

MONTANA

BOARD OF INVESTMENTS

BOARD ADOPTED POLICY

POLICY NUMBER: 40.953

EFFECTIVE DATE: April 10, 2024

TITLE: Old Fund Liability Defeasance Fund
Investment Policy Statement

SUPERSEDES: NEW

BOARD ADOPTION: April 10, 2024

REVIEWED: April 10, 2024

I. Introduction

- A. The purpose of this policy is to provide a framework for the Old Fund Liability Defeasance Fund under the guidance of the Board.
- B. All Separately Managed Accounts are governed by the Separately Managed Accounts Investment Policy Statement, Policy 40.900.
- C. The Old Fund Liability Defeasance Fund was established by the Governor's Office to effectively defease the estimated remaining liabilities of the State's Old Fund.
- D. The fund will be funded by a transfer of money from the State Debt and Liability Free Account. Earnings of the fund will be retained by the fund.
- E. The Fund is expendable. Funds in the Account are statutorily appropriated to the Governor's Office.
- F. The Board will have full discretion to manage the Old Fund Liability Defeasance Fund portfolio 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.
- 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 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. Purpose

- A. The purpose of this policy statement is to:
 1. Establish the investment objectives and performance standards of the Old Fund Liability Defeasance Fund; and
 2. Provide diversified investment exposure within the guidelines in a prudent and cost-effective manner.

III. Investment Objectives

- A. Strategic - The objective of the Old Fund Liability Defeasance Fund portfolio is to attain above benchmark total return within the parameters of this policy with an emphasis on investment income and preservation of principal.
- B. Performance - Success in achieving this objective will be measured by comparing the risk and return of the fund to the securities owned, weighted proportionately to the portfolio's holdings, over a five (5) year rolling average.

Adopted: April 10, 2024

Revised: NEW

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C. Time Horizon - The Old Fund Liability Defeasance Fund is an expendable account. The Board expects to meet or exceed all objectives over the long-term investment horizon. Over shorter periods, the anticipated market volatility, and specific actions, including risk mitigation efforts by the Board may lead to unfavorable, but expected deviation from these objectives.

IV. Permitted Investments

A. The Old Fund Liability Defeasance Fund may only invest in the following:

1. STIP or any cash vehicle at the Custodial Bank;
2. U.S. Treasury obligations;
3. Direct obligations of the U.S. Agencies;
4. Fully collateralized, interest-bearing Demand Deposit Accounts at Montana domiciled banks and credit unions; or
5. Trust Funds Investment Pool.

B. Direct obligations of U.S. agencies shall consist of only the discount notes, notes, and debentures of the agencies and does not include mortgage pass-through obligations. Coupons may be fixed or floating rate.

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
Section 17-6-214
Section 17-7-502
Section 39-71-915
Section 39-71-2320
Section 39-71-2351