, SITFO utilizes its independent consultants' tools and staff to provide performance analysis and contribute to risk reporting.

BUDGET REQUEST

- SITFO is requesting approval for a budget appropriation of trust expenses from the same level as last year \$3,303,100

	Fiscal Year 2023	Budget
AA Personnel Services		\$ 2,640,540
BB Travel/In State		\$ 2,700
CC Travel/Out of State		\$ 132,300
DD Current Expense		\$ 413,960
EE Data Processing Current Expense		\$ 111,600
GG Capital Expenditure		\$ 2,000
HH Other Charges/Pass Through		\$ -
TOTAL EXPENSE		\$ 3,303,100

BENCHMARKING

According to 2020 NACUBO-TIAA Study of Endowments, institutions surveyed average operating budget account for 0.14% of assets under management (AUM), while SITFO's operating budget comprises only 0.11% of AUM.

Expense	SITFO	NACUBO Total Institutions
Operating Budget	0.11%	0.14%

*Source: 2020 NACUBO-TIAA Study of Endowments.
Fees paid (in dollars) to investment managers
FY2020 Endowment Management Fees by Endowment Size
Figure 2.1-s Average market value of endowment assets (FY2020 vs FY2019)*

APPENDIX: BUDGET REQUEST – DETAILED BREAKDOWN

	Fiscal Year 2023	Budget
AA Personnel Services		\$ 2,640,540
5101	Regular Salaries & Wages	1,648,105
5110	Leave Paid	186,000
5120	Miscellaneous Earnings	1,260
5135	Compensatory/Excess Time Used	10,200
5140	Compensatory/Excess Time Earned (FLSA Exempt & Non-Exer	9,000
5150	Incentive Award	15,000
5160	State Retirement	323,404
5170	FICA/Medicare	102,388
5180	Health, Dental, Life & Long-Term Disability Insurance	221,243
5190	Unemployment & Workers Compensation Insurance	11,404
5199	Compensatory/Excess Time Earned Benefits (FLSA Exempt)	2,700
5300	State Leave Pool	91,836
5325	Termination Pay	18,000
BB Travel/In State		\$ 2,700
6002	In State Travel-Reduced Auto Mileage Rate	180
6004	In State Travel-Maximum Auto Mileage	900
6005	In State Travel-Meal Reimbursement	1,200
6006	In State Travel-Lodging Reimbursement	-
6007	In State Travel-Transportation Costs	420
CC Travel/Out of State		\$ 132,300
6053	Out of State Travel-Miscellaneous Travel Expense	3,000
6054	Out of State Travel-Maximum Auto Mileage Rate	1,200
6055	Out of State Travel-Meal Reimbursement	15,400
6056	Out of State Travel-Lodging Reimbursement	78,600
6057	Out of State Travel-Transportation Costs	34,100
6096	Central Travel Clearing Account	-

DD Current Expense	\$ 413,960
6115 Human Resource Services	9,900
6116 Payroll Services	660
6126 Wireless Communication Service	18,000
6132 Communication Services	1,800
6136 Postage & Mailing	960
6137 Professional & Technical Services-Non-medical	6,000
6138 Attorney Fees	72,000
6145 Required Technical References	600
6146 Recruiting Expenses	1,200
6161 Rental of Land & Buildings	110,000
6166 Parking Space Rent & Bus Pass Cost	1,500
6181 Office Supplies	7,200
6182 Printing & Binding	2,400
6185 Books & Subscriptions	15,000
6186 Photocopy Expenses	5,400
6187 Small Office Equipment Less Than \$5000	9,600
6188 Office Furnishings Less Than \$5000	30,000
6189 Other Small Equipment & Supplies Less Than \$5000	6,000
6208 Container Plants	3,000
6214 Food	6,600
6257 Risk Management Insurance & Bonds	1,000
6260 Purchasing Card Current Expenses	-
6263 Insurance & Bonds	2,000
6271 Reception & Meeting Costs	240
6274 Membership Dues	900
6276 Conventions, Seminars, Workshops & Committees	24,000
6277 Employee Relocation Expense	-
6282 Employee Educational Assistance	63,000
6300 Dept of Technology Services Telecommunication Charges	15,000
6400 Remodel & Improvements-Current Expense	-
EE Data Processing Current Expense	\$ 111,600
6467 Data Processing Hardware Less Than \$5000-Desktop Comput	12,000
6469 Data Processing Hardware Less Than \$5000-Laptop/Noteboo	12,000
6471 Data Processing Hardware Less Than \$5000-Peripherals	12,000
6472 Data Processing Software Less Than \$5000	3,600
6500 Dept of Technology Services-Data Processing Charges	72,000
GG Capital Expenditure	\$ 2,000
6702 Office Furniture & Equipment	2,000
HH Other Charges/Pass Through	\$ -
7520 Facilities Construction & Management Capital Project Transfer	-
TOTAL INCOME	\$ 3,303,100
TOTAL EXPENSE	\$ 3,303,100

APPENDIX: STAFF

PETER MADSEN – *Executive Director, Chief Investment Officer*

Peter was brought on by SITFO in 2015 and has been critical in establishing the direction of the organization. Working in the investment management industry since 1999, his most recent experience includes Managing Director of Cube Capital, an investment group in London. His career includes a range of experience in global investing for large institutional clients such as pension funds and endowments, as well as permanent school fund experience from another state. Peter holds a Bachelor of Arts degree from the University of Utah in International Political Economy and Russian. He also holds an MBA focused in International Finance from the Middlebury Institute of International Studies.

SCOTT DAY – *Investment Officer*

Scott joined SITFO in 2020 to support asset allocation decisions, provide capital market and portfolio research, and perform manager due diligence. With over 25 years investment experience, his most recent experience includes serving as Managing Director at Goldman Sachs and Verus Investments where he was the OCIO for a \$15 billion pension fund. Over the course of his career, he has led capital market investment strategy, developed and implemented asset allocation and capital market assumption studies, led public and private market manager due diligence, and internally managed \$25 billion in global fixed income assets for Microsoft and \$8 billion for the Employees Retirement System of Texas. Scott holds a Bachelor of Science in Accounting from George Mason University and received the Chartered Financial Analyst (CFA) designation in 2001.

RYAN KULIG – *Finance and Operations Officer*

Ryan joined SITFO in 2016 to manage office operations, portfolio administration, and investment analysis. Before joining SITFO, he worked for Sax Angle Partners, specializing in fundamental and technical analysis of equity investment opportunities. Prior to that, he performed financial analysis of federal grant activity at MRK Advisors. Ryan holds a Bachelor of Business Administration in Global Business with an Emphasis in Finance and a Minor in Economics from the University of Portland and an MBA from the University of Southern California.

JOHNNY LODDER – *Investment Analyst*

Johnny joined SITFO in 2019 to support in the evaluation, due diligence and ongoing monitoring of investments. He previously performed manager research across a variety of alternative investment strategies for Aksia, an international alternatives consultant. Prior to that, Johnny spent time with Sorenson Impact where he collaborated with venture funds and foundations to identify and fund socially impactful businesses. Johnny earned a Bachelor of Science in Finance from the University of Utah.

APPENDIX: STAFF (CONT.)

CARSON MONSON – *Investment Analyst*

Carson joined SITFO in 2020 to support in the evaluation, due diligence, and ongoing monitoring of investments. He previously worked for Greenspring Associates, a venture capital-focused fund of funds, where he performed both manager and direct investment research and due diligence across a variety of sectors and geographies. Prior to that, Carson spent time with IDEA Fund Partners, a seed stage venture capital firm, and Fisher Investments, a public equities investment advisory firm. Carson holds a Bachelor of Arts Degree in European Studies with an emphasis in European Economics from Brigham Young University and an MBA focused on Venture Capital from the University of North Carolina.

HAYDEN BERGESON – *Assistant Investment Analyst*

Hayden joined STIFO in 2021 to assist in establishing risk and reporting frameworks in support of the ongoing evaluation, due diligence, and monitoring of investments. He was previously an Intern for SITFO from 2020-2021 where he supported the team in a variety of functions. Hayden earned a Bachelor of Science in Financial Economics from Brigham Young University Idaho and a MSF from the University of Utah.

SAM RAGAN – *Investment Analyst*

Sam joined the investment team at SITFO in 2022 and is responsible for the evaluation, due diligence, and ongoing monitoring of investments. He was previously a Research Analyst performing manager due diligence and supporting product management at Touchstone Investments, a mutual fund platform focused on high active share investment strategies. Earlier in his career, Sam performed manager research at FEG Investment Advisors, an institutional investment consulting firm, and securities analysis at Meyer Capital Management, an RIA focused on HNW individuals. Sam earned a Bachelor of Science in Business from Miami University with a major in Finance and minors in Economics and Decision Sciences and is a CFA Charterholder.

TATIANA MAKRANSKY – *Finance and Operations Analyst*

Tatiana joined SITFO in 2021 to assist in portfolio finance and operations. She previously worked in finance operations at Goldman Sachs in support of client on-boarding, KYC (know your customer), and anti-money laundering initiatives. Prior to that, Tatiana worked in non-profit fundraising for the University of Utah and People Helping People. Tatiana holds a Bachelor of Arts in Political Science and a Minor in Public Policy from Georgia State University.

SYMONE CALDWELL – *Assistant Administrative Analyst*

Symone joined SITFO in 2021 to support all facets of the non-investment agency affairs. She previously worked at Verizon Wireless as a Global Enterprise Advisor, where she managed a portfolio of business and government multimillion dollar accounts. Prior to that, she began her professional career at Utah State University, where she worked as a Teaching Fellow for the Department of Anthropology, Recruitment Fellow for the Center of Women and Gender and a Diversity Coordinator at the Museum of Anthropology. Symone holds a Bachelor of Science in Anthropology, a Minor in Women and Gender Studies and a Museum Certificate.