

January 24, 2025



Legislative Budget Hearing

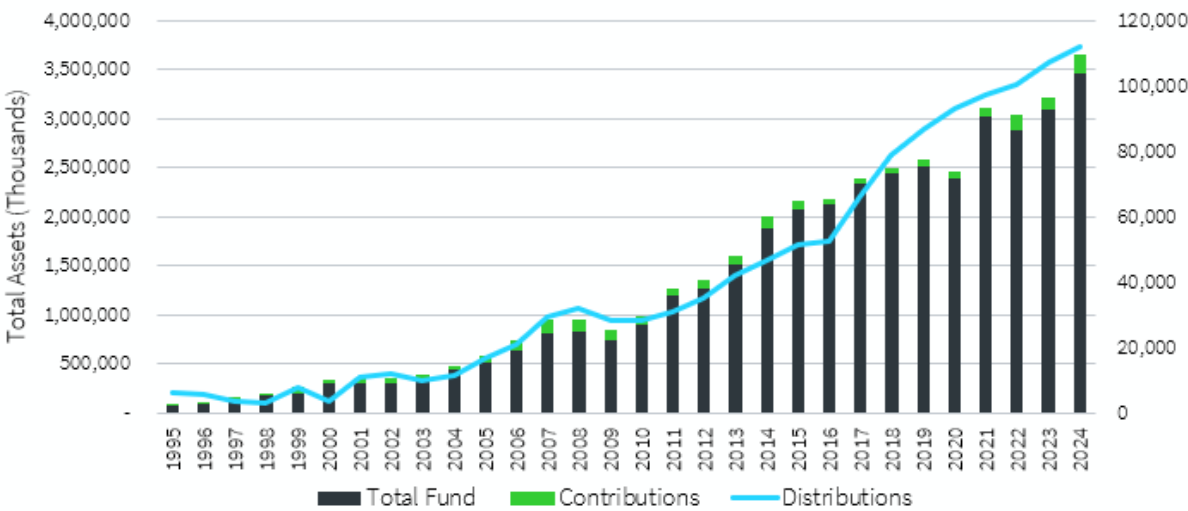
State of Utah, School & Institutional Trust Funds Office

Our Mission

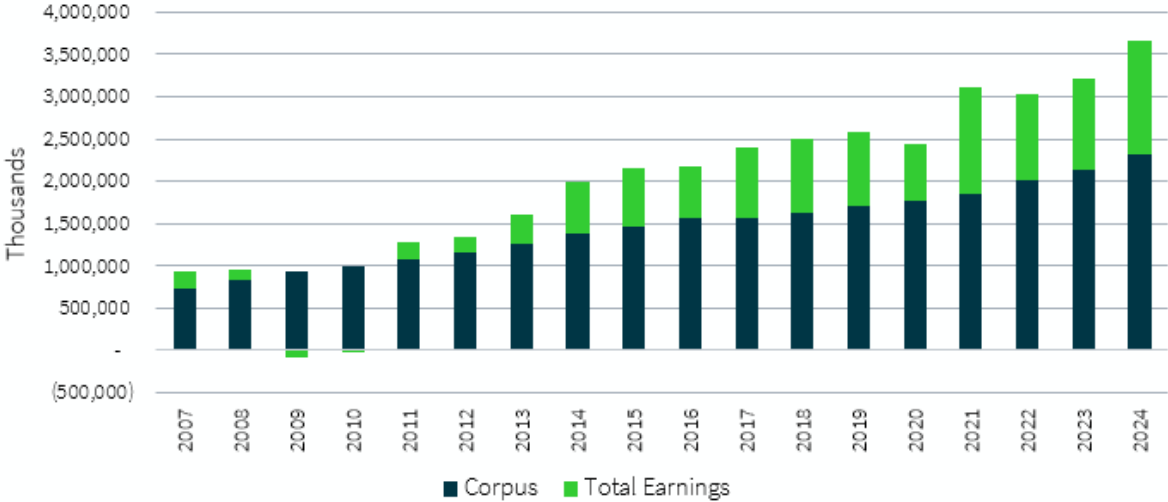


To responsibly maximize the return on the invested principal of the School and Institutional Trusts for the current and future benefit of Utah's education programs.

Fund Value, Contributions, and Distributions (FY)



Corpus & Earnings



Introduction



- Legislated in 2014 to institutionalize the investment management of earnings generated by SITLA
- \$3.8 billion assets
- 11 trusts, not just the “School Fund”
- Self-funded
 - Operations are funded through the earnings of the trust, not tax revenues



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 2024 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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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.

DAVID R. NIXON – *Vice Chair, 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.

DAVID F. ZUCKER- *Board of Trustees*

David is Managing Partner of Lead Lap Enterprises. He has 30 years of experience as an executive in across multiple sectors and prominent companies such as Disney and ESPN. David also serves as board chair for a leading healthcare organization with a \$4 billion foundation.

MARK SIDDOWAY- *Board of Trustees*

Mark is President of Cynosure Advisors, where he manages advisory team and investment process for \$1.5 billion of client assets. He was previously the Head of Client Relations of Grandeur Peak Global Advisors, a Portfolio Manager and Asset Allocator in the Lehigh University Investment Office, and Deputy Chief Investment Officer at Utah Retirement Systems. He has an MBA from BYU and holds the CFA and CAIA credentials.

BONG CHOI - *Board of Trustees*

Bong previously served as CIO of FJ Management. He has over 25 years of experience in investment management across all asset classes. Bong earned his MBA from Harvard Business School and his BA from Yale University. He is a CFA and CAIA charterholder.

- SITFO Staff
 - Currently consists of 13 persons: 10 full-time and 3 part-time professionals:
 - Director, Chief Investment Officer (1)
 - Finance and Operations Officer (1)
 - Investment Officer (1)
 - Senior Investment Analyst (1)
 - Investment Analyst (4)
 - Finance and Operations Analyst (1.5)
 - Administrative Assistant (1)
 - Part-time/interns (2)
 - Bios available in the appendix
 - Scheduled changes:
 - Offer out to Deputy Chief Investment Officer candidate



Current as of Jan 2025	Future Start Date

- Investment & Risk Consultants – *RVK, Albourne, FOS*
 - 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. Northern Trust Front Office Solutions (FOS) provides SITFO with performance, portfolio planning, CRM and other features through a cloud-based software platform.
- Independent Research and Data – *Bloomberg, eVestment, BCA, Top Down, NDR, Burgiss, Albourne*
 - 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 – *VENN, Bloomberg, and Internal Tools*
 - SITFO avails itself of software services such as VENN, 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.

Impact of Amendment B



- Constitutional Amendment B passed by popular vote in November 2024
- The Amendment increases the cap on annual distributions from the School Fund from 4% to 5%
 - Additionally, a companion bill increased the formula components from 4% to 5%
 - $50\% (1 + \text{CPI} + \text{Enrollment Growth}) \times \text{Previous Year Distribution}$
 - $50\% (4\% \text{ } 5\% \times 20\text{Q average})$
 - Subject to a cap of ~~4%~~ 5% against 20Q average
 - The other ten trusts also saw a change in distribution policy
 - Quarterly distributions based on ~~4%~~ 5% x 20Q average
- New distribution will be calculated as of June 30, 2025
- If Amendment B were in place this fiscal year, the School Fund would have received an additional \$14mm in distributions.

Performance Measures



- Achieve annualized volatility below a comparison portfolio of 70% MSCI ACWI (global stocks) and 30% Barclays Aggregate (US bonds) as of June 30 of each year. (Target: 99%)
- Percentage of increase in fund distributions annually. (Target: 3%)
- Percentage of full-time staff turnover over a three-year period. (Target: 25%)
- Average annual number of hours of staff engagement and development per FTE. (Target: 6)

FY 26 Budget Request Summary



- Total Request: \$4,342,200 (No change from FY25 Appropriated Budget)

	FY25 Budget	FY26 Budget Appropriation Request	Difference
AA Personnel Services	\$ 3,650,000	\$ 3,650,000	\$ -
BB Travel/In State	\$ 2,700	\$ 2,700	\$ -
CC Travel/Out of State	\$ 131,000	\$ 131,000	\$ -
DD Current Expense	\$ 444,500	\$ 444,500	\$ -
EE Data Processing Current Expense	\$ 112,000	\$ 112,000	\$ -
GG Capital Expenditure	\$ 2,000	\$ 2,000	\$ -
HH Other Charges/Pass Through	\$ -	\$ -	\$ -
BUDGET APPROPRIATION	\$ 4,342,200	\$ 4,342,200	\$ -

Appendix

- Peter Madsen – 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.
- 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 Officer
 - Johnny joined the team 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.

- Hayden Bergeson – Senior Investment Analyst
 - Hayden joined SITFO 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 an MSF from the University of Utah.
- John Sorensen – Investment Analyst
 - John joined the team in 2023 to further develop risk and reporting tools and to assist the IMR team. Before joining as an Assistant Investment Analyst, John was an intern for SITFO from 2021 to 2023. John graduated from Utah State University with a bachelor's degree in Economics, though he studied a variety of topics including programming, finance, and statistics.
- Jace Richards – Investment Analyst
 - Jace joined the team in 2024 to support in the evaluation, due diligence, and ongoing monitoring of investments. Prior to joining as an Assistant Investment Analyst, Jace worked at SITFO in 2023 as an intern where he supported the team in a variety of functions. Previously, he interned for Moreton Asset Management where he supported portfolio managers in monitoring separately managed fixed income portfolios for institutional clients. Jace graduated from Utah State University with a Bachelor's degree in Finance and a Minor in Real Estate.

- Rodney Tran – Investment Analyst
 - Rodney joined SITFO in 2024 to support in the evaluation, due diligence, and ongoing monitoring of investments. Prior to joining SITFO, he was an Investment Analyst Intern at Utah Retirement Systems. Rodney earned a Bachelor of Science in Finance and Management with minors in Data Analytics and MIS from Utah State University and a Master of Science in Finance degree from the University of Utah.
- Oliver Sorensen– Investment Analyst
 - Oliver joined the team in 2024 to support in the evaluation, due diligence, and ongoing monitoring of investments in the Private Equity portfolio. Prior to joining as an Investment Analyst, he worked at SITFO as an Investment Analyst Intern from 2023 to 2024, supporting due diligence across the Growth and Real Assets portfolios as well as portfolio reporting. Prior to joining SITFO, Oliver was selected to be an Analyst and a member of the Investment Committee of the BYU Silver Fund, making single-stock investments in the Russell 3000. Before the BYU Silver Fund, he worked as a Development Analyst Intern at Utah's largest multi-family developer, ICO. Oliver graduated from Brigham Young University, obtaining a Bachelor of Science in Finance.
- Rainey Cornaby – Finance and Operations Analyst
 - In 2024 Rainey was added to the SITFO team to support portfolio finance and office operations. Prior to joining SITFO she worked for Utah-based technology companies, Pluralsight and RedIQ, gaining experience in business strategy, data analytics, and operations optimization. Additionally, Rainey spent time working for venture capital firm, Impression Ventures, where she applied her analytical skills to aid in investment decisions. Rainey holds a Bachelors of Science from Emory University, and a Masters of Business Administration from the University of Utah David Eccles School of Business.

- Tatiana Devkota – 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.
- Jess Rowe – Administrative Assistant
 - Jess joined the team in 2024 to support office operations and administration. Prior to working at SITFO, she worked as a Customer Experience Specialist and Leasing Agent for Cottonwood Residential where she honed her office and people management skills. Jess graduated from Brigham Young University with her Bachelors of Science from the Marriott School of Business in Experience Design and Management. The major combines human psychology, intentional design, and business principles to maximize customer, employee, and other stakeholder experiences. She also has a minor in Family Life.