

MONTANA

BOARD OF INVESTMENTS

BOARD ADOPTED POLICY

POLICY NUMBER: 40.602

EFFECTIVE DATE: November 30, 2021

TITLE: Investment Objectives and Guidelines
Short Term Investment Pool (STIP) Reserve

SUPERSEDES: June 1, 2021

BOARD ADOPTION: November 30, 2021

REVIEWED:

I. Appendix I: Investment Objectives and Guidelines

A. Schedule I-B: Short Term Investment Pool (STIP) Reserve.

1. Effective Date of Schedule: February 14, 2017.

B. This Schedule is effective upon adoption by the Board of Investments and supersedes all previous Investment Objectives and Guidelines for the Reserve.

II. Statement of Purpose

A. The purpose of these objectives and guidelines is to:

1. Establish the investment objectives and performance standards for the STIP Reserve.
2. Provide exposure to low-risk Cash Equivalent and Short-Term Fixed Income Investments in a prudent and cost-effective manner.

III. Investment Objective

A. Strategic

1. The objective of the Reserve is to attain the highest available total return within the parameters of the Investment Guidelines set forth below.

B. Performance

1. Success in achieving this objective will be measured by comparing the risk and the net of expenses return of the Reserve to a U.S. Treasury Constant Maturity 1 Month Index (the Benchmark). Performance results will be monitored and evaluated quarterly. However, the success in achieving the objective will be measured on a three (3) year, five (5) year, and ten (10) year annualized basis.

IV. Investment Guidelines

A. Board Staff will have full discretion to manage the STIP Reserve consistent with the investment guidelines stated below. Compliance with the following guidelines for permitted investments and other restrictions is the sole responsibility of the Staff. Any exceptions or compliance violations are to be reported to the Board of Investments at the next scheduled quarterly Board meeting.

V. Permitted Investments

A. Purchases of securities other than U.S. government; U.S. Agency obligations or qualifying government money market funds are prohibited.

1. U.S. Treasury Securities.
2. U.S. Government Agency securities issued at a discount.

Adopted: November 30, 2021

Revised

Reviewed

3. SEC registered 2a-7 Institutional Money Market Funds that are considered “U.S. Treasury” or “U.S. Government” money market mutual funds according to the SEC regulations.

VI. Other Restrictions

- A. The maximum final maturity of any Permitted Investment shall not exceed one hundred eighty-three (183) days.
- B. A minimum of fifty percent (50%) of the Reserve shall qualify as “daily liquid assets.” For this guideline is it assumed that “daily liquid assets” is defined as cash, direct obligations of the U.S. government, securities that will mature or are subject to a demand feature that is exercisable and payable within one (1) business day, and a permitted SEC registered 2a-7 Institutional Money Market Fund.
- C. If at any time, due to market fluctuations or any other circumstances, any of the guidelines are not maintained, Staff will use its best efforts to conform to these limits in a timely manner, while taking into account current market conditions and the associated costs. At the Board’s next regularly scheduled quarterly meeting, the CIO or Staff shall inform the Board of any cases that the Pool allocations were outside of the limits and either inform the Board of the actions that were taken to return the Pool back within guidelines or a plan to do so.

Authority: Montana Constitution, Article VIII, Section 13
Section 2-15-1808, MCA
Section 17-1-113, MCA
Sections 17-6-201 through 17-6-204, MCA