

This is excerpted from the Land Board's Asset Management Plan

D. Distributions to Beneficiaries

1. Objectives

The ultimate purpose of Idaho's land grant endowments is to provide a perpetual stream of income to the beneficiaries. In determining distributions, the Land Board, with assistance from the EFIB, considers the following for each endowment:

- Actual and expected return on the fund and income from the land.
- Expected volatility of fund and land income.
- The adequacy of distributable reserves to compensate for volatility of income.
- The beneficiary's ability to tolerate declines in distributions.
- Need for inflation and purchasing power protection for future beneficiaries.
- Legal restrictions on spending principal.

To guide the determination of future distributions for Idaho endowments, **the following objectives, in priority order, have been established by the Land Board:**

1. Avoid reductions in total endowment distributions.
2. Maintain adequate Earnings Reserves to protect distributions from temporary income shortfalls.
3. Grow distributions and permanent corpus faster than inflation and population growth.
4. Define the Distribution Policy in simple, broad terms. Treat all endowments the same unless there is a compelling reason to differentiate.

2. Distribution Policy

Based on the above objectives and expected returns of the entire portfolio (lands and funds), the Land Board has established the following Distribution Policy:

- Distributions are determined individually for each endowment.
- Current distributions are 5% of the three-year rolling average Permanent Fund balance for the most recently completed three fiscal years. The Land Board may adjust this amount, depending on the amount in the Earnings Reserve, transfers to the Permanent Fund, and other factors.
- The level of Earnings Reserves deemed adequate is five years of future distributions.
- The Land Board may transfer any balance in an Earnings Reserve Fund in excess of an adequate level to the corresponding Permanent Fund and designate whether the transfer will or will not increase the Gain Benchmark.

3. Role of the Endowment Fund Investment Board

Each year, the EFIB shall present the following recommendations to the Land Board for its consideration:

- Whether any change should be made to the Distribution Policy.
- The amount of distributions for the next fiscal year for each endowment.
- What is considered to be an adequate level of earnings reserves for each endowment.
- The amount, if any, to be transferred from each earnings reserve to the corresponding permanent fund and whether such transfer should increase the gain benchmark.

The EFIB will consider whether to recommend any changes to these two items at its May meeting

The EFIB will provide its recommendation on these two items at the Land Board's August meeting