

**MONTANA BOARD OF INVESTMENTS  
2401 Colonial Drive, 3<sup>rd</sup> Floor  
Helena, Montana**

**MINUTES OF THE SPECIAL CONFERENCE CALL MEETING – March 17, 2020**

**BOARD MEMBERS PRESENT *via telephone*:**

Karl Englund, Chair  
Mark Noennig, Vice Chair  
Terry Cohea  
Jim Edwards  
Jeff Greenfield  
Bruce Nelson  
Maggie Peterson  
Jack Prothero  
Diane Fladmo

**LEGISLATIVE LIAISONS PRESENT *via telephone*:**

Senator Fred Thomas  
Representative Jim Hamilton

**STAFF PRESENT *via telephone*:**

Polly Boutin, Associate Financial Manager	Peggy MacEwen, Deputy Director
Dana Chapman, Board Secretary	April Madden, Investment Accountant
Frank Cornwell, CPA	Savannah Morgan, Bond Program Officer
Associate Financial Manager	Rande Muffick, CFA,
Julie Feldman, CPA, Financial Manager	Deputy CIO/Director of Public Markets
Kirsten Haswell, Investment Analyst	Michael Nguyen, Director of Private Equity
Doug Hill, Director of In-State Loan Programs	Mike Pettit, Director of Investment Operations
Tim House, Investment Analyst	Jon Putnam, CFA, FRM, CAIA,
Ethan Hurley, CAIA	Chief Investment Officer
Director of Natural Resources/Real Estate	John Romasko, CFA, Investment Officer
Sheli Jacoby, Administrative Assistant	Steve Strong, Investment Analyst
Teri Kolnik, CFA, Investment Analyst	Dan Villa, Executive Director
Emily Kovarik, CPA, Investment Analyst	Louise Welsh, Senior Bond Program Officer
Tammy Lindgren, Investment Accountant	Dan Zarling, CFA, CIPM
	Director of Risk Management

**GUESTS:**

Sherri Scurr, Legislative Services *via telephone*

**CALL TO ORDER**

Board Chairman Karl Englund called the special conference call meeting of the Board of Investments (Board) to order at 10:33 a.m. As noted above a quorum of Board Members was present. Chairman Englund advised of audio recording of the meeting and asked for public comment on issues with Board jurisdiction. There was none.

**Continuity of Operations Update**

Chairman Englund asked Executive Director Dan Villa for an update on operations continuity.

Director Villa provided a summary of recent activity on emergency preparedness. On February 24<sup>th</sup> staff updated the COOP (continuity) Plan. Staff utilized the plan last year during the power outage which lasted several hours. After that event, staff made improvements and revisions to the Plan. More recently staff have updated the Plan in case of emergencies lasting for ten days or more. As of today,

all staff are teleworking, except for Rande Muffick who is working in the office and Roberta Diaz who is working from the backup location downtown in the Department of Revenue building. All others are using the Citrix system and office phones are forwarded to staff cell phones.

This morning at 9:00 a.m. staff met via conference call. All critical functions are up and running. STIP is operating as expected. On March 4<sup>th</sup>, Director Villa sent out a memo to staff detailing how we will address teleworking. Staff will have two daily conference calls, which will be conducted at 9:00 a.m. and 1:00 p.m. until further notice. Staff are asked to keep a record of teleworking expenses to track how much the effort will cost. Staff were directed to test technology and each received an emergency packet. On March 12<sup>th</sup> all staff travel was restricted and staff are asked to notify management of any planned personal travel. Concluding any personal travel, staff will be expected to self-quarantine.

Director Villa noted all functions are up and running and asked if there were any questions.

Member Terry Cohea commended staff on an excellent job.

### **Short Term Investment Pool Reserve Deposits**

Chairman Englund asked Director Villa to review the changes to the Short-Term Investment Pool Reserve deposits.

Director Villa explained following the Great Financial Crisis the Board implemented the STIP Reserve, which has a daily deposit out of yield. Director Villa stated he has directed the deposits to the Reserve be suspended until further notice. The Reserve is over the minimum level required by policy which is 1.15% of the STIP balance. The goal is to increase the yield for participants as rates are near zero and could go negative in the future. The move will provide some yield to participants. The STIP Reserve policy allows if there is a loss, the Reserve funds would be used; however, for now it looks like that is not a likelihood.

Member Jack Prothero asked if there was any dislocation in the markets.

Chief Investment Officer Jon Putnam stated staff are seeing dislocation in the short term markets, but also a strong response from the Federal Reserve. Commercial paper has been opened up, which was also the case in late 2009. Corporations and others can go directly to the Fed to sell commercial paper, which provides a back stop to the markets and allows banks to go to a discount window to provide liquidity to the market.

Director Villa asked Mr. Putnam to explain the steps staff have taken.

Mr. Putnam explained staff have been aware markets were becoming stressed. STIP is in a different place than back in 2008-2009. There are more stringent requirements with a nice liquidity buffer at all times. There was not a whole lot of value coming into this and STIP was conservatively positioned. Currently there is roughly one third in treasuries, agencies and money market funds, with immediate liquidity. Staff have not been going out long and taking credit risk and we are prepared if participants need cash in response to the Coronavirus. We are positioned well.

Chairman Englund asked what kind of inquiries staff are receiving.

Director Villa noted staff have received around seven or eight inquiries and added he will reach out to leadership after this meeting to assure members there is no liquidity crunch at this time. Staff do not expect to see withdrawals as happened in the Great Financial Crisis. Cash will continue to flow.

Chairman Englund asked if policy was clear the suspension of deposits to the STIP Reserve is delegated to staff.

Director Villa stated yes, it is a staff decision and added the Reserve is still within policy. However, if the Reserve balance falls below 1.15% of the total STIP balance, staff would be required to restart contributions.

**Decrease in INTERCAP Interest Rates**

Chairman Englund asked Director Villa to review the decrease to the INTERCAP interest rates.

Director Villa stated in February staff conducted the INTERCAP bond remarketing and secured a 1.0% interest rate. The 1.5% spread was then added for a total INTERCAP rate of 2.5% for the year. Staff intend to reduce the 1.5% spread taken by the Board. The reduction in revenue will be made up through other avenues. This step will ensure capital is available to local governments for any projects. For matters related to the Coronavirus or other public health issues this can act as a bridge loan. Any loans will still undergo the full underwriting process, it is simply another step to help local governments.

Member Jim Edwards asked if this reduction means taking away the full 1.5% spread, and that the rate will now be 1.0%.

Director Villa replied yes, that is correct. INTERCAP borrowers make two payments per year and this change will be in effect for the August payment only. At that point, staff will reassess the situation. The total loss of revenue, which will be made up from other areas, is estimated between \$380,000 and \$450,000.

Member Prothero asked if the lower rate applies only to existing eligible borrowers.

Director Villa confirmed yes, it does.

Chairman Englund asked if staff have the authority to set the new rate and Director Villa replied yes, staff have the authority.

Chairman Englund asked if there were any other items for discussion.

Director Villa stated all incoming questions should funnel through him as the point of contact. The team will be as responsive as possible. Staff are available through email, cell phones or office landlines.

Chairman Englund clarified, as Board Members occasionally call other senior staff members, protocol now is for all inquiries to be directed to Director Villa.

With no further business before the Board, the meeting was adjourned at 10:53 a.m.

**BOARD OF INVESTMENTS**

APPROVE:   
Karl J. Englund, Chairman

ATTEST:   
Dan Villa, Executive Director

DATE: April 14, 2020