

STATE BOARD OF LAND COMMISSIONERS

August 16, 2022

Regular Agenda

Subject

Fiscal Year 2024 Beneficiary Distributions

Question Presented

Shall the Land Board approve FY2024 beneficiary distributions of \$100,315,000?

Discussion

The Endowment Fund generated investment returns of -13.0% (-20.2% real return, net of 7.2% inflation) during fiscal year 2022. Idaho Department of Lands generated \$56.5 million in net revenue in fiscal year 2022 and \$151.1 million of timber was presold as of June 30, 2022. Earnings Reserves dropped below target levels but remain healthy. There are no transfers from Earnings Reserves into the Permanent Fund because balances are below target.

Recommendation

The Endowment Fund Investment Board recommends that the Land Board approve FY2024 beneficiary distributions of \$100,315,000.

Board Action

Attachments

1. Proposed FY2024 Distributions

Proposed Fiscal Year 2024 Distributions and Transfers

*Land Board Meeting
August 16, 2022*

Distribution Policy Summary

The Land Board has adopted the following principles:

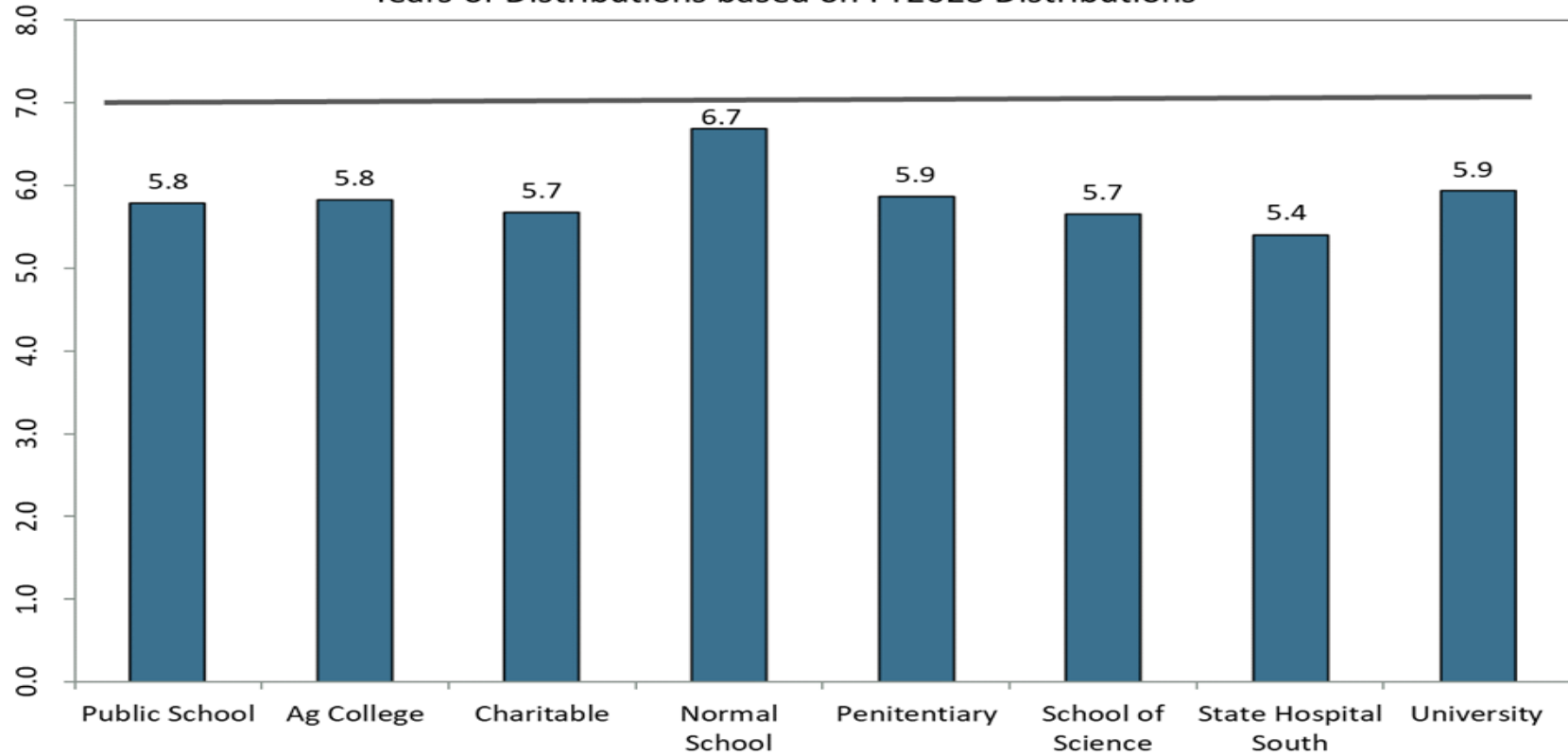
- Distribute 5% of the 3-year average value of each Permanent Fund annually (7% for State Hospital)
 - Adjusted for reserves, transfers and any other relevant factors
- Maintain Earnings Reserves at target levels based on years of beneficiary distributions
- Consider transferring any excess Earnings Reserves back to the Permanent Fund

Source: Land Board Investment Policy

Current Situation

- The Endowment Fund generated a -13.0% return (-20.2% real return, net of 7.2% inflation) in FY 2022.
- IDL generated \$56.5 million in net revenue in FY 2022 and \$151.1 million of timber was presold as of June 30, 2022.
- Earnings reserves dropped below target levels but remain healthy.

Coverage Ratio June 30, 2022
Years of Distributions based on FY2023 Distributions



RECOMMENDED ENDOWMENT DISTRIBUTIONS - FY 2024

(Based On June 30, 2022 Balances - \$ Millions)

	Total	Public School	Ag College	Charitable	Normal Schools	Penitentiary	School of Science	State Hospital South	University
FY 2017 Distribution	\$ 63.2	\$ 36.7	\$ 1.3	\$ 5.5	\$ 4.3	\$ 2.0	\$ 4.7	\$ 4.6	\$ 4.0
FY 2018 Distribution	\$ 73.5	\$ 47.0	\$ 1.3	\$ 5.5	\$ 4.3	\$ 2.0	\$ 4.7	\$ 4.6	\$ 4.0
FY 2019 Distribution	\$ 78.2	\$ 50.3	\$ 1.4	\$ 5.8	\$ 4.4	\$ 2.2	\$ 4.8	\$ 5.0	\$ 4.2
FY 2020 Distribution	\$ 80.9	\$ 51.3	\$ 1.5	\$ 5.8	\$ 4.9	\$ 2.2	\$ 4.9	\$ 6.0	\$ 4.4
FY 2021 Distribution	\$ 84.5	\$ 52.6	\$ 1.6	\$ 6.0	\$ 5.3	\$ 2.5	\$ 5.4	\$ 6.4	\$ 4.8
FY 2022 Distribution	\$ 88.1	\$ 54.8	\$ 1.7	\$ 6.2	\$ 5.5	\$ 2.7	\$ 5.7	\$ 6.4	\$ 5.1
FY 2023 Distribution	\$ 100.3	\$ 61.5	\$ 1.9	\$ 7.0	\$ 6.6	\$ 3.1	\$ 6.7	\$ 7.6	\$ 5.9
FY 2024 Distribution	\$ 100.3	\$ 61.5	\$ 1.9	\$ 7.0	\$ 6.6	\$ 3.1	\$ 6.7	\$ 7.6	\$ 5.9

% Change: 2024 vs. 2023 Distribution	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
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Earnings Reserves status (as of 6/30/22)

Earnings Reserve Policy Target (in years)	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Years of reserves, before transfer	5.8	5.8	5.7	6.7	5.9	5.7	5.4	5.9	5.9
Years of reserves, after transfer	5.8	5.8	5.7	6.7	5.9	5.7	5.4	5.9	5.9

Earnings Reserve Balance (6/30/22)	\$ 583.2	\$ 356.1	\$ 11.2	\$ 39.8	\$ 44.0	\$ 18.4	\$ 37.7	\$ 41.0	\$ 34.9
Recommended Transfer to Perm Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings Reserve Balance After Transfer	\$ 583.2	\$ 356.1	\$ 11.2	\$ 39.8	\$ 44.0	\$ 18.4	\$ 40.2	\$ 41.0	\$ 34.9

Land Board Recommendation

- Approve FY2024 beneficiary distributions of \$100,315,000. There are no transfers from Earnings Reserves into the Permanent Fund because balances are below target.

	<i>Distributions To Beneficiaries</i>				<i>Transfer To Permanent Fund*</i>
	<i>Approved FY2023</i>	<i>Proposed FY2024</i>	<i>% Change</i>	<i>\$ Change</i>	
Public School	61,532,200	61,532,200	0.0%	-	-
Ag College	1,927,500	1,927,500	0.0%	-	-
Charitable Institution	7,008,000	7,008,000	0.0%	-	-
Normal School	6,568,700	6,568,700	0.0%	-	-
Penitentiary	3,139,600	3,139,600	0.0%	-	-
School of Science	6,672,700	6,672,700	0.0%	-	-
State Hosp. South	7,586,400	7,586,400	0.0%	-	-
University	5,879,900	5,879,900	0.0%	-	-
	100,315,000	100,315,000	0.0%	-	-

* Amount of Earnings Reserve in excess of what is deemed adequate relative to the 2024 distribution. The adequate reserve level for all endowments is set at seven years.

** Amount of the transfer that will be considered a permanent increase in original corpus.

All calculations subject to adjustment pending final audit of fiscal year 2022 results.