

# MONTANA

## BOARD OF INVESTMENTS

### BOARD ADOPTED POLICY

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**POLICY NUMBER:** 40.921

**EFFECTIVE DATE:** November 30, 2021

**TITLE:** Investment Objectives and Guidelines  
Upper Clark Fork River Basin Reserve  
Fund

**SUPERSEDES:** April 20, 2021

**BOARD ADOPTION:** November 30, 2021

**REVIEWED:**

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#### I. Appendix I: Investment Objectives and Guidelines

- A. Schedule I-U: Investment Objectives and Guidelines Upper Clark Fork River Basin Reserve Fund.
- B. Approved Date of Schedule: April 20, 2021.
- C. This Schedule is effective upon adoption by the Board and supersedes all previous Investment Objectives and Guidelines for this specific portfolio.

#### II. Introduction

- A. The purpose of this policy statement is to provide a framework for the Upper Clark Fork River Basin Reserve Fund (MU22) investments under the guidance of the Board.
- B. The Upper Clark Fork River Basin Reserve Fund originated in 1999, a Consent Decree was entered between the State of Montana, the United States and Atlantic Richfield Company (ARCO), to settle certain litigation and to provide for the funding of restoration action on and around the Clark Fork River and tributaries generally above the confluence of the Little Blackfoot River. Funds are used by the Natural Resource Damage Program of the Montana Department of Justice (NRDP) to cover potential cost over-runs of the Streamside Tailings Operable Unit if any and then to the Upper Clark Fork River Basin Restoration Fund.

#### III. Statement of Purpose

- A. The purpose of these objectives and guidelines is to:
  - 1. Establish the investment objectives and performance standards of the Upper Clark Fork River Basin Reserve Fund account.
  - 2. Provide diversified investment exposure within the guidelines in a prudent and cost-effective manner.

#### IV. Investment Objective

- A. Strategic
  - 1. The objective of the Upper Clark Fork River Basin Reserve Fund portfolio is to attain above benchmark total return within the parameters of the Investment Guidelines set forth below with an emphasis on investment income and preservation of principal.
- B. Performance
  - 1. Success in achieving this objective will be measured by comparing the risk and return of the account to the Trust Funds Investment Pool (TFIP) benchmark and the Short-Term Investment Pool (STIP) benchmark and the Bloomberg/Barclays 1-5 Year Treasury Index, each weighted proportionately to the portfolio's holdings, over a five (5) year moving average.

### C. Time Horizon

1. The Upper Clark Fork River Basin Reserve Fund is an expendable fund. Expenditures are expected in future years, as projected, and periodically updated by the NRDP. The Board expects to meet or exceed all objectives over a long-term investment horizon. Over shorter periods, the anticipated market volatility, and specific actions, including risk mitigation efforts of the Board may lead to unfavorable, but expected deviation from these objectives.

### D. Investment Guidelines

1. The Board will have full discretion to manage the Upper Clark Fork River Basin Reserve Fund portfolio 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 at the next scheduled quarterly Board meeting.

### E. Permitted Investments

1. The Upper Clark Fork River Basin Reserve Fund may only invest in the following:
  - a) U.S. Treasury Bonds.
  - b) U.S. Agency Bonds.
  - c) TFIP.
  - d) STIP or any cash vehicle at the Custodial Bank.

### F. Other Restrictions

1. A maximum of ninety-nine percent (99%) of the market value of the portfolio will be invested in the TFIP.
2. A maximum of sixty percent (60%) of the market value of the portfolio will be invested in U.S. Treasury and Agency bonds.
3. The maximum maturity of U.S. Treasury and Agency bonds will be six (6) years.

- G. 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 cases that 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.

Authority: Montana Constitution, Article VIII, Section 13  
Section 2-15-1808, MCA  
Section 17-1-113, MCA  
Sections 17-6-201 through 17-6-205, MCA  
Clark Fork River Basin Reserve Fund Consent Decree (1999)