

**MONTANA BOARD OF INVESTMENTS
NOXIOUS WEED MANAGEMENT TRUST FUND (MU61) (FUND 09034)
INVESTMENT POLICY STATEMENT**

INTRODUCTION

The purpose of an investment policy statement is to give the investment manager guidance in developing an investment program to meet the objectives agreed upon and to enable the sponsor, Department of Agriculture, to monitor the progress of the plan.

OBJECTIVES

Return: This account is not highly sensitive to total return performance.

Current Income: Current income is important since interest earned is used to fund the program.

Risk Tolerance: This is a constitutional trust fund having an above average ability to assume interest rate risk with low risk of loss to principal invested.

CONSTRAINTS

Time Horizon: This fund is considered a long-term fund that has a time horizon beyond five years. Investments in the Trust Funds Investment Pool (TFIP) will be allowed.

Liquidity Needs: Liquidity needs are low. There is no reason to maintain any liquid reserves in the fund.

Tax Considerations: This fund is tax-exempt, therefore, tax advantaged investments will not be used.

Legal Considerations: This fund is governed by state regulations, specifically, the "prudent expert principle" which requires the Board of Investments to: (a) discharge its duties with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity with the same resources and familiar with like manners exercises in the conduct of an enterprise of a like character with like aims; (b) diversify the holdings of each fund within the unified investment program to minimize the risk of loss and to maximize the rate of return unless, under the circumstances, it is clearly prudent not to do so; and (c) discharge the duties solely in the interest of and for the benefit of the funds forming the unified investment program.

The Montana Constitution does not allow equity type investments.

Unique Circumstances: None

Client Preferences: None.

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CONSTITUTION

Section 6. Noxious weed management trust fund. (1) The legislature shall provide for a fund, to be known as the noxious weed management trust of the state of Montana, to be funded as provided by law.

(2) The principal of the noxious weed management trust fund shall forever remain inviolate in an amount of ten million dollars (\$10,000,000) unless appropriated by the vote of three-fourths (3/4) of the members of each house of the legislature.

(3) The interest and income generated from the noxious weed management trust fund may be appropriated by a majority vote of each house of the legislature. Appropriations of the interest and income shall be used only to fund the noxious weed management program, as provided by law.

(4) The principal of the noxious weed management trust fund in excess of ten million dollars (\$10,000,000) may be appropriated by a majority vote of each house of the legislature. Appropriations of the principal in excess of ten million dollars (\$10,000,000) shall be used only to fund the noxious weed management program, as provided by law.

History: En. Sec. 1, Const. Amend. No. 40, approved Nov. 2, 2004.

LAW

80-7-811. Noxious weed management trust fund. (1) As required by Article IX, section 6, of the Montana constitution, there is a noxious weed management trust fund of \$10 million. The department shall administer the trust fund in accordance with this part.

(2) Deposits to the principal of the noxious weed management trust fund may include but are not limited to:

- (a) federal contributions;
- (b) private donations; and
- (c) state contributions.

History: En. Sec. 2, Ch. 577, L. 1985; amd. Sec. 2, Ch. 220, L. 1995; amd. Sec. 3, Ch. 493, L. 1999; amd. Sec. 4, Ch. 472, L. 2005.

ADMINISTRATIVE

Securities Lending: Section 17-1-113, MCA, authorizes the Board to lend securities held by the state. The Board may lend its publicly traded securities held in the investment pools, through an agent, to other market participants in return for compensation. Currently, through an explicit contract, State Street Bank and Trust, the state's custodial bank, manages the state's securities lending program. The Board seeks to assess the risks, such as counterparty and reinvestment risk, associated with each aspect of its securities lending program. The Board requires borrowers to maintain collateral at 102 percent for domestic securities and 105 percent for international securities. To ensure that the collateral ratio is maintained, securities on loan are marked to market daily and the borrower must provide additional collateral if the value of the securities on loan increases. In addition to the strict collateral requirements imposed by the Board, the credit quality of approved borrowers is monitored continuously by the contractor. From time to time, Staff or the investment manager may restrict a security from the loan program upon notification to State Street Bank. Staff will monitor the securities lending program, and the CIO will periodically report to the Board on the status of the program.

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**ASSET ALLOCATION
(at market)**

<u>FIXED INCOME</u>	<u>Range</u>
Trust Funds Investment Pool (TFIP)	100%
Total Fixed Income	<u>100.0%</u>