

MONTANA

BOARD OF INVESTMENTS

BOARD ADOPTED POLICY

POLICY NUMBER: 40.808

EFFECTIVE DATE: June 22, 2023

TITLE: Investment Objectives and Guidelines
Montana Coal Endowment Conservation Fund

SUPERSEDES: NEW

BOARD ADOPTION: June 22, 2023

REVIEWED: June 22, 2023

I. Introduction

- A. The purpose of this policy is to provide a framework for the Montana Coal Endowment Conservation Fund under the guidance of the Board.
- B. All Coal Severance Tax sub-funds are governed by the Coal Severance Tax Investment Policy Statement, Policy 40.800.
- C. The Montana Coal Endowment Conservation Fund was established under Section 17-5-703, MCA, as a sub-fund of the Permanent Coal Severance Tax Trust. Income from the Montana Coal Endowment Conservation Fund is appropriated to the Department of Revenue by the legislature for local government infrastructure projects.
- D. The Board will have full discretion to manage the Montana Coal Endowment Conservation Fund consistent with this policy. 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 at the next scheduled quarterly Board meeting.
- E. 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 considering current market conditions and the associated costs of rebalancing. At the Board's next regularly scheduled quarterly meeting, the CIO shall inform the Board of any situations where the allocations were outside the limits and either inform the Board of the actions that were taken to return the portfolio back within guidelines or a plan to do so.

II. Statement of Purpose

- A. The purpose of these objectives and guidelines are to:
 1. Establish the investment objectives and performance standards of the Montana Coal Endowment Conservation Fund; and
 2. Provide diversified investment exposure within the guidelines in a prudent and cost-effective manner.

III. Investment Objectives

- A. Strategic - Attain above benchmark total return for all investments within the parameters of this policy with an emphasis on investment income and preservation of principle.
- B. Performance - Success in achieving this objective will be measured by comparing the risk and return of the account to the Trust Funds Investment Pool benchmark and the Short-Term Investment Pool (STIP) benchmark, weighted proportionately to the portfolio's holdings, over a five (5) year rolling average.

IV. Permitted Investments

Adopted: June 22, 2023

Revised:

Reviewed: June 22, 2023

A. The Montana Coal Endowment Conservation Fund may only invest in:

1. TFIP; and
2. STIP.

V. Other Restrictions

A. A maximum of ninety-nine percent (99%) of the market value of the portfolio will be held in the TFIP.

Authority: Montana Constitution, Article VIII, Section 13
Montana Constitution, Article IX, Section 5
Section 2-15-1808, MCA
Section 17-1-113, MCA
Section 17-5-703 and -704, MCA
Sections 17-6-201 through 17-6-205, MCA
Section 17-6-308, MCA
Chapter 774, Laws of 2023 (House Bill No. 819)