

**REGULAR MEETING OF THE
MONTANA BOARD OF INVESTMENTS
DEPARTMENT OF COMMERCE**

**2401 Colonial Drive, 3rd Floor
Helena, Montana**

Friday, April 15, 2005

AGENDA

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| I. CALL TO ORDER | 8:30 a.m. |
| A. Roll Call | |
| B. Approval of the January 20, 2005 Regular Meeting Minutes | |
| C. Public Comment | |
| 1. Public Comment on Board Related Items | |
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| II. PRESENTATION – Independent Fiduciary Services | 8:45 a.m. |
| Mr. Steven M. Harding, CPA, Senior Vice President | |
| Ms. Barbara Byington, Vice President | |
| Mr. Monte Tarbox, Vice President | |
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| III. ADMINISTRATIVE BUSINESS | 10:15 a.m. |
| A. Human Resources Committee Report | |
| 1. Human Resources Committee Charter | |
| 2. 2/15/2005 Minutes | |
| 3. 3/11/2005 Minutes | |
| B. Audit Committee Report | |
| 1. Audit Committee Charter | |
| 2. 1/21/2005 Minutes | |
| C. Loan Committee Report | |
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| IV. EXECUTIVE DIRECTOR REPORTS – Carroll South | 11:15 a.m. |
| A. Budget Status Report | |
| B. Legislative Update (Verbal) | |
| C. Science & Technology Portfolio Update (Verbal) | |
| D. INTERCAP Legislation | |
| E. Board Member Out-of-State Travel Approval | |
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| V. BOND PROGRAM – Louise Welsh | 12:15 p.m. |
| A. INTERCAP | |
| 1. Loan Program Policy Review | |
| 2. Activity Report | |
| 3. Staff Approved Loans Report | |
| 4. Loan Requests | |
| | |
| VI. CHIEF INVESTMENT OFFICER REPORTS – Bob Bugni, CFA | 12:30 p.m. |
| A. Montana Domestic Equity Pool (MDEP) Update | |
| B. Montana International Equity Pool (MTIP) Update | |
| C. Asset Allocation | |
| D. Performance Review – as of February 28, 2005 | |
| E. Educational Opportunities/Conferences/Seminars | |

- VII. MONTANA LOAN PROGRAM – Delrene Rasmussen** **1:15 p.m.**
- A. Consider Commercial/Multi-Family Loans
 - 1. Bozeman Lodging Investors, LLC.
 - 2. Aztech Properties, LLC.
 - 3. Blepland, LLC.
 - 4. Hellgate Meadows Fitness Club, LLC.
 - B. Pyramid Mountain Lumber, LLC. Subordination Memo
 - C. Great Falls Development Authority Infrastructure Loan Memo
 - D. Coal Tax Loan Program Activity Report – as of March 31, 2004
 - E. Residential Mortgage and Commercial Loan Program Modifications

- VIII. INVESTMENT ACTIVITY – Equity** **1:45 p.m.**
- A. Domestic Equities (Montcomp) – Rande Muffick, CFA
 - 1. MDEP Portfolio
 - 2. Strategy
 - B. Montana International Equity Pool (MTIP) – Rich Cooley, CFA
 - 1. MTIP Portfolio
 - 2. Strategy
 - C. Montana Private Equity Pool (MPEP) – Ed Kelly
 - 1. MPEP Portfolio
 - 2. MPEP Delegation of Investment Authority Recommendation
 - 3. MPEP Investment Policy Revision

- IX. INVESTMENT ACTIVITY – Fixed Income** **2:00 p.m.**
- A. Intermediate Funds – Rich Cooley, CFA
 - 1. Treasurer’s Fund Holdings
 - 2. Strategy
 - 3. Investment Policy Statement
 - a. Old Fund Insurance
 - B. Long Term Funds – Rich Cooley, CFA and Bob Bugni, CFA
 - 1. Fixed Income Holdings
 - 2. Strategy
 - C. Short-Term Investment Pool (STIP) – Ed Kelly
 - 1. STIP Portfolio
 - 2. Strategy

- XI. ADJOURNMENT** **3:30 p.m.**

The Board of Investments makes reasonable accommodations for any known disability that may interfere with a person’s ability to participate in public meetings. Persons needing an accommodations must notify the Board (call 444-0001) or write to P.O. Box 200126, Helena, Montana 59620) no later than three days prior to the meeting to allow adequate time to make needed arrangements.

**MONTANA BOARD OF INVESTMENTS
DEPARTMENT OF COMMERCE**

**2401 Colonial Drive, 3rd Floor
Helena, Montana
Friday April 15, 2005**

MINUTES

BOARD MEMBERS PRESENT:

Terry Moore, Chairman
Elouise Cobell
Teresa Cohea
Karen Fagg
Maureen Fleming
John Paull
Jack Prothero
Jim Turcotte
Calvin Wilson

BOARD MEMBERS ABSENT:

STAFF PRESENT:

Robert T. Bugni, CFA, Chief Investment Officer - Interim
Dick Bridegroom, Mortgage Analyst
Geri Burton, Deputy Director
Sandra L. Conrady, Mortgage Analyst
Richard Cooley, CFA, Senior Investment Officer
Kimberly Dallas, Program Assistant
Bobbie Ecklund, Research Manager – Interim
Edward Kelly, Assistant Investment Officer
Herbert Kulow, Senior Portfolio Manager
Scott Moore, CFA, Investment Analyst
Rande Muffick, CFA, Assistant Investment Officer
Adam Nelson, CFA, Investment Analyst
Jon Putnam, Investment Analyst
Delrene Rasmussen, Assistant Investment Officer
Carroll V. South, Executive Director
Steve Strong, Investment Analyst
Louise Welsh, Bond Program Officer

GUESTS:

Randy Siemers, Laborers Union
Dennis Beams, Glacier Bank, Kalispell
Tom Bilodeau, MEA-MFT
Gordon Hoven, Piper Jaffray
Steven M. Harding, Senior Vice President, Independent Fiduciary Services
Barbara Byington, Vice President, Independent Fiduciary Services
Monte Tarbox, Vice President, Independent Fiduciary Services
David Senn, TRS Executive Director
Kelly Jenkins, PERS Board General Counsel

CALL TO ORDER

Chairman Moore called the regular meeting of the Board of Investments (Board) to order at 8:45 a.m. in the conference room at 2401 Colonial Drive, 3rd Floor, Helena, Montana. As noted above, the meeting convened with nine members of the Board present.

Member Fagg motioned for approval of the January 20, 2005 minutes; Member Fleming seconded the motion and the motion was passed 9-0.

Chairman Moore called for Public Comment of Board-Related Items. No Public Comment made.

PRESENTATION

Independent Fiduciary Services presented to the Board and staff a brief but very informational and in-depth overview of the “Operational Review Report”. This report was developed by Independent Fiduciary Services (IFS) to review the Investment Program and Practices of the Montana Board of Investments.

IFS’s High Priority Recommendations are as follows:

1. Organizational Structure and Governance:
 - Develop a Governance Statement and Board By-Laws;
 - Engage a retainer investment consultant;
 - Consider new Board Committees (Budget, Policy and Proxy Voting).
2. Internal Control:
 - Establish an Internal Audit Committee;
 - Develop written policies and procedures for 1) information technology; 2) voluntary corporate actions; 3) proxy voting; 4) inputting prices for securities; 5) allocating securities and clearing accounts of funds; 6) security class litigation.
 - Asset Allocation:
 - Work with retirement systems to conduct asset liability studies of all the plans;
 - Consider additional asset classes to diversify the investment portfolio;
 - Provide Board with education session on asset allocation process.
3. Investment Performance:
 - Establish policies to value internally-managed portfolios monthly and reconcile with Bank;
 - Require State Street to reconcile performance numbers with external and internal investment managers;
 - Allocate resources for internal performance measurement function.
4. Monitoring of Investment Performance:
 - Hire a retainer investment consultant to interpret performance reports and provide insight into operation of investment program
 - Investment Benchmarks:
 - Board should adopt additional total fund benchmarks 1) Policy Index, 2) Asset Allocation Index.
 - Investment Process:
 - Identify and appoint a Chief Investment Officer;
 - Investment Costs:
 - Costs are low but organization has been under-resourced. Could use more external managers without unreasonable increases in total cost.
5. Investment Staff:
 - Add specialists for asset allocation;
 - Add staff to monitor external managers;
 - Stabilize and strengthen the roster of equity analysts;

- Hire an experienced equity trader;
- Provide clerical support for the investment professionals.

These rankings were subjective by IFS and the Board may address them at their preference. A complete copy of this report is kept on file at the Montana Board of Investments.

ADMINISTRATIVE BUSINESS

Chairman Moore presented the following Administrative Business:

Human Resources Committee Report:

The members of the Human Resource Committee are:

- Maureen Fleming, Chair
- Karen Fagg
- Terry Cohea
- Calvin Wilson
- Terry Moore, Board Chair, serves as an ex-officio member with no voting authority.

Member Fleming gave an overview of the Human Resource Committee. The purpose of the Committee is to discharge the Board's responsibilities relating to personnel matters of all Board staff and compensation of the Board's exempt staff.

Currently, the Committee is in the final stages of the RFP process of hiring a search firm to assist in finding and hiring a Chief Investment Officer. Member Fleming complimented Geri Burton on the outstanding job that she has done in working with the Dept. of Administration during the RFP Process and communicating information to the Human Resource Committee.

Member Fleming presented to the Board for approval the Human Resource Committee Charter. Member Fleming requested one change be made. Under the heading "Committee Membership", the first sentence currently reads "*The Committee shall consist of three Board Members.*" Member Fleming recommended adding "*at least*" after "*shall consist of...*" The sentence will now read, "*The Committee shall consist of at least three Board Members*". Member Fleming motioned for approval of the Human Resource Committee Charter with the recommended change; Member Wilson seconded the motion and the motion was unanimously approved.

Last, Member Fleming complimented Delrene Rasmussen is the work that she did in dealing with the recent reduction in staff at the Board of Investments. Member Fleming also expressed on behalf of the Board thanks to Sandi Conrady and Dick Bridegroom for their years of service and dedication to the Montana Board of Investments and wished them the very best in the future.

Audit Committee Report:

The members of the Audit Committee are:

- Karen Fagg, Chair
- Jim Turcotte
- Elouise Cobell
- Terry Moore, Board Chair, serves as an ex-officio member with no voting authority.

Member Fagg gave an overview of the Audit Committee. The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal

control, the audit process, and the Board’s process for monitoring compliance with laws and regulations and its code of ethical conduct.

Member Fagg presented to the Board for approval the Audit Committee Charter. Member Fagg requested one change be made. Under the heading “Composition”, the first sentence currently reads “*The Audit Committee will consist of three members of the Board.*” Member Fagg recommended adding “*at least*” after “*consist of...*” The sentence will now read, “*The Audit Committee will consist of at least three Board Members*”. Member Fagg motioned for approval of the Audit Committee Charter with the recommended change; Member Prothero seconded the motion and the motion was unanimously approved.

In addition, Member Fagg reviewed with the Board the discussions which took place at the April 14, 2005 Audit Committee Meeting. The Audit Committee met with Jim Gillett from the Legislative Audit Division and Mr. Steve Harding. Copies of the minutes from the Audit Committee meeting are kept on file.

The Audit Committee presented the following recommendations to the Board:

1. Member Fagg, on behalf of The Audit Committee, recommended and motioned for approval and acceptance of the Operational Review Report on the Investment Program and Practices of the Montana Board of Investments as developed by Independent Fiduciary Services; Member Fleming seconded the motion and the motion was unanimously approved.
2. Member Fagg motioned that The Audit Committee utilize and work with IFS to determine the process required in order for IFS to perform a search for a Retainer Consultant, and to work with the Dept. of Administration if it is determined that an RFP be issued in the search for a Retainer Consultant; Member Wilson seconded the motion and the motion was unanimously approved.
3. Member Fagg presented discussion concerning the hiring of an Internal Auditor. It is the recommendation of the Audit Committee to clarify and determine the responsibilities of the Internal Auditor, compare contract employee vs. full-time employee. A recommendation will be made at the June Board Meeting.
4. Member Fagg recommended that the Audit Committee work with IFS to develop the following documents: 1) Governance Statement/Policy. 2) Securities Class Litigation Policy, and 3) Proxy Voting Policy. In addition, the Audit Committee would consult with Board Legal Council, Pat Melby as required or needed in the development of these documents. Member Fleming motioned for approval of the recommendation; Member Turcotte seconded the motion and the motion was unanimously approved.

Loan Committee Report:

The members of the Loan Committee are:

- Jack Prothero, Chair
- Terry Cohea
- Elouise Cobell
- Terry Moore, Board Chair, serves as an ex-officio member with no voting authority.

Member Prothero reported that the Loan Committee met earlier this morning. The Committee reviewed the loan requests presented by staff. Delrene Rasmussen provided the report of the loans presented as follows:

Borrower:	Bozeman Lodging Investors, LLC.
Lender:	Stockman Bank of Montana, Bozeman
Purpose of Loan:	To provide long-term financing for the construction of a 123 – room Hilton Garden Inn.

Amount of Loan:	\$8,700,000
Board Loan Amount:	\$4,350,000
Board Participation:	50%
Term of Loan:	20 Years
Interest Rate:	7.14% + .50% LSF
Staff Recommendation:	Approval, subject to the terms and conditions in Schedule A.
Loan Committee Recommendation:	Approve as presented.

Borrower:	Aztech Properties, LLC.
Lender:	Stockman Bank, Billings
Purpose of Loan:	To provide long-term financing for construction and quipping of a Meineke Car Care Center.
Amount of Loan:	\$807,000
Board Loan Amount:	\$645,600
Board Participation:	80%
Term of Loan:	15 Years
Interest Rate:	6.87% + .50% LSF
Staff Recommendation:	Approval, subject to the terms and conditions in Schedule A.
Loan Committee Recommendation:	Approve as presented.

Borrower:	Blepland, LLC.
Lender:	First Citizens Bank, Butte
Purpose of Loan:	To provide long-term, take-out financing for the construction of a Ford dealership.
Amount of Loan:	\$3,795,459
Board Loan Amount:	\$1,996,367
Board Participation:	52.60%
Term of Loan:	20 Years
Interest Rate:	6.94% + .25% LSF
Staff Recommendation:	Approval, subject to the terms and conditions in Schedule A.
Loan Committee Recommendation:	Approval subject to lender providing documentation of no outstanding material litigation.

Borrower:	Hellgate Meadows Fitness Club, LLC.
Lender:	First National Bank, Missoula
Purpose of Loan:	To provide long-term, fixed-rate financing for a fitness center.
Amount of Loan:	\$4,308,208
Board Loan Amount:	\$2,154,104
Board Participation:	50%
Term of Loan:	20 Years
Interest Rate:	7.11% + .50% LSF
Staff Recommendation:	Approval, subject to the terms and conditions in Schedule A.
Loan Committee Recommendation:	Approval subject to the following revisions to Schedule A: <ul style="list-style-type: none"> • BOI will consider participating in the loan once the net membership reaches 2,350 for three consecutive months AND the debt coverage ratio is 1.25 or greater. The net membership is the membership after deducting the budgeted monthly 3.5% loss in membership from the gross membership numbers. The lender will have 14 months from the opening date of the

facility to reach the required numbers. If the minimum net membership numbers are not met, the commitment will expire and the loan will have to be reconsidered by the Board.

Member Fleming moved for ratification of loan committee recommendation; Member Wilson seconded the motion and the motion was passed 9-0. Member Cobell left the meeting at this time.

EXECUTIVE DIRECTOR REPORTS

Budget Status Report

Executive Director Carroll South presented this report for the period ending March 31, 2005.

INTERCAP Legislation

Executive Director Carroll South reviewed with the Board legislation affecting the INTERCAP Program. The Legislature has increasingly used the Program for low interest loans to state agencies. During the recent audit of the Board of Investments, the Legislative Audit Office disclosed a potential problem with certain state agency INTERCAP loans previously authorized by the Legislature. The Disclosure stated: *“We believe some of these recent INTERCAP loans should be considered state debt because the source of repayment is revenue derived from the state’s taxing power.”*

Senate Bill 240 clarifies the status of the loans in question by considering them state debt and has an immediate effective date so their status will be clarified prior to the remarketing of the INTERCAP bonds. A two thirds vote of each House is required. Senate Bill 240 was signed by the Governor.

Senate Bill 288 was introduced to clarify future INTERCAP loans as either state debt or non state debt. This bill passed the Senate and will be on second reading in the House in the very near future.

Legislative Update

Executive Director Carroll South reported House Joint Resolution No. 42, a joint resolution of the Senate and the House of Representatives of the state of Montana requesting that a legislative study be conducted on how public employee retirements funds are invested and how investment performance, retirement plan benefits, and legislative policy decision interact to affect the actuarial soundness of the Public Employee Retirement plans and the Employer’s funding obligations. This resolution passed the House 93 – 3. The Board supports the study and will be working with the Legislative staff.

Out-of-State Travel

Executive Director Carroll South presented Board Member Travel Approval for:

- Jim Turcotte to attend the KKR Conference, May 14 – 18, 2005. Estimated cost of trip, including airfare, lodging, registration fee (if any), meals and misc. expense is: \$975.00.
- Maureen Fleming to attend the Adams Street Conference, June 7 & 8, 2005. Estimated cost of trip, including airfare, lodging, registration fee (if any), meals and misc. expense is: \$750.00.
- Terry Moore to attend the Adams Street Conference, June 7 & 8, 2005. Estimated cost of trip, including airfare, lodging, registration fee (if any), meals and misc. expense is: \$750.00.

Member Wilson moved for approval of this recommendation; Member Paull seconded the motion and the motion was passed 8-0.

BOND PROGRAM

Activity Report

The Board reviewed this report for the period ending March 31, 2005.

Staff Approved Loans Report

Ms. Louise Welsh reported that:

Borrower:	Musselshell County
Purpose:	To finance costs associated with constructing an ambulance barn.
Staff Approval Date	January 13, 2005
Board Loan Amount:	\$200,000
Term:	10 Years

Borrower:	Powell County – Increase Request
Purpose:	To finance the Powell County Memorial Hospital renovations.
Staff Approval Date	March 1, 2005
Board Loan Amount:	\$70,713
Term:	10 Years

Borrower:	Pondera County Rural Fire District
Purpose:	To purchase a new fire truck.
Staff Approval Date	March 1, 2005
Board Loan Amount:	\$26,000
Term:	2 Years

Borrower:	Baxendale Fire District – Helena
Purpose:	To purchase a fire truck.
Staff Approval Date	March 24, 2005
Board Loan Amount:	\$80,000
Term:	10 Years

Borrower:	Missoula High School District #1
Purpose:	To purchase a vehicle.
Staff Approval Date	March 25, 2005
Board Loan Amount:	\$16,839
Term:	3 Years

Borrower:	Hamilton School District #3 – Increase Request
Purpose:	To finance boiler replacement.
Staff Approval Date	March 28, 2005
Board Loan Amount:	\$57,000
Term:	10 Years

has been approved by staff.

INTERCAP

Ms. Louise Welsh presented staff’s recommendation that the Board authorize staff to proceed with processing and closing the following loans using the Board’s standard Bond Program Office procedures:

Borrower: City of Kalispell
Board Loan Amount: \$279,900
Term: 10 Years

Purpose: To purchase a structural fire engine.
Borrower: Bigfork Fire District
Board Loan Amount: \$300,000
Term: 5 Years
Purpose: To purchase a fire engine.

Borrower: Gallatin County – 2 Requests
Board Loan Amount: 1) \$380,000, and 2) \$999,000 = \$1,379,000 total
Term: 10 Years
Purpose: 1) To finance costs associated with fairgrounds improvements, and 2) To finance costs associated with various improvements for multiple city libraries.

Borrower: Woodsbay Homesites/Lake County Water & Sewer District (Bigfork)
Board Loan Amount: \$433,100
Term: Interim financing.
Purpose: In anticipation of Rural Development.

Member Fleming moved for approval of this recommendation; Member Wilson seconded the motion and the motion was passed 8-0.

CHIEF INVESTMENT OFFICER REPORTS

Montana Domestic Equity Pool (MDEP) Review

Mr. Bob Bugni provided to the Board a summary of transactions since the rebalancing plan was approved at the December 2004 Board meeting.

The Board engaged in a lengthy discussion regarding the current amount in the MTCP portfolio. The consensus of the Board is:

1. The pressure being put on the staff at this time to manage the portfolio.
2. There are 3 vacant Analyst positions at this time (2-Technology, 1-General) and Ms. Ecklund is only filling the Research Manager position currently as the Interim Research Manager.
3. There are 10 full-time positions within the MTCP Program, and currently only 7 of those positions are filled, or 70 percent.

Member Fagg motioned to direct staff to reduce Montcomp by \$100 million. She will accept Mr. Bugni’s recommendation that he and Mr. Muffick determine how the reduction will be made, either by using BGI and/or the BOI Trader, Joe Kennebeck, and how to proceed and achieve it will be determined by Bob Bugni and Rande Muffick. A report will be presented at the June meeting. Member Turcotte seconded the motion and the motion passed 7 – 1. Member Wilson voted “No”.

Montana International Equity Pool (MTIP) Review

Mr. Bob Bugni provided to the Board a summary of the transactions that have taken place in funding the small-cap mandate, which the Board approved at the October 2004 meeting. Chairman Moore asked Mr. Bugni to return in June with a report identifying the discussion points about the plan of action with regard to Pырford International contract expiring September 2005 and that it will require an RFP Process.

Asset Allocation Plan – Retirement Funds

Mr. Bob Bugni, Chief Investment Officer, presented the Asset Allocation Plan for the period ending February 28, 2005 transactions.

Performance Review

Mr. Bugni presented the Board Performance Reports for the period ending February 28, 2005.

LOAN PROGRAMS

Pyramid Mountain Lumber, LLC

Mr. Herb Kulow presented a request submitted by Two Rivers Bank to continue its subordination of inventory to allow the bank to renew the additional operating line of credit in the amount of \$700,000. Staff recommended extending the subordination of BOI's collateral position on receivable and inventory to Two Rivers Bank in the amount of \$700,000 for a period not to exceed one year, subject to approval from the USDA. The Loan Committee approved this request.

Great Falls Development Authority Infrastructure Loan

Mr. Herb Kulow presented a request submitted by Great Falls Development Authority on behalf of International Malting Company outlining three changes to be considered:

1. The Applicant is proposed to be changed from the Development Authority to the City of Great Falls. The Development Authority does not meet eligibility criteria to allow it to participate in the infrastructure program;
2. An increase in the loan amount is being requested from \$500,000 to \$583,310. The size of an infrastructure loan amount is determined by the number of new jobs created multiplied by \$16,666. Currently IMC anticipates 35 new jobs.
3. The project is being changed from funding a water lift station to funding part of the rail spur.

Staff recommends approval of the request. The Loan Committee approved the request as presented.

Residential Mortgage and Commercial Loan Program Modifications

Ms. Delrene Rasmussen presented modifications to the residential mortgage loan policy as follows:

- IV. General Requirements: 1-4 Family Residential Loans – add (k) “All loans submitted for purchase to the Montana Board of Investments from Board member or Board staff shall first be approved by the Board before the loan is committed and funded”.
- X. Hazard Insurance: Change (c) to “On loans with loan-to-value greater than 50%, the maximum deductible is \$1,000”; Add (d) “On loans with loan-to-values less than 50%, the maximum deductible is subject to Freddie Mac requirements and BOI approval”.
- XV. Remittance and Reporting (a) “The Participant shall transmit by Electronic Funds Transfer (EFT) all funds applicable to the monthly payment of principal and interest on the Mortgage Loans serviced by the Participant by the 25th of each month. Remittances shall be reported and submitted to the Board of Housing on the Reconciliation Statement of Mortgage Loans and Exception Reporting Forms. These forms, prepared by the Participant, are based on an Exception Reporting system of accounting and detail all mortgage loan activity for the reporting period from the twenty-first day of the previous month to the twentieth day of the current month. The Participant shall transmit the Reconciliation Statement to the Board of Housing, subject to the warranty in Section 3.31 of the Servicing Agreement”.
- Add XVI. Funding: (a) Funding will occur on the 15th and 25th of the month.

The Loan Committee reviewed and approved these changes as recommended.

Member Fagg motioned for acceptance of the Loan Committee approval on all three issues; Member Cohea seconded the motion and the motion was passed 8-0.

Coal Tax Loan Program Activity Report

Ms. Delrene Rasmussen presented and the Board reviewed this report as of March 31, 2005.

Residential Loan Application

Ms. Delrene Rasmussen stated that the residential loan mortgage request for Terrill R. & Athena R. Moore was withdrawn by the lender, First Interstate Bank.

INVESTMENT ACTIVITY - Equity

Domestic Equities (Montcomp)

Mr. Rande Muffick presented the current investment strategy.

Montana International Equity Pool (MTIP)

Mr. Rich Cooley presented the current investment strategy.

Montana Private Equity Pool (MPEP)

Mr. Ed Kelly presented the current investment strategy.

In addition, Mr. Kelly presented staff recommendation requesting that the Board delegate authority to Staff to negotiate and make binding commitments to private equity managers for participation in the Montana Private Equity Pool.

Mr. Kelly also presented to the Board revisions to the Investment Policy Statement for the Montana Private Equity Pool.

Member Cohea motioned for approval to accept the Investment Policy Statement as revised, including delegating investment authority to Staff; Member Wilson seconded the motion and the motion was passed 8-0. Member Fagg left the meeting at this time.

Intermediate Funds

Mr. Cooley also presented the current investment strategy.

In addition, Mr. Cooley presented the Investment Policy Statement for Old Fund Insurance. Member Prothero motioned for approval of the Investment Policy Statement as presented; Member Wilson seconded the motion and the motion was passed 7-0.

Long Term Funds

Mr. Rich Cooley presented the current investment strategy. Member Wilson moved for approval of the Investment Policy Statements as presented; Member Prothero seconded the motion and the motion was passed 7-0.

Short-Term Investment Pool (STIP)

Mr. Ed Kelly presented the current investment strategy. Member Turcotte moved for approval of the Montcomp strategy as presented; Member Wilson seconded the motion and the motion was passed 7-0.

Human Resource Committee

Member Fleming as Chair of the Committee reported that the HR Committee was tasked with 3 items:

1. To develop a curriculum for the Board
2. To develop a curriculum for the Staff
3. To develop a description for the CIO position.

Member Fleming motioned that the Board give permission to the HR Committee to engage IFS for assistance in the above topics, and that Mr. South serve as the centralized contact for IFS. Member Wilson seconded the motion and the motion was passed 7-0.

NEXT MEETING

The next regularly scheduled meeting of the Board will be June 24, 2005.

ADJOURNMENT

There being no further business, the meeting was adjourned at 3:30 p.m.

BOARD OF INVESTMENTS

APPROVE: _____
Terry Moore, Chairman

ATTEST: _____
Carroll South, Executive Director

DATE: _____