

MONTANA

BOARD OF INVESTMENTS

REGULAR BOARD MEETING
APRIL 22, 2026
REMOTE MEETING

COMMITTEE MEETINGS

- A. Loan Committee – Tim Kober, Chair** **9:00 AM**
Committee Members – Bennett, Milanovich
1. Public Comment – *Public Comment on issues with Committee Jurisdiction*
 2. Approval of October 14, 2025, and November 4, 2025, Committee Meeting Minutes
 3. Executive Director Comments
 4. INTERCAP Loan Request
 - a. *Public Comment*
 - b. **Decision**

- Tab 1 CALL TO ORDER – Jeff Meredith, Chairman** **9:30 AM**
- A. Notice of Video Recording of Meeting
 - B. Roll Call
 - C. Public Comment – *Public Comment on issues with Board Jurisdiction*
 - D. Approval of the February 25-26, 2026, Meeting Minutes
 - E. Administrative Business
 1. Loan Committee Report
 - F. Comments from TRS and PERS Board Members
 - G. Comments from Board Legislative Liaisons

- Tab 2 EXECUTIVE DIRECTOR REPORTS – Dan Villa** **10:00 AM**
- A. Member Requests from Prior Meeting
 - B. Monthly Snapshot
 - C. Benchmarks Used by the Board
 - D. Contract Approval Request
 - a. *Public Comment*
 - b. **Decision**

- Tab 3 DOMESTIC EQUITY ASSET CLASS REVIEW – Jason Brent and Steve Strong** **10:15 AM**

- Tab 4 RVK ANNUAL CAPITAL MARKET ASSUMPTIONS** **11:15 AM**

RECAP OF STAFF TO DO LIST AND ADJOURNMENT – Jeff Meredith, Chairman

MONTANA

BOARD OF INVESTMENTS

LOAN COMMITTEE MEETING MINUTES
OCTOBER 14, 2025
9:30 AM

Call to Order

The Board of Investments' Loan Committee meeting was called to order by Committee Chair Tim Kober at 9:50 a.m. on Tuesday, October 14, 2025.

Committee Members Present: Tim Kober, John Milanovich, Porter Bennett

Committee Members Absent: None

Board Members Present: Jeff Meredith, Maggie Peterson, Mark Barry, Cindy Younkin

Board Members Absent: Dan Trost, Dwaine Iverson

Legislative Liaisons Present: Representative Larry Brewster

Legislative Liaisons Absent: Senator Shane Morigeau

Board Staff Present: Brenda Thomas, Dan Villa, Doug Hill, Eron Krpan, Ethan Hurley, Ethan Kittle, Jason Brent, Jessilynn Salois, John Carpenter, John Romasko, Jon Putnam, Julie Feldman, Kirsten Haswell, Louise Welsh, Mark Lodman, Matt Hoffman, Peggy MacEwen, Peggy Saarela, Roberta Diaz, Rob Samson, Savannah Morgan, Sheli Jacoby, Tammy Lindgren, Tim House

Interested Parties Present: John Kevin Balaod – With Intelligence

1. Public Comment

Chair Kober called for public comment on issues within Committee jurisdiction. There was no public comment.

2. Approval of Committee Meeting Minutes

Chair Kober called for comments and approval of the August 20, 2025, Loan Committee meeting minutes. Member Milanovich motioned to approve the minutes. Member Bennett seconded the motion, which passed unanimously.

3. Executive Director Comments

Executive Director Villa did not have any comments for the Committee.

4. INTERCAP Loan Request – *Decision*

Ms. Louise Welsh presented a loan request from Missoula County. The County requests to borrow \$4.95 million to finance a judgment settlement. In October 2024, the County settled a lawsuit filed by approximately 80 jailers and sheriff's deputies,

agreeing to pay the settlement in two installments to resolve a multi-year wage dispute. The initial lawsuit, filed in October 2022, claimed that the County had incorrectly calculated and underpaid officers for several years. The loan will be a general obligation bond with the County's full faith and credit pledged to repay the bond over a five-year term. INTERCAP will be the sole funding source.

Chair Kober called for a motion to approve the loan request. Member Bennett motioned for approval. Member Milanovich seconded the motion, which passed unanimously.

With no further business before the Committee, the meeting was adjourned at 9:56 a.m.

MONTANA

BOARD OF INVESTMENTS

SPECIAL LOAN COMMITTEE MEETING MINUTES

November 4, 2025

2:00 PM

Call to Order

The Board of Investments' Loan Committee meeting was called to order by Chairman Tim Kober at 2:00 p.m. on Tuesday, November 4, 2025.

Committee Members Present: Tim Kober, Porter Bennett

Committee Members Absent: John Milanovich

Board Members Present: Jeff Meredith, Dwaine Iverson

Board Members Absent: Cindy Younkin, Maggie Peterson, Mark Barry, Dan Trost

Legislative Liaisons Present: Representative Larry Brewster

Board Staff Present: Brenda Thomas, Cort Jensen, Dan Villa, Ethan Kittle, Jessilynn Salois, John Carpenter, John Romasko, Jon Putnam, Julie Feldman, Kirsten Haswell, Peggy MacEwen, Peggy Saarela, Polly Boutin, Roberta Diaz, Sam Holman, Savannah Morgan, Tammy Lindgren, Tim House

Interested Parties Present: None

1. Roll Call

The roll was taken: two Committee members were present, forming a quorum.

2. Public Comment – *Public Comment on issues with Board Jurisdiction*

Chair Kober asked for public comment on issues within the Committee's jurisdiction.

There was no public comment.

3. Resident-Owned Communities/Multifamily-Owned Communities (ROC/MOC) Loan Request – *Decision*

Sam Holman presented the loan request to the Committee. The purpose of the loan is to provide financing for the purchase of a multifamily property with 18 housing units and 2 RV lots. The Borrower is Gibbon Avenue, Inc., and NeighborWorks Montana (NWMT) is facilitating as the Lender. The ROC/MOC loan will be the first mortgage position on the property. The total loan amount is \$2,100,000, and the purchase price of the property is \$2,800,000, resulting in a loan-to-cost ratio of 75%. Staff is recommending approval

contingent upon confirmation that (a) all other sources of financing have been approved, and (b) the appraisal value meets or exceeds the purchase price.

Chair Kober called for a motion to approve the loan request. Member Bennett motioned for approval. Chair Kober seconded the motion, which passed unanimously.

With no further business before the Committee, the meeting was adjourned at 2:12 p.m.



**Montana Board of Investments
Loan Committee
INTERCAP Loan Summary and Approval**

Borrower: Corvallis K-12 School District

Date: March 24, 2026
Approval Date _____

The District requests a \$3.5 million loan to finance costs associated with facility improvements. The improvements include, but are not limited to, required fire-safety code updates, security upgrades, and HVAC upgrades. The requested amount includes a 10.06% contingency. The loan will be in the form of a general promise to pay over a 15-year term. INTERCAP will be the sole funding source.

Authorization

20-9-471 MCA (1) The trustees of a school district may, without a vote of the electors of the district, secure loans from or issue and sell to the board of investments ... obligations for the purpose of financing all or a portion of: (1)(b) the costs associated with renovating, rehabilitating, and remodeling facilities,... (d) any other expenditure that the district is otherwise authorized to make, subject to subsection (5)... (3) The term of the obligation...may not exceed 15 fiscal years.

20-9-406 MCA (1)(b) the maximum amount for which a K-12 may become indebted by...including all indebtedness represented by outstanding general obligation bonds of previous issues, registered warrants, outstanding obligations under 20-9-471...and any other loans or notes payable that are held as general obligations of the district, is the sum of 100% of the taxable value of the property in its elementary program ... and 100% of the taxable value of the property in its high school program.... [The K-12 taxable value is \$25,887,813 X 200%=\$51,775,626. The District has \$51,325,626 debt authority available.]

20-9-525 MCA (2) the purpose of the [school major maintenance aid] account is to provide, ... contingent on appropriation from the legislature, funding for school major maintenance aid as provided in subsection (3) for school facility projects, including the payment of principal and interest on obligations issued pursuant to 20-9-471 for school facility projects,

20-9-503 MCA (2) The trustees of any district maintaining a building reserve fund may: (a) pledge the revenue for loans from the building reserve fund levy for up to 15 years.

20-9-502 MCA (3)(a) ...The trustees of a district may authorize and impose a levy of no more than 10 mills on the taxable value of all taxable property within the district [\$517,756] for that school fiscal year for the purposes of raising revenue for identified school major maintenance projects meeting the requirements of 20-9-525(2). The amount of money raised by the levy, the deposits and transfers authorized under subsection (3)(f) of this section, and anticipated state aid pursuant to 20-9-525(3) may not exceed the district's school major maintenance amount.

For the purposes of this section, the term "school major maintenance amount" means the sum of \$40,000 and the product of \$115 multiplied by the district's budgeted Annual Number Belonging (ANB) for the prior fiscal year. [The maximum school major maintenance amount (SMMA) for the K-12 District for fiscal year 2027 is \$298,730 = (2 X \$40,000) + (\$115 X 1,902 ANB).

INTERCAP Debt

The District has been an INTERCAP borrower since 1998, financing approximately \$2.2 million for various purposes. All loans have matured and been satisfied in accordance with their terms.

Repayment

The annual debt service for this proposed INTERCAP loan will be approximately \$323,400. The District will service the debt using a combination of funds from the General Fund and the SMMA/permissive levy in its Building Reserve Fund. The following financial report demonstrates that the school has the resources to service the debt.

Financial Report

General Fund

	<u>FY25</u>	<u>FY24</u>
Beginning Fund Balance	\$ 966,624	\$ 965,311
Revenues	11,229,919	9,653,806
Expenditures	<u>11,295,605</u>	<u>9,652,493</u>
Ending Fund Balance	\$ 900,938	\$ 966,624

Net Change in Fund Balance	\$ (65,686)	\$ 1,313
Cash and Cash Equivalents	\$ 900,938	\$ 913,177
Fund Balance <i>Unreserved</i>	\$ 900,938	\$ 966,624

Comments:

FY27 The District is maximizing the allowable transportation and bus depreciation permissive levies in FY27 to generate additional annual revenue of approximately \$236,000. The related expenses currently paid by its General Fund will be transferred to the Transportation and Bus Depreciation Funds accordingly.

FY25: Two new charter schools started operating in the District (see above), contributing to the budget increase from the previous year. Without the (\$102,247) one-time interlocal transfer and (\$253,802) transportation and bus depreciation expenses, the fund balance would have been \$290,363.

FY24 Without the (\$244,544) transportation and bus depreciation expenses, the fund balance would have been \$245,857.

Building Reserve Fund

	<u>FY25</u>	<u>FY24</u>
Beginning Fund Balance	\$ 29,207	\$ 398,415
Revenues	194,883	210,724
Expenditures	<u>209,772</u>	<u>579,932</u>
Ending Fund Balance	\$ 14,318	\$ 29,207

Net Change in Fund Balance	\$ (14,889)	\$ (369,208)
Cash and Cash Equivalents	\$ 14,319	\$ 29,207
Fund Balance <i>Unreserved</i>	\$ 14,319	\$ 29,207

Comments:

FY25 Without the (\$209,722) capital project expenses, the fund balance would have been \$194,833.

FY24 Without the (\$579,932) capital project expenses, the fund balance would have been \$210,724.

2023 Legislature, House Bill 549, authorized public charter schools codified in Title 20, Chapter 6, Part 8, MCA.



The District has two new charter schools under its [Realize, Imagine, Serve, Explore Charter](#).

- Distance Learning Academy
- Pathway Learning Academy

Each school is a separate budget unit of the District. The ANB and basic entitlement are calculated separately from other budget units of the district.

2025 Legislature increased the SMMA formula to “the sum of \$40,000 and the product of \$115” multiplied by the district’s budgeted ANB, from “the sum of \$15,000 and the product of 110” X ANB .


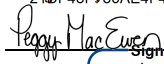
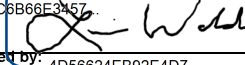
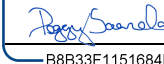
The maximum SMMA for collection in FY26 & FY27 is \$250,890 and \$298,730, respectively.

Recommendation

The District can adequately service the debt. Approval is recommended with the following conditions:

1. The loan will be in the form of a general promise to pay note and payable from amounts in the District's General Fund or any other legally available funds including but not limited to the Building Reserve Permissive Fund, a sub fund of the Building Reserve Fund.
2. By every March 31, the District must pass a preliminary resolution authorizing the 20-9-502(3), MCA building reserve permissive levy to be used to repay the debt. The preliminary resolution must describe the levy amount sufficient to pay the debt service on the loan in the coming year, loan maturity, the Facility Condition Inventory (FCI) Report project financed, and that the project falls within the parameters of both 20-9-471(1)(b) and 20-9-525(2), MCA.
3. If imposing the building reserve permissive levy for the first time or an increase is anticipated, the District must ensure public notice is completed in accordance with 20-9-116, MCA.
4. The District must annually budget for the debt service in accordance with school budget laws Title 20, Chapter 9, Part 1 and ensure the levy to repay the debt service for the coming year is imposed by tracking the progress and completion of the process to do so in accordance with 20-9-133 through 20-9-152, MCA, as applicable.
5. No additional debt service or new projects may encumber the Building Reserve Permissive Fund without the Board's written permission for the term of the loan.

Staff Loan Committee

Dan Villa, Executive Director	 <small>DocuSigned by:</small> <hr/> <small>Signed by: 86AE4F4...</small>	Approval Date <u>3/24/2026 9:55 AM MD</u>
Peggy MacEwen, Deputy Director	 <small>Signed by:</small> <hr/> <small>D3A09C6B66E3M57</small>	Approval Date <u>3/24/2026 9:37 AM MD</u>
Louise Welsh, Director of Municipal Loans	 <small>Signed by:</small> <hr/> <small>4D56624EB92E4D7...</small>	Recommended <u>3/24/2026 9:24 AM M</u>
Peggy Saarela, Credit Analyst	 <small>Signed by:</small> <hr/> <small>B8B33F1151684EA...</small>	Recommended <u>3/24/2026 8:13 AM M</u>

Board Loan Committee – April 22, 2026

Tim Kober, Chairperson – Loan Committee
 Porter Bennett, Member
 John Milanovich, Member

Approval

- Yes No Abstain
 Yes No Abstain
 Yes No Abstain

Approval Date: _____

MONTANA

BOARD OF INVESTMENTS

REGULAR BOARD MEETING MINUTES

FEBRUARY 25-26, 2026

Official meeting minutes are the recordings posted at www.youtube.com/@theMT_BOI
(timestamps may differ)

Call to Order

Board Chair Jeff Meredith called the Board of Investments meeting to order at 9:41 a.m. on Wednesday, February 25, 2026.

Attendance

Board Members Present: Jeff Meredith, Maggie Peterson, Tim Kober, Mark Barry, Cindy Younkin, Dwaine Iverson, Porter Bennett, John Milanovich

Board Members Absent: Dan Trost

Legislative Liaisons Present: Senator Shane Morigeau

Legislative Liaisons Absent: Representative Larry Brewster

Board Staff Present: Brenda Thomas, Cort Jensen, Dan Villa, Doug Hill, Eron Krpan, Ethan Hurley, Ethan Kittle, Jason Brent, Jessilynn Salois, John Carpenter, John Romasko, Jon Putnam, Julie Feldman, Kirsten Haswell, Louise Welsh, Mark Lodman, Matt Hoffman, Rob Samson, Peggy MacEwen, Peggy Saarela, Savannah Morgan, Sheli Jacoby, Steve Strong, Thomas Winkler, Willie Gross

Interested Parties Present: Jim Voytko – RVK; Paige Blaser – RVK; Finn Growney – MSU student; Brian Lubinski – Laurel citizen; Elizabeth Gilg – Laurel citizen; Amber Zahn – Laurel citizen; Shawna Hopper – Laurel citizen; Laura Kirschenmann – Laurel citizen; Monna Rae Adickes – Billings RE Broker; Jodi Mackay – Laurel citizen; Shelly Molaschi – KTVQ Assistant News Director

Tab 1 CALL TO ORDER (01:17)

A. Notice of Video Recording (01:23)

Chair Meredith advised that the meeting would be audio and video-recorded.

B. Roll Call (01:35)

The roll was taken. Five Board members were present, forming a quorum.

Member Porter Bennett joined at 10:00 a.m.

Member Maggie Peterson joined at 10:30 a.m.

Member John Milanovich joined at 11:00 a.m.

C. Public Comment (02:20)

Chair Meredith asked for public comment on the forensic facility proposed to be built in Laurel. None was given. Chair Meredith asked for public comment on other matters related to Board jurisdiction. None was given.

D. Approval of Minutes (04:52)

December 10, 2025, Regular Board Meeting Minutes

Member Younkin moved to approve the meeting minutes. Member Kober seconded the motion, which passed unanimously.

E. Administrative Business

1. Audit Committee Report (05:23)

Committee Chair Barry briefed the Board.

F. Comments from Pension Board Members (09:40)

Member Trost was absent. Member Peterson provided comments for the Board that Director Villa presented.

G. Comments from Legislative Liaisons (10:13)

There were no updates from the Legislative Liaisons.

Tab 2 EXECUTIVE DIRECTOR REPORTS (10:30)

A. Member Requests from Prior Meeting

Executive Director Villa briefed the Board.

B. Monthly Snapshot

Executive Director Villa briefed the Board.

C. Disaster Recovery and Emergency Preparedness

Executive Director Villa briefed the Board.

D. Board Member Ethics Training (27:20)

Chief Legal/Machine Learning & AI Officer Cort Jensen briefed the Board.

E. Outreach Efforts – Commercial and Municipal Loan Programs

Executive Director Villa briefed the Board.

F. Budget Status FYTD

Executive Director Villa briefed the Board.

Tab 3 MONTANA LOAN PROGRAM (16:03)

A. Commercial and Residential Portfolios Report

Doug Hill briefed the Board and answered questions.

Tab 4 MUNICIPAL LOAN PROGRAM (21:10)

A. INTERCAP

Louise Welsh briefed the Board and answered questions.

B. Montana Housing Infrastructure Revolving (MHIR) Bond Program Portfolio Report

Louise Welsh briefed the Board and answered questions.

Tab 5 DC/457 MANAGEMENT (47:08)

Executive Director Villa and CIO Jon Putnam briefed the Board and answered questions.

Chair Meredith asked for public comment on the DC/457 Plan. None was given.

Chair Meredith called for a motion to approve. Member Peterson moved to adopt the recommendation as presented for the DC/457 Plan. Member Barry seconded the motion, which passed unanimously.

Due to scheduling, Tab 7 was discussed before Tab 6.

Tab 7 INVESTMENT POLICY STATEMENT (01:14:27)

Executive Director Villa briefed the Board.

Chair Meredith called for a motion to approve new BOI Policy 40.957. Member Iverson moved to approve. Member Younkin seconded the motion, which passed unanimously.

Tab 6 SHORT TERM INVESTMENT POOL REVIEW (01:28:26)

Kirsten Haswell, Ethan Kittle, Matt Hoffman, and John Romasko briefed the Board and answered questions.

Tab 8 RVK (03:07:32)

Jim Voytko briefed the Board and answered questions.

Tab 9 INVESTMENT UPDATE (03:53:00)

CIO Update (03:53:04)

Jon Putnam briefed the Board.

Macro Attribution (04:18:02)

Eron Krpan briefed the Board.

Domestic Equity, International Equity, and Non-Core Fixed Income (04:27:37)

Jason Brent briefed the Board.

Real Estate and Real Assets (04:40:16)

Rob Samson briefed the Board.

Private Investments (04:55:25)

Thomas Winkler and Willie Gross briefed the Board.

Core Fixed Income (05:23:48)

John Romasko briefed the Board.

ADJOURNMENT (05:34:12)

Having no further business for the day, Chair Meredith adjourned the meeting at 3:15 p.m.

Call to Order – Day 2

Board Chair Jeff Meredith called the Board of Investments meeting to order at 9:00 a.m. on Thursday, February 26, 2026.

A. Notice of Video Recording (00:12)

Chair Meredith advised that the meeting would be audio and video-recorded.

B. Roll Call (00:16)

The roll was taken. Chair Meredith, Members Younkin, Bennett, Kober, Barry, Milanovich, Iverson, and Senator Morigeau were present.

C. Public Comment (00:53)

Chair Meredith asked for public comment in support of the forensic facility proposed to be built in Laurel. None was given.

Chair Meredith asked for public comment against the forensic facility proposed to be built in Laurel. Elizabeth Gilg, Monna Rae Adickes, and Laura Kirschenmann provided comment.

Chair Meredith asked for public comment on other matters related to Board jurisdiction. None was given.

Tab 10 BOARD TRAINING – RVK (13:52)

Jim Voytko and Paige Blaser presented to the Board and answered questions.

RECAP OF STAFF TO-DO LIST AND ADJOURNMENT (03:05:36)

Chair Meredith adjourned the meeting at 12:17 p.m.

MONTANA BOARD OF INVESTMENTS

APPROVE: _____

Jeff Meredith, Board Chair

ATTEST: _____

Dan Villa, Executive Director

DATE: _____

MONTANA

BOARD OF INVESTMENTS

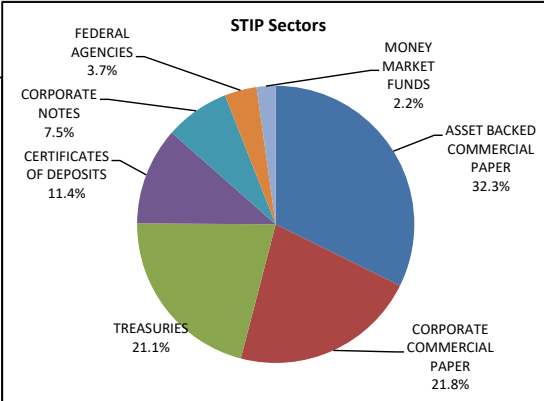
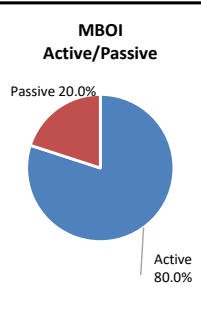
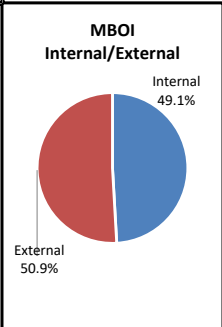
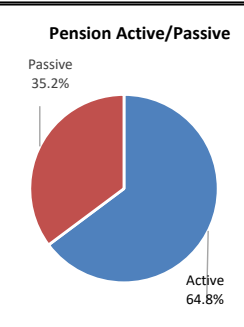
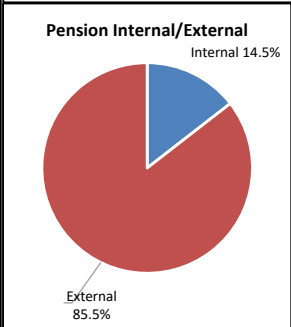
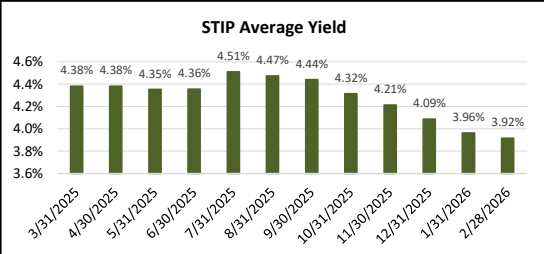
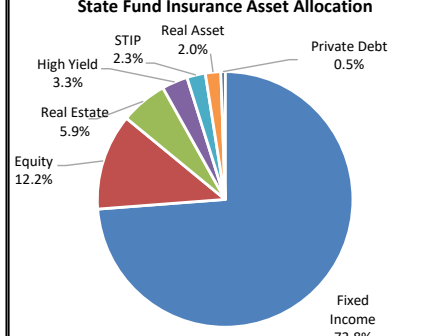
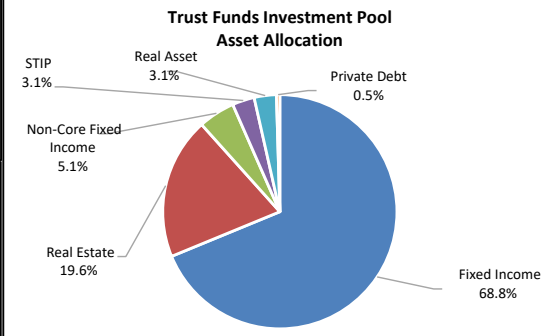
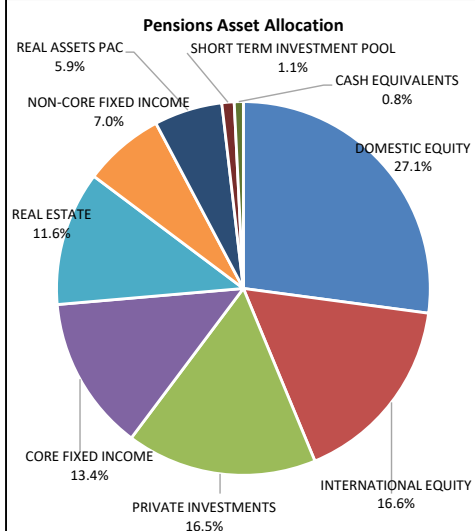
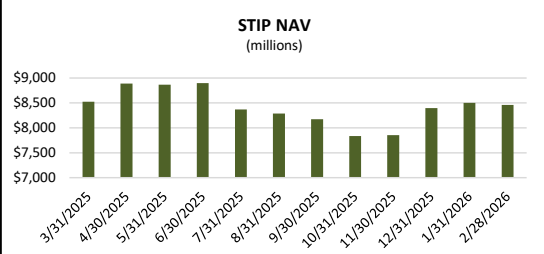
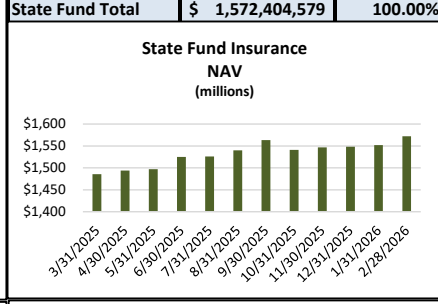
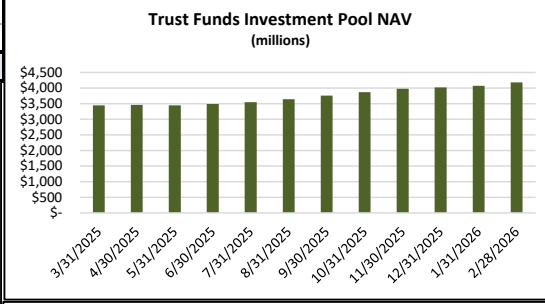
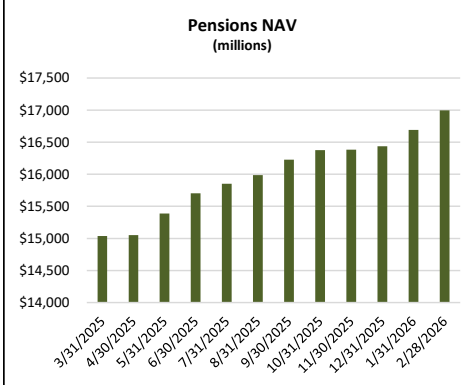
TO: Members of the Board
FROM: Dan Villa, Executive Director
DATE: April 22, 2026
RE: Executive Director Report

- A. Member Requests from Prior Meeting
- B. Monthly Snapshot – *attached*
- C. Benchmarks Used by the Board – *attached*
- D. Contract Approval Request – *attached*
 - a. *Public Comment*
 - b. Decision**



MBOI Snapshot
Asset Management View
2/28/2026 Unaudited
Assets Under Management \$30,984,732,220

Pensions	NAV	%	TFIP	NAV	%	State Fund	NAV	%	Other Fixed Income & Pending	\$ (237,424,130)	
DOMESTIC EQUITY	\$ 4,608,743,330	27.1%	Fixed Income	\$ 2,876,750,643	68.78%	Fixed Income	\$ 1,160,355,317	73.79%			
INTERNATIONAL EQUITY	\$ 2,825,878,620	16.6%	Real Estate	\$ 818,892,140	19.58%	Equity	\$ 191,180,041	12.16%	STIP*	NAV	%
PRIVATE INVESTMENTS	\$ 2,802,765,555	16.5%	Non-Core Fixed Income	\$ 211,346,818	5.05%	Real Estate	\$ 93,526,499	5.95%	ASSET BACKED COMMERCIAL PAPER	\$2,736,083,716	32.3%
CORE FIXED INCOME	\$ 2,275,150,239	13.4%	Real Asset	\$ 128,062,555	3.06%	High Yield	\$ 51,439,661	3.27%	CORPORATE COMMERCIAL PAPER	\$1,843,743,619	21.8%
REAL ESTATE	\$ 1,975,016,495	11.6%	STIP	\$ 127,801,649	3.06%	STIP	\$ 36,839,369	2.34%	TREASURIES	\$1,784,776,602	21.1%
NON-CORE FIXED INCOME	\$ 1,189,698,862	7.0%	Private Debt	\$ 19,540,026	0.47%	Real Asset	\$ 30,689,395	1.95%	CERTIFICATES OF DEPOSITS	\$964,597,344	11.4%
REAL ASSETS PAC	\$ 1,003,208,560	5.9%	TFIP Total	\$ 4,182,393,830	100.00%	Private Debt	\$ 8,374,297	0.53%	CORPORATE NOTES	\$638,315,879	7.5%
SHORT TERM INVESTMENT POOL	\$ 180,615,040	1.1%				State Fund Total	\$ 1,572,404,579	100.00%	FEDERAL AGENCIES	\$317,278,718	3.7%
CASH EQUIVALENTS	\$ 133,608,261	0.8%							MONEY MARKET FUNDS	\$187,877,100	2.2%
Pensions Total	\$ 16,994,684,962	100.0%							STIP Total	\$8,472,672,979	100.0%



Definition of NAV: Net Asset Value is the total value of the account including assets held, adjusted for payables, receivables and liabilities

(1) Other Holdings column on page two represents the value of securities, receivables, payables and liabilities that comprise the Net Asset Value for the asset owner.

*Difference of \$366,882,965 is attributable the portion of STIP held within CAPP \$130,330,309 and TFIP \$127,446,337 as a cash investment and distributions held over month end \$109,106,319. Such value is represented in the NAV for the CAPP and STIP columns.

MBOI Snapshot									
Asset Ownership View									
2/28/2026 Unaudited									
									Total Net
	CAPP Holdings	CAPP %	STIP Holdings*	STIP %	TFIP Holdings	TFIP%	Other Holdings ¹	Other %	Asset Value
Total Funds \$(000)	\$16,814,070	54.27%	\$8,105,790	26.16%	\$4,182,262	13.50%	\$1,882,610	6.08%	\$30,984,732
Pensions									
	CAPP	%	STIP	%	TFIP	%	Other	%	Total
FIREFIGHTERS RETIREMENT	\$ 839,199	98.99%	\$ 8,558	1.01%	\$ -	0.00%	\$ -	0.00%	\$ 847,757
GAME WARDENS RETIREMENT	\$ 413,270	98.86%	\$ 4,759	1.14%	\$ -	0.00%	\$ -	0.00%	\$ 418,030
HIGHWAY PATROL RETIREMENT	\$ 253,608	98.87%	\$ 2,886	1.13%	\$ -	0.00%	\$ -	0.00%	\$ 256,494
JUDGES RETIREMENT	\$ 156,413	98.99%	\$ 1,603	1.01%	\$ -	0.00%	\$ -	0.00%	\$ 158,016
POLICE OFFICERS RETIREMENT	\$ 728,372	98.99%	\$ 7,428	1.01%	\$ -	0.00%	\$ -	0.00%	\$ 735,800
PUBLIC EMPLOYEES RETIREMENT	\$ 8,031,443	98.92%	\$ 87,862	1.08%	\$ -	0.00%	\$ -	0.00%	\$ 8,119,305
SHERIFFS RETIREMENT	\$ 656,538	98.93%	\$ 7,087	1.07%	\$ -	0.00%	\$ -	0.00%	\$ 663,625
TEACHERS RETIREMENT	\$ 5,672,532	98.96%	\$ 59,798	1.04%	\$ -	0.00%	\$ -	0.00%	\$ 5,732,330
VOL FIREFIGHTERS RETIREMENT	\$ 62,693	99.00%	\$ 634	1.00%	\$ -	0.00%	\$ -	0.00%	\$ 63,327
Total	\$ 16,814,070	98.94%	\$ 180,615	1.06%	\$ -	0.00%	\$ -	0.00%	\$ 16,994,685
Trust Funds									
	CAPP	%	STIP	%	TFIP	%	Other	%	Total
ABANDONED MINE RECLAMATION	\$ -	0.00%	\$ 2,049	21.19%	\$ 7,593	78.52%	\$ 28	0.29%	\$ 9,670
BARKER HUGHESVILLE ST RESPONSE	\$ -	0.00%	\$ 2,279	22.33%	\$ 7,896	77.37%	\$ 30	0.29%	\$ 10,205
BELT WATER TREATMENT PLANT	\$ -	0.00%	\$ 7,878	25.65%	\$ 22,745	74.06%	\$ 90	0.29%	\$ 30,713
BUTTE AREA ONE REST	\$ -	0.00%	\$ 1,079	17.94%	\$ 4,917	81.77%	\$ 18	0.29%	\$ 6,013
BUTTE AREA REDEVELOP AUTHORITY	\$ -	0.00%	\$ 2,361	16.48%	\$ 11,925	83.23%	\$ 42	0.29%	\$ 14,328
CLARK FORK REST	\$ -	0.00%	\$ 5,604	21.54%	\$ 20,330	78.16%	\$ 77	0.29%	\$ 26,011
CLARK FORK SITE RESP ACTION	\$ -	0.00%	\$ 3,865	7.52%	\$ 47,400	92.19%	\$ 152	0.30%	\$ 51,417
COAL TAX PARK TRUST FUND	\$ -	0.00%	\$ 3,407	10.44%	\$ 29,130	89.27%	\$ 96	0.29%	\$ 32,632
CULTURAL TRUST FUND	\$ -	0.00%	\$ 536	2.96%	\$ 17,528	96.75%	\$ 53	0.29%	\$ 18,117
DEBT AND LIABILITY FREE ACCOUNT	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%	\$ 0	100.00%	\$ 0
E HELENA GREENWAY TRAIL MAINT	\$ -	0.00%	\$ 221	23.93%	\$ 699	75.77%	\$ 3	0.29%	\$ 923
EAST HELENA COMPENSATION FUND	\$ -	0.00%	\$ 1,496	98.97%	\$ 11	0.73%	\$ 5	0.30%	\$ 1,512
ENDOWMENT FOR CHILDREN	\$ -	0.00%	\$ 113	7.15%	\$ 1,467	92.56%	\$ 5	0.29%	\$ 1,585
FLYING J CECRA FACILITIES FUND	\$ -	0.00%	\$ 671	22.64%	\$ 2,283	77.06%	\$ 9	0.29%	\$ 2,962
FWP MITIGATION TRUST	\$ -	0.00%	\$ 3,021	30.02%	\$ 7,011	69.68%	\$ 30	0.30%	\$ 10,062
GO DISTRIBUTION FUND	\$ -	0.00%	\$ 56,100	21.80%	\$ 200,602	77.95%	\$ 639	0.25%	\$ 257,342
GO PENSION FUND	\$ -	0.00%	\$ 74,100	26.72%	\$ 202,634	73.06%	\$ 633	0.23%	\$ 277,366
HAROLD HAMM ENDOWMENT	\$ -	0.00%	\$ 12	21.30%	\$ 44	78.40%	\$ 0	0.29%	\$ 57
INVASIVE SPECIES TRUST FUND	\$ -	0.00%	\$ 1,232	35.15%	\$ 2,261	64.55%	\$ 10	0.30%	\$ 3,503
KIYIYI POW WOW	\$ -	0.00%	\$ 15	4.64%	\$ 107	32.26%	\$ 208	63.09%	\$ 330
LIBBY ASBESTOS SITE STATE COST	\$ -	0.00%	\$ 1,519	26.69%	\$ 4,156	73.02%	\$ 17	0.29%	\$ 5,692
LUBBRECHT FRST CRBN OFSET CREDIT	\$ -	0.00%	\$ 149	5.42%	\$ 863	31.38%	\$ 1,739	63.20%	\$ 2,752
LUTTRELL PIT - OPER & MAINT	\$ -	0.00%	\$ 440	20.14%	\$ 1,737	79.56%	\$ 6	0.29%	\$ 2,183
MONTANA HIST AND CIVICS ENDOW	\$ -	0.00%	\$ 1,099	44.24%	\$ 1,378	55.47%	\$ 7	0.29%	\$ 2,484
MONTANA HISTORICAL SOCIETY	\$ -	0.00%	\$ 1,304	30.01%	\$ 3,028	69.69%	\$ 13	0.30%	\$ 4,344
MONTANA STATE LIBRARY TRUST	\$ -	0.00%	\$ 253	16.66%	\$ 1,262	83.04%	\$ 4	0.29%	\$ 1,520
MT POLE SUPERFUND SETTLEMENT	\$ -	0.00%	\$ 4,941	25.18%	\$ 14,626	74.53%	\$ 58	0.29%	\$ 19,624
NOXIOUS WEED MGMT TRUST FUND	\$ -	0.00%	\$ -	0.00%	\$ 10,506	99.71%	\$ 31	0.29%	\$ 10,537
NRDP LIBBY SETTLEMENT	\$ -	0.00%	\$ 5,117	71.14%	\$ 2,054	28.56%	\$ 21	0.30%	\$ 7,193
OLDER MONTANANS TRUST FUND	\$ -	0.00%	\$ 18	5.03%	\$ 341	94.68%	\$ 1	0.29%	\$ 360
POTTER TRUST FUND	\$ -	0.00%	\$ 59	21.09%	\$ 219	78.61%	\$ 1	0.29%	\$ 279
PUBLIC SCHOOL TRUST	\$ -	0.00%	\$ 6,607	0.65%	\$ 999,514	99.05%	\$ 2,957	0.29%	\$ 1,009,077
REAL PROPERTY TRUST FUND	\$ -	0.00%	\$ 500	6.70%	\$ 6,946	93.01%	\$ 22	0.29%	\$ 7,468
RESOURCE INDEMNITY TRUST FUND	\$ -	0.00%	\$ 23	0.02%	\$ 107,848	99.69%	\$ 317	0.29%	\$ 108,189
SMELTER HILL UPLANDS REST FUND	\$ -	0.00%	\$ 1,323	15.14%	\$ 7,390	84.57%	\$ 26	0.29%	\$ 8,739
STREAMSIDE TAILINGS OU FUND	\$ -	0.00%	\$ 2,179	12.82%	\$ 14,760	86.88%	\$ 50	0.29%	\$ 16,989
TOBACCO TRUST FUND	\$ -	0.00%	\$ 10,210	3.12%	\$ 316,065	96.59%	\$ 960	0.29%	\$ 327,235
UPPER BLACKFT RESP ACT & REST	\$ -	0.00%	\$ 715	89.05%	\$ 86	10.65%	\$ 2	0.30%	\$ 803
UPPER CLRK FK RIVER BASIN RES	\$ -	0.00%	\$ 1,531	6.55%	\$ 21,791	93.16%	\$ 69	0.29%	\$ 23,390
UPPER CLRK FK RIVER BASIN REST	\$ -	0.00%	\$ 2,958	4.35%	\$ 64,894	95.36%	\$ 200	0.29%	\$ 68,051
WILDLIFE HABITAT TRUST FUND	\$ -	0.00%	\$ 1,856	10.70%	\$ 15,433	89.00%	\$ 51	0.29%	\$ 17,340
YELLOWSTONE PIPELINE CLEANUPFD	\$ -	0.00%	\$ 2,153	34.03%	\$ 4,156	65.68%	\$ 19	0.30%	\$ 6,328
ZORTMAN/LANDUSKY LT WATER	\$ -	0.00%	\$ 18,459	99.70%	\$ -	0.00%	\$ 55	0.30%	\$ 18,514
ZORTMAN/LANDUSKY LT WATER TRUST	\$ -	0.00%	\$ 24,011	99.70%	\$ -	0.00%	\$ 72	0.30%	\$ 24,083
Total	\$ -	0.00%	\$ 253,461	10.35%	\$ 2,185,635	89.29%	\$ 8,825	0.36%	\$ 2,447,921
Coal Severance									
	CAPP	%	STIP	%	TFIP	%	Other	%	Total
BIG SKY ECONOMIC DEV FUND	\$ -	0.00%	\$ 5,203	3.17%	\$ 152,895	93.30%	\$ 5,783	3.53%	\$ 163,881
COAL SEVERANCE TAX PERM FUND	\$ -	0.00%	\$ 15,700	2.80%	\$ 425,814	75.93%	\$ 119,250	21.27%	\$ 560,764
CONSERVATION DISTRICT FUND	\$ -	0.00%	\$ 9,786	16.61%	\$ 48,977	83.12%	\$ 163	0.28%	\$ 58,926
MONTANA COAL ENDOWMENT FUND	\$ -	0.00%	\$ 3,069	1.11%	\$ 272,713	98.60%	\$ 811	0.29%	\$ 276,593
MT COAL ENDOWMENT REGIONAL WAT	\$ -	0.00%	\$ 1,192	1.24%	\$ 94,388	98.46%	\$ 281	0.29%	\$ 95,860
SCHOOL FACILITIES FUND	\$ -	0.00%	\$ 5,139	1.81%	\$ 277,563	97.89%	\$ 830	0.29%	\$ 283,533
Total	\$ -	0.00%	\$ 40,090	2.78%	\$ 1,272,349	88.38%	\$ 127,118	8.83%	\$ 1,439,557
Operating Funds									
	CAPP	%	STIP	%	TFIP	%	Other	%	Total
FWP GENERAL LICENSE ACCOUNT	\$ -	0.00%	\$ 56,734	64.93%	\$ 30,386	34.77%	\$ 260	0.30%	\$ 87,380
MONTANA LOCAL GOVERNMENTS	\$ -	0.00%	\$ 2,206,836	99.70%	\$ -	0.00%	\$ 6,745	0.30%	\$ 2,213,581
MONTANA STATE AGENCIES	\$ -	0.00%	\$ 2,100,253	99.69%	\$ -	0.00%	\$ 6,447	0.31%	\$ 2,106,700
MONTANA STATE UNIVERSITY	\$ -	0.00%	\$ 308,147	83.87%	\$ 58,146	15.83%	\$ 1,104	0.30%	\$ 367,398
MONTANA TECH	\$ -	0.00%	\$ 7,936	94.26%	\$ 458	5.44%	\$ 25	0.30%	\$ 8,420
MT HOUSING INFRASTRUCTURE	\$ -	0.00%	\$ 67,909	41.30%	\$ -	0.00%	\$ 96,516	58.70%	\$ 164,425
REPAYMENT ACCOUNT	\$ -	0.00%	\$ 7,900	9.45%	\$ -	0.00%	\$ 75,734	90.55%	\$ 83,633
STATE TREASURER'S FUND	\$ -	0.00%	\$ 2,569,745	82.08%	\$ 551,488	17.61%	\$ 9,559	0.31%	\$ 3,130,793
UNIVERSITY OF MONTANA	\$ -	0.00%	\$ 90,811	75.18%	\$ 29,622	24.52%	\$ 351	0.29%	\$ 120,784
Total	\$ -	0.00%	\$ 7,416,272	89.53%	\$ 670,101	8.09%	\$ 196,741	2.38%	\$ 8,283,114
Insurance Reserves									
	CAPP	%	STIP	%	TFIP	%	Other	%	Total
MONTANA STATE FUND	\$ -	0.00%	\$ 36,761	2.34%	\$ -	0.00%	\$ 1,535,644	97.66%	\$ 1,572,405
MUS GROUP INSURANCE	\$ -	0.00%	\$ 63,521	82.93%	\$ 12,849	16.77%	\$ 229	0.30%	\$ 76,599
MUS WORKERS COMPENSATION	\$ -	0.00%	\$ 11,168	73.29%	\$ 4,024	26.41%	\$ 45	0.30%	\$ 15,237
PERS-DCRP LT DISABILITY PLAN	\$ -	0.00%	\$ 932	6.42%	\$ -	0.00%	\$ 13,590	93.58%	\$ 14,522
STATE EMPLOYEE GROUP BENEFITS	\$ -	0.00%	\$ 100,118	72.64%	\$ 37,304	27.06%	\$ 410	0.30%	\$ 137,832
SUBSEQUENT INJURY TRUST FUND	\$ -	0.00%	\$ 2,851	99.70%	\$ -	0.00%	\$ 9	0.30%	\$ 2,860
Total	\$ -	0.00%	\$ 215,352	11.84%	\$ 54,177	2.98%	\$ 1,549,926	85.19%	\$ 1,819,455

Short Term Investment Pool			
Account	#Accounts	Total Market Value	%
Total State	385	6,256,377,998	73.8%
Total Local	215	2,216,294,982	26.2%
Total STIP	600	\$ 8,472,672,979	100.0%
STIP Reserve		\$ 112,226,081	
Prior month average STIP Yield		3.9165%	

Intercep Statistics	
Loans Outstanding	\$ 67,230,595
Bonds Outstanding	\$ 67,000,000
Number of Borrowers	126
Loan Rate	4.50%

MONTANA

BOARD OF INVESTMENTS

TO: Members of the Board
FROM: Jon Putnam, Chief Investment Officer
DATE: April 22, 2026
RE: Benchmark Review

Why does the Board look at benchmarks?

Benchmarks translate raw returns into useful information about whether the fund is meeting its goals, taking appropriate risks, and getting value from its investment program.

What does each type of benchmark tell the Board?

The actuarial assumed rate of return, policy benchmark, asset class benchmarks, and peer benchmarks each answer a different question: funding adequacy, attainment of portfolio goals, investment skill versus markets, and competitiveness versus other funds.

Actuarial Assumed Rate of Return

The actuarial assumed rate of return serves as the ultimate benchmark for pension plans. This is not a market index but rather a required return threshold determined by the plans' liabilities. While benchmark outperformance is desirable, the fundamental goal is to construct a portfolio with an expected return that meets the actuarial assumption over the long-term, while managing risk at an appropriate level.

Policy Benchmark

A policy benchmark combines asset class benchmarks to represent a portfolio's strategic asset allocation and serves as the primary standard for how the total portfolio is performing relative to its mandate. It is linked to the strategic asset allocation set out in the investment policy statement. The most important benchmark for the Trust Funds Investment Pool and the State Fund Investment Pool is the policy benchmark.

Asset Class Benchmarks

Asset class benchmarks help the Board understand whether each portfolio component is contributing its expected share toward achieving the actuarial hurdle or policy benchmark. Asset class benchmarks help the Board assess manager skill, implementation quality, and whether the current allocation behaves as expected across different environments. Benchmarks are diagnostic tools. They are market-linked, time-varying reference points tied to market opportunities and the role of each asset class in the portfolio.

Peer Comparison Benchmarks

Peer-comparison benchmarks are useful as governance and diagnostic tools when used alongside, not instead of, plan-specific return and risk objectives. Peer comparisons add context on efficiency and value for money. Constituents can see independent evidence that the fund is not an outlier relative to peers, which helps build confidence in governance and investment practices.

What are the primary investment objectives for the Pension Plans, Trust Funds Investment Pool, and the State Fund Investment Pool?

Pension Plans - Actuarial Hurdle Rate

For BOI's pension plans, the primary investment objective is to achieve returns that meet or exceed the actuarial assumed rate of return of 7.3% *per annum*. This actuarial hurdle is the discount rate used to calculate the present value of future pension obligations. It also helps determine required contribution levels.

Meeting the 7.3% target over the long-term is critical for several reasons. It ensures that pension plans can provide promised benefits to beneficiaries, continue to shrink their unfunded liabilities, and maintain intergenerational equity.

Trust Funds Investment Pool – Policy Benchmark

The Trust Funds Investment Pool's primary objective is to provide investment income to participants. This portfolio serves various state accounts that rely on income distributions to support their designated purposes.

The investment strategy emphasizes current income generation through:

- Investment-grade fixed-income holdings that provide steady coupon payments.
- Real estate investments that generate rental income and property cash flows.
- Non-core fixed income and loan strategies that offer enhanced yields.
- Real assets with income-producing characteristics.

State Fund Investment Pool – Policy Benchmark

The State Fund Investment Pool seeks to attain investment returns that assist State Fund in meeting liabilities as well as maintaining stable, cost-effective rates for workers' compensation insurance. This unique mandate requires balancing competing priorities.

The investment strategy emphasizes capital preservation and income, with a smaller portion of the portfolio focused on growth and offsetting inflation through:

- Investment-grade fixed-income holdings that provide steady coupon payments.
- Non-core fixed income and loan strategies that offer enhanced yields.
- Real estate and real asset investments that generate income and inflation protection.
- Equity investments that deliver higher, long-term growth but also greater volatility.

What framework does BOI use when considering which Asset Class benchmarks to select?

Benchmark Selection Framework

Benchmarks are selected based on seven factors endorsed by the CFA Institute. An optimal benchmark is: **S**pecified in advance, **A**ppropriate, **M**easurable, **U**nambiguous, **R**elevant, **A**ccountable, and **I**nvestable. These factors can be remembered with the acronym **SAMURAI**.

Public Equity Benchmarks

BOI's public equity benchmarks (Domestic & International) meet all 7 SAMURAI factors. Investors can invest in these benchmarks at relatively low cost and obtain the passive benchmark's returns. The broad market exposure provided by these indices makes them ideal reference points for measuring active management success.

Fixed Income Benchmarks

BOI's public fixed-income benchmarks (Core & Cash) align with most of the 7 SAMURAI factors. However, it is impossible to fully replicate these fixed-income benchmarks. These benchmarks are not investable, but they provide a reasonable approximation of fixed-income risk and return characteristics and serve as a valid point of reference for gauging success.

In non-core fixed income, BOI measures itself against a high-yield benchmark, although we invest in other non-core fixed income subsectors. Using a blended benchmark would provide limited additional insight, given the disparate strategies in the asset class. Across all fixed-income strategies, staff prioritizes downside protection over incremental benchmark outperformance.

Illiquid Asset Class Benchmarks

BOI's illiquid asset class benchmarks (Private Investments, Real Estate, and Real Assets) face several inherent challenges in conforming to the seven SAMURAI factors. The main hurdle is the absence of comparable, investable indices for these asset classes. For example, it is not possible to invest in a "private equity index" because no investable index captures all private equity investment opportunities.

Additional challenges include extended time horizons, lock-up periods, less liquid fund structures, and lower levels of information transparency and frequency. Below are a few notable challenges, explained in greater detail.

- **J-Curve Effect** -- The performance of illiquid asset classes can send deceptive signals, as return patterns typically follow a trajectory referred to as a "J-Curve". This pattern stems from capital being called for investment over several years and the uncertainty of cash flow timing.

The J-Curve produces negative returns in the early years, when capital calls and manager fees comprise most cash flows, followed by increasing returns as investments mature. This can create the perception that illiquid investment returns significantly trail public markets in the early years and substantially exceed public markets in the later years.

- **Lagged Valuations** -- Asset prices for illiquid investments are typically estimated quarterly, resulting in a significant return lag relative to public markets. Within illiquid and private asset classes, data from managers and underlying investments is often limited or selectively available.

These obstacles limit the utility of benchmarks for illiquid asset classes -- especially when evaluated over short time horizons. Given these obstacles, it is clear there is no perfect benchmark for illiquid asset classes. All currently available benchmarks have some shortcomings with respect to the SAMURAI standard. However, staff has selected benchmarks that reasonably approximate the risk and return characteristics of the assets over the long-term.

Supplemental Performance Evaluation

Staff supplements the asset class benchmarks with other information when evaluating the attractiveness of each asset class, sub-asset class, manager, or individual investment. For example, staff recently worked with RVK to add a secondary benchmark to Private Investments. The Cambridge benchmark now appears in the quarterly board book and is weighted by BOI's actual quarterly allocation to private equity, private credit, and venture capital.

In addition, staff consider the performance of investment funds versus peers across multiple metrics and benchmarks when evaluating alternative asset managers. These metrics include internal rate of return (IRR), total value to paid in capital (TVPI), distributions to paid in capital (DPI), and multiple on invested capital (MOIC).

Conclusion

Staff recognizes the trade-offs and shortcomings of some asset class benchmarks. Nevertheless, we believe the current benchmarks are consistent with industry best practices. The selected benchmarks provide useful information on asset-class performance and progress toward BOI's long-term goals. Staff will continue to supplement this information internally to gain a fuller understanding of portfolio performance and its underlying holdings.

The distinct, primary objectives of each portfolio -- meeting the 7.3% actuarial hurdle for pension plans, generating investment income for trust funds, and protecting the viability of workers' compensation benefits for the State Fund -- are appropriately reflected in both asset allocation decisions and benchmark selection. No changes to current benchmarks are recommended.

Asset Class	Pension Benchmarks
Domestic Equity	MSCI USA Investable Market Index (IMI)
International Equity	MSCI All Country World Index (ACWI) ex USA Investable Market Index (IMI)
Core Fixed Income	Bloomberg US Aggregate Bond Index
Non-Core Fixed Income	Bloomberg US High Yield 2% Issuer Cap Index
Private Investments	Weighted average of Private Equity and Private Credit
Private Equity	MSCI USA Small Cap Index
Private Credit	S&P/LSTA 100 Leveraged Loan Index
Real Assets	Weighted average of the Commodity, Infrastructure, and TIPS Indices
Commodity	MSCI All Country World Index (ACWI) Commodity Producers
Infrastructure	MSCI All Country World Index (ACWI) Infrastructure
Treasury Inflation Protected Securities	Bloomberg US Treasury Inflation Protected Securities (TIPS) Index
Real Estate	National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index - Open End Diversified Core Equity (ODCE) Index, 1 Quarter Lag
Cash or Short-Term Investment Pool	Federal Reserve US Treasury Constant Maturity 1-Month Index
Asset Class	Trust Funds Investment Pool Benchmarks
Investment Grade Fixed Income	Bloomberg US Aggregate Bond Index
Real Estate	National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index - Open End Diversified Core Equity (ODCE) Index
Non-Core Fixed Income	Bloomberg US High Yield 2% Issuer Cap Index
Real Assets	50% MSCI All Country World Index (ACWI) Commodity Producers and 50% MSCI All Country World Index (ACWI) Infrastructure
Private Credit	S&P/LSTA 100 Leveraged Loan Index
Asset Class	State Fund Investment Pool Benchmarks
Investment Grade Fixed Income	Bloomberg US Aggregate Bond Index
Public Equity	Weighted average Domestic and International Equity
Domestic Equity	S&P 500 Index
International Equity	MSCI All Country World Index (ACWI) ex USA
Real Estate	National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index – Open End Diversified Core Equity (ODCE) Index
Non-Core Fixed Income	Bloomberg US High Yield 2% Issuer Cap Index
Real Assets	50% MSCI All Country World Index (ACWI) Commodity Producers and 50% MSCI All Country World Index (ACWI) Infrastructure
Private Credit	S&P/LSTA 100 Leveraged Loan Index

Behavioral Health Facility Investment Project Manager Contract Contract BOI SH-DM-1-2026

THIS AGREEMENT is made and entered into as though it began January 1st, 2026, by and between D&M Development, LLC, "Independent Contractor", and the Montana Board of Investments, "BOI". In the collective, Independent Contractor and BOI are referred to as the "Parties." It replaces all parts of "Preliminary and other Architecture/Engineering for the Investment Project for Leasable Building - Manager Contract - BOI STATE HOSPITAL Phase I-2025" other than the already completed and paid for phase one portion.

BOI has optioned land in Laurel known to both parties as ("Subject Property").

Independent Contractor has agreed to design, manage, construct, sell, and supervise this investment by the management of the construction on the Subject Property under the terms of this contract and the current version of the building management contract as amended.

Section 1. Appointment of Independent Contractor

The BOI appoints and retains the Independent Contractor as its sole and exclusive manager and supervisor for oversight of the investment and construction of a behavioral health hospital to be built on the Subject Property, upon the conditions, for the term, and at the compensation set forth in this contract.

Section 2. Term of Contract

The term of this Project Management Agreement shall be for a period running from January 1, 2026, through December 31, 2029, unless terminated prior to by the mutual written agreement of the parties. At BOI's sole discretion, this agreement may be renewed for an additional one (1) year period. Notice of termination must be in writing at least 30 days prior to the end of the most current period.

Section 3. Acceptance of Responsibilities and Duties of an Independent Contractor

Independent Contractor hereby accepts project management and supervision of construction on the Subject Property and agrees to perform the following:

- a. Ensure that the General Contractor ("GC") and, through them, all subcontractors and suppliers comply with all necessary federal, state, and local laws for securing all governmental permits, authorizations, approvals, inspections, construction of, and certifications for the Subject Property.
- b. Oversee the purchase of supplies to ensure those purchases comply with Exhibit A (Plans) and Exhibit B (Budget).
- c. To the extent that Independent Contractor and the GC enter a contract(s) (General

Contract), it will not override or modify this contract, but copies of such will be provided to BOI.

- d. Ensure that the GC is following all laws related to the GC's management of employees and subcontractors, as agreed to in the GC Contract.
- e. At the time of acceptance of the completion of a unit or pad, as defined in the GC Contract, work with the GC to ensure the completion of the portion of the build, including any inspections and completions of punch lists. This includes all reasonable insurances required to protect the investment property during construction.
- f. Communicate regularly with the BOI representative regarding construction progress, issues, discussions with the GC, and completions.
- g. If the Independent Contractor has employees, fully comply with all applicable laws and regulations having to do with Workers' Compensation, Social Security, Unemployment Insurance, hours of labor, prevailing wages, working conditions, and other employer-employee related subjects.
- h. This agreement is not one of agency by the Independent Contractor for BOI, but one with the Independent Contractor engaged independently in the business of managing projects on his own behalf as an independent contractor.
- i. Independent Contractor shall, at its own expense, install and maintain for the benefit of the BOI, proper and suitable records and books of account in which Independent Contractor shall properly record documents connected with the project management of the Subject Property. All records shall always be open to the inspection and audit of any officer or duly accredited and authorized representative of BOI, during reasonable business hours. Upon termination of this Agreement, all such records shall be delivered to BOI by the Independent Contractor.
- j. Independent Contractor acknowledges that they will negotiate and implement the GC Contract for the Subject Property to ensure compliance with the project management of the construction for the Subject Property.
- k. Once structures become available for occupancy, the Independent Contractor will notify the BOI so that proper insurance can be placed on the structure by the BOI prior to the construction insurance lapsing.
- l. This project will have substantial completion, not to include commissioning or regulatory approval, 26 months after foundations are in place, which is currently scheduled for April 1, 2027. For each month or part of a month after the allotted 26 months that it is not at substantial completion, BOI will reduce the total amount paid to the Independent Contractor by \$124,051.20 per month.
- m. The finished project must be consistent with the Exhibit A Plans, including conformity with all approved specifications, applicable building codes, permit requirements, and manufacturer installation instructions. Independent Contractor owes a fiduciary duty to the BOI when supervising this project to ensure the quality of the workmanship of the General Contractor.

Section 4. Compensation

Compensation will be paid to the Independent Contractor who will be responsible for all payments to other parties for this project, including the GC.

This includes payments to Cushing Terrell for all remaining engineering, architecture, support documents, geo, and other services, up to \$4,028,940. These services include, but are not limited to, those under the original contracts phase II, III, and IV, summarized as:

- a. Phase II: initially builds designs, engineering, and approvals to meet the requirements and drawings provided by DPHHS, including estimating the cost of the finished project, so that it is ready to be put out for bid.
- b. Phase III: any additional design, engineering, and approvals needed after the exact site of the proposed building is known that will impact building and landscaping on the site, and that are required before construction begins.
- c. Phase IV: other architecture and engineering work needed to have the building ready for tenants to move in.

No Management Fees will be charged on this amount. Independent Contractor will forward the bills for this portion of the contract to BOI. They will be paid by BOI to the Independent Contractor 30 days after we receive the invoice.

The remainder is for construction and the management fee. The Construction cost may not exceed \$42,565,260. The Management fee is based on 4% of the Construction Cost and is a flat fee of \$1,702,610.40. Prior to the start of construction, the Independent Contractor has the right to terminate the contract and will not be entitled to any management fee.

Quarterly payments starting on December 31, 2026, as follows:

December 31, 2026	\$ 4,426,787.04
March 31, 2027	\$ 4,426,787.04
June 30, 2027	\$ 4,426,787.04
September 30, 2027	\$ 4,426,787.04
December 31, 2027	\$ 4,426,787.04
March 31, 2028	\$ 4,426,787.04
June 30, 2028	\$ 4,426,787.04
September 30, 2028	\$ 4,426,787.04
December 31, 2028	\$ 4,426,787.04
March 31, 2029	\$ 4,426,787.04

Total for Construction and Management \$44,267,870.40

Passthrough Payments to Cushing Terrell \$ 4,028,940.00

Under no circumstances will the BOI under this contract owe more than the \$48,296,810.40 minus any late charges.

Section 5. Insurance

Independent Contractor will be responsible for making sure all commercially reasonable insurances are maintained on the property during construction and until such time as the BOI

has proper notice to place insurance on units that are available for occupancy.

Section 6. Indemnification

Independent Contractor agrees to indemnify the BOI, its officials, agents, and employees, while acting within the scope of their duties as such, harmless from and against all claims, demands, and causes of action, including the cost of defense, arising in favor of the Independent Contractor's employees or third parties on account of bodily or personal injuries, death, or damage to property arising out of negligent maintenance, or acts/omissions of the Independent Contractor and/or its agents, employees, subcontractors, or its representatives under this agreement.

Section 7. Contractor Insurance

The Independent Contractor shall maintain for the duration of the Contract, at its cost, insurance coverage against claims for injuries to persons or damages to property, including contractual liability which may arise from work performed by the Independent Contractor, his agents, representatives, employees, or assigns under the contract.

The Independent Contractor's insurance coverage shall be primary coverage with respect to the BOI. Any insurance maintained by the BOI shall be in excess of the Independent Contractor's insurance and shall not contribute with it. The Independent Contractor's insurance shall cover such claims as may be caused by any act, omission, or negligence of the Independent Contractor or its officers, agents, representatives, assigns, or servants.

Independent Contractor shall maintain Workers' compensation insurance as required by the State of Montana. The Independent Contractor will always comply with applicable worker's compensation, occupational disease, and occupational health and safety laws, statutes, and regulations to the full extent applicable. All certificates, indicating compliance with the required coverage, must be filed with the BOI within ten (10) working days after execution of this Agreement. The certificates and/or endorsements shall evidence that coverage is provided for the duration of the Contract.

Section 8. Termination

Notwithstanding other provisions of the Project Management Agreement, the Agreements herein contained shall be terminated, and the obligations of the parties hereto shall thereupon cease, except as to any obligations or liabilities arising or occurring prior to termination, and an accounting to be made by Independent Contractor to BOI upon the occurrence of any of the following circumstances or events:

- a. Destruction or condemnation of the Subject Property.
- b. Upon the agreement of BOI and Independent Contractor expressed in writing
- c. For cause after thirty (30) days' notice and failure of Independent Contractor to cure a default within 30-day period or to diligently commence to cure such default if it reasonably shall take longer than 30-days to cure such default; or
- d. Notice to not proceed is provided by BOI prior to July 17, 2026.

Section 9. Limitation of Liability

BOI's liability shall be limited to its interest in the Subject Property and shall not exceed the compensation agreed to in Section 4.

Section 10. Consents and Approvals

In any instance under this Project Management Agreement in which the consent or approval of BOI to any proposed action is required, Independent Contractor must secure BOI's consent or approval.

Section 11. Waiver of Subrogation

BOI and Independent Contractor hereby waive their respective rights of recovery against each other for any loss insured or insurable against under fire, extended coverage, or all risk insurance policies, and shall cause their respective insurers to waive their rights of subrogation.

Section 12. Notices

Notices to Designate Persons hereunder shall be valid if mailed by registered or certified mail, postage prepaid, or by overnight express mail, addressed as follows:

If to BOI:

Peg MacEwen
Montana Board of Investments
2401 Colonial Drive, 3rd Floor
Helena, MT 59601

If to Independent Contractor:

Mark Esponda
D&M Development, LLC 3424 E
U.S. Highway 12
Helena, MT 59601

or to such other address, with respect to either party, as such party shall notify the other party hereto in writing, as above provided.

Section 13. Assignment

Independent Contractor shall be prohibited from assigning its interest in this Project Management Agreement without the written consent of BOI. BOI may assign its interest in this Project Management Agreement to any purchaser of the building(s) or real estate.

Section 14. Venue

In the event of litigation concerning this contract, venue shall be the First Judicial District in the County of Lewis and Clark, Montana, and the Contract shall be interpreted according to the laws of the State of Montana.

Section 15. Entire Agreement and Modification

This contract, consisting of this document, constitutes the entire agreement between the parties and may be modified only by a written document signed by both parties. Exhibits A and B are illustrative and are not part of the agreement between the parties. If new versions that more reflect the project are updated, they should be numbered sequentially (A.1, A 2, A 3...). For them to have any material effect on the contract, a separate signed agreement by both parties specifying the exact change(s) is required.

Section 16. Signatures

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

Independent Contractor: D&M, LLC

By: _____ Date: _____
Mark Esponda, Vice President

BOI: MONTANA BOARD OF INVESTMENTS

By: _____ Date: _____
DAN VILLA, Executive Director

Approved as to Legal Content:

By: _____ Date: _____
Cort Jensen, Chief Legal Counsel

Exhibit A



Cushing Terrell
DLRGROUP

OVERALL PROGRAM PIECES - SINGLE STORY OPTION

© 2016 CUSHING TERRELL ARCHITECTS
1000 17th Street, NW
Washington, DC 20036

Exhibit B

	Expense
Building Construction/Site Prep	\$ 42,565,260.00
DM	\$ 1,702,610.40
CT	\$ 4,028,940.00
TOTAL	\$ 48,296,810.40

DRAFT

Montana Domestic Equities Asset Class Review

Presented by:

Jason Brent, CFA, CAIA, Director of Public Market Investments
Steve Strong, Senior Investment Analyst

Date:

April 22, 2026

Domestic Equities

Contents

- Domestic Equities Asset Class Overview 3
- Domestic Equities History at MBOI 4
- Owners of Domestic Equities 5
- Domestic Equities Policies 6
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- Sources of Tracking Error 12
- Changing Dynamics in Domestic Equities 13
- Differences in Small-Cap Indices 15
- Due Diligence & Ongoing Research 16
- Ownership Breakdown & Net Performance 17
- Summary 18

Domestic Equities

Overview

- Strategy
 - *Investments in U.S. stocks*
 - *Externally managed*
 - *All passive/indexed*
- Passive/indexed investments
 - *Designed to track an index*
 - *Index construction is an active decision*
 - *Index providers have different index construction methodologies*
 - *Indices are not static*
- Characteristics
 - *Capital appreciation/growth oriented*
 - *Dividends have accounted for about 1/3 of total long-term returns*
 - *Large, liquid market*
 - *High return/high volatility*

Domestic Equities

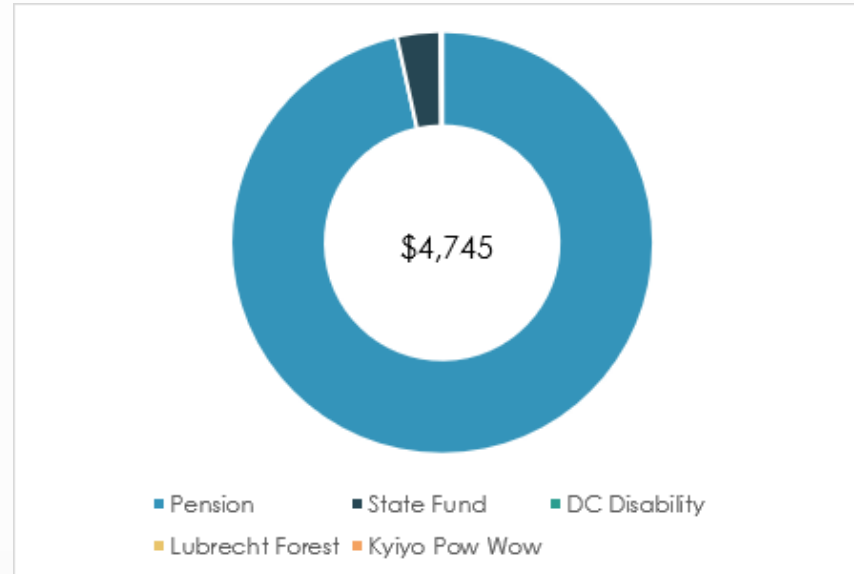
History

- Montana Stock Pool (“Montcomp”)
 - *Largely internal, active management*
- Third-party operational review (2005)
 - *Internal vs. external management*
 - *Allocation of staff resources*
 - *PERS/TRS Target US Stock Allocation was 45%*
- Move to external management (2007)
 - *Increased diversification*
 - *Re-allocated staff resources*
- Transition from active/passive to all passive (2021)
 - *Market efficiency*
 - *Cost*
 - *Staff resources*

Domestic Equities

Owners of Domestic Equities

- Consolidated Asset Pension Pool (CAPP)
- Montana State Fund
- PERS Defined Contribution Retirement Plan Disability Fund (DCRP)
- Lubrecht Experimental Forest (UofM Endowment)
- Kyiyo Pow Wow (UofM Endowment)



* Dollar values are in \$1,000,000

As of 2/28/2026

Domestic Equities

Domestic Equities Policies

- Montana Public Retirement Plans Investment Policy:
 - *Approved Pension Plan Allocation Range of 22%–34%*
 - *Domestic equity securities and derivatives held in separate accounts, commingled funds, limited partnerships, or LLCs*
 - *Exchange-Traded Funds (ETFs)*
 - *Percentage in small-cap equities shall not exceed 10% above the benchmark weight in small-caps*
 - *Percentage in passive/indexed strategies shall be greater than 45%*
 - *Asset class benchmark is the MSCI USA Investable Market Index*

Domestic Equities

- Montana State Fund
 - *Equity Allocation Range (domestic plus international) of 0%–15%*
 - *Domestic Equity benchmark is the S&P 500 Index*
- PERS Defined Contribution Retirement Plan Disability Fund (DCRP)
 - *Domestic Equity Allocation Range of 30%–50%*
 - *Domestic Equity benchmark is the Dow Jones US Total Stock Market Index*
- Lubrecht Experimental Forest (UofM Endowment)
 - *Maximum allocation of 70% to Public Equities (US and International)*
 - *Domestic Equity benchmark is the S&P 500 Index*
- Kyiyo Pow Wow (UofM Endowment)
 - *Maximum allocation of 70% to Public Equities (US and International)*
 - *Domestic Equity benchmark is the S&P 500 Index*

Domestic Equities

Investment Vehicle Characteristics

- Separately-managed accounts (SMAs)
 - *Lowest-cost option*
 - *More favorable securities lending arrangement vs. commingled funds*
 - *More frequent data access vs. commingled funds*
- Commingled funds
 - *Cost-effective means to access benefits of scale*
 - *Securities lending revenue split with the manager*
- Exchange-Traded Funds (ETFs)
 - *Investment vehicle that trades like a stock on an exchange*
 - *Quicker access to liquidity than SMAs or commingled funds*

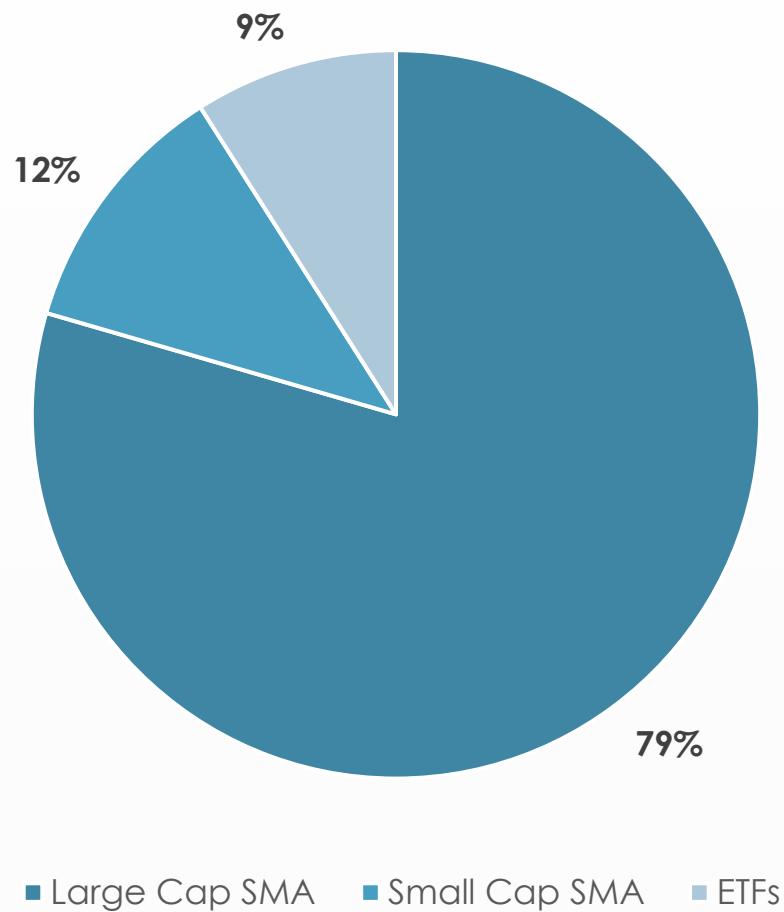
Domestic Equities

CAPP Asset Class Structure

- 100% passive/indexed investments
 - *“Passive”= investment vehicle that aims to track the performance of an index*
 - *Indices have different rules and methodologies to determine index eligibility*
 - *Indices are not static*
- Index Funds
 - *Separately-managed accounts (large- and small-caps)*
- Exchange-Traded Funds (ETFs)
 - *All-cap, large-cap, mid-cap, and small-cap ETFs*

Domestic Equities

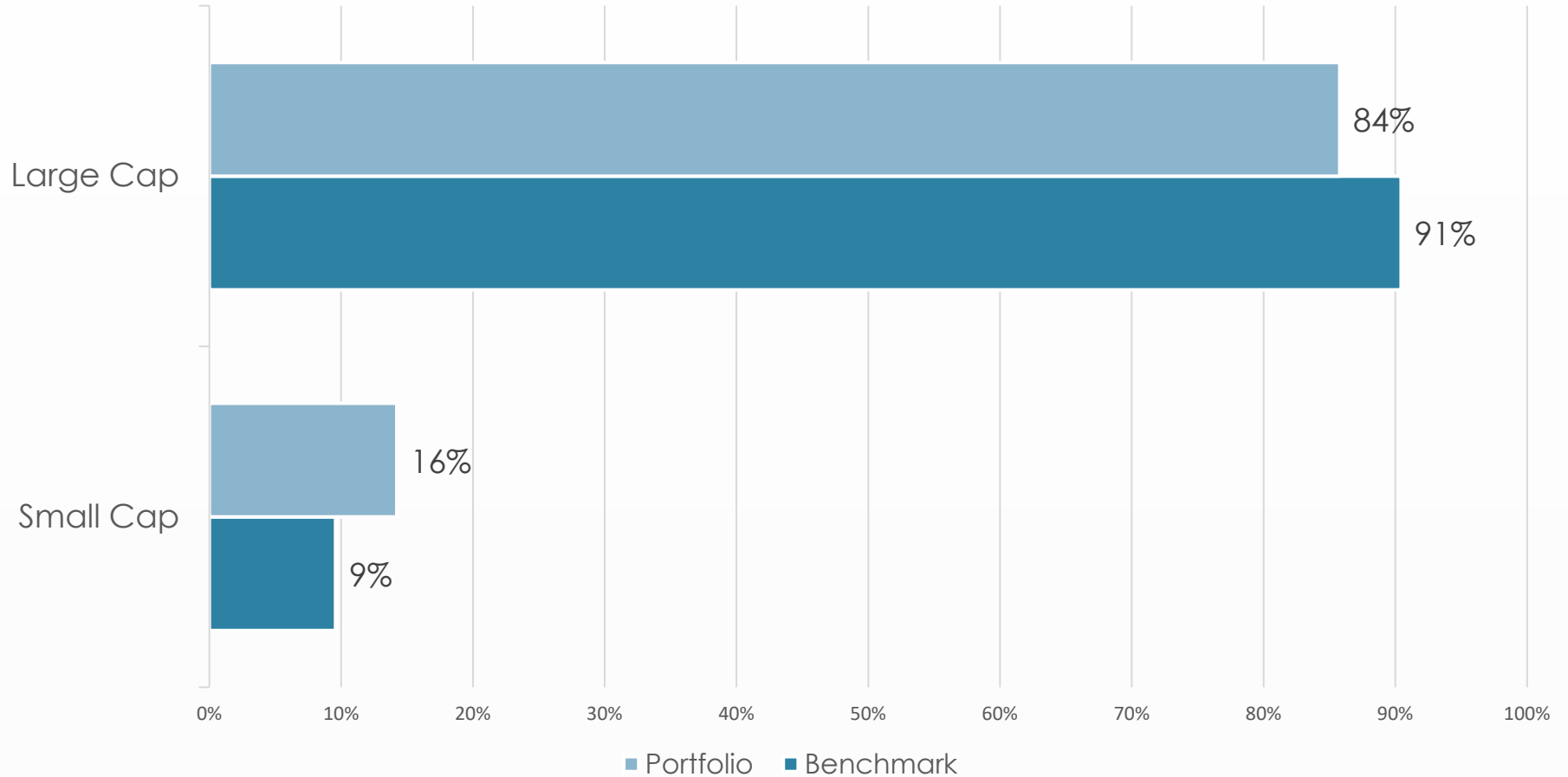
CAPP Exposure By Investment Vehicle



As of 2/28/2026

Domestic Equities

CAPP Exposure By Market Cap



As of 2/28/2026

Domestic Equities

Sources of Tracking Error

- Tracking error
 - *Measures the difference between an investment's returns and its benchmark's returns*
- Manager tracking error
 - *Management fees*
 - *Securities lending*
 - *Securities litigation*
 - *Securities misweights*
- Allocation tracking error
 - *Active risk from over- or underweight to small caps*

Domestic Equities

Changing Dynamics in Domestic Equities

- Sector Composition
 - *Growth of mega-cap, technology-related companies*

S&P 500 Sector	12/31/2015	12/31/2025	Change
Communication Services	9.8%	10.6%	0.8%
Consumer Discretionary	9.2%	10.4%	1.2%
Consumer Staples	9.9%	4.7%	-5.2%
Energy	6.4%	2.8%	-3.6%
Financials	16.0%	13.4%	-2.6%
Health Care	15.6%	9.6%	-6.0%
Industrials	10.3%	8.1%	-2.2%
Information Technology	14.4%	34.4%	20.0%
Materials	2.5%	1.8%	-0.7%
Real Estate	2.8%	1.8%	-1.0%
Utilities	2.9%	2.2%	-0.7%
TOTAL	100%	100%	

Domestic Equities

Changing Dynamics in Domestic Equities

- Characteristics

S&P 500	12/31/2015	12/31/2025
Dividend Yield	2.1%	1.1%
ROE	18.7%	30.2%
Net Margin	13.0%	23.2%
Top 10 Largest %	18%	41%
Mkt Cap of Largest Company (Bill. \$)	\$586	\$4,533
Wtd Ave Mkt Cap (Bill. \$)	\$138	\$1,434

Domestic Equities

Differences in Small-Cap Indices

- Construction methodology differences
 - *Number of securities*
 - *Company profitability*
 - *Market-cap ranges*
- Characteristics

<i>As of 2/28/2026</i>	MSCI USA		
	Small Cap	S&P 600	Russell 2000
Number of securities	1,628	603	1,931
Dividend Yield	1.3%	1.6%	1.2%
ROE	8.3%	9.9%	3.8%
Net Margin	7.8%	9.4%	6.6%
Forward P/E	16.8	15.1	16.4
Wtd Ave Mkt Cap (Bill. \$)	\$10.3	\$4.2	\$5.3

- Historical returns

Thru 2/28/26	1YR	3YR	5YR	7YR	10YR	15YR	20YR
MSCI US Small Cap	23.28%	14.10%	7.63%	10.90%	12.65%	10.90%	9.31%
S&P 600	17.89%	10.09%	6.06%	8.91%	11.23%	10.60%	8.92%
Russell 2000	23.34%	13.14%	5.05%	9.07%	11.30%	9.54%	8.08%

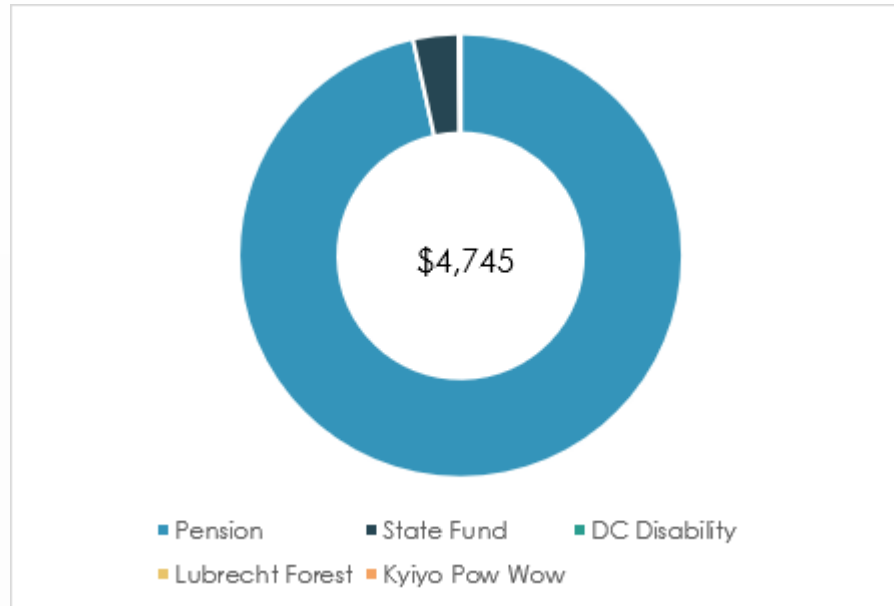
Domestic Equities

Due Diligence & Ongoing Research

- Same manager evaluation framework as with active managers
 - *Investment guidelines, manager scorecards, quarterly review process, quantitative analysis, and onsite visits*
- Tools
 - *FactSet*
 - *Bloomberg*
 - *Trading platform puts brokers in competition for ETF trades, ensuring best execution*
 - *eVestment*
 - *Manager online trading platforms*
 - *Facilitates contributions and redemptions from our separately-managed accounts and index funds*

Domestic Equities

Ownership Breakdown & Net Performance



Performance	1 Year		5 Year		10 Year	
	1 Year	Benchmark	5 Year	Benchmark	10 Year	Benchmark
Pension	17.41%	17.18%	12.81%	12.96%	14.67%	15.14%
State Fund	16.97%	16.99%	14.18%	14.19%	15.48%	15.50%
DC Disability	16.92%	16.92%	12.69%	12.66%	NA	NA
Lubrecht Forest	16.93%	16.99%	NA	NA	NA	NA
Kyiyo Pow Wow	16.93%	16.99%	NA	NA	NA	NA

* Dollar values are in \$1,000,000

As of 2/28/2026

Domestic Equities

Summary

- Domestic Equities=100% passive/indexed
 - *Goal is to track the performance of an index*
 - *Several factors contribute to differences in portfolio returns vs. an index ("Tracking Error")*
 - *CAPP index funds are 100% separately-managed accounts*
 - *Different methodologies by different index providers for determining index eligibility*
 - *Indices are not static*
- Large-cap vs. small-cap exposures
- Due diligence process the same as with active managers

RVK

Capital Market Assumptions

Montana Board of Investments

April 22, 2026

Capital Market Assumptions

An input into MBOI's annual asset allocation study

- We will be conducting an asset allocation study later this year.
 - As part of that process, we will meet with MBOI staff to review asset allocation and range structures to discuss with the Board.
- Capital Market Assumptions (CMAs) are one input in the asset allocation process, but there are several other factors, such as:
 - Portfolio purpose (e.g., retirement plan, insurance pool, trust fund pool), constraints, and asset classes included
 - Asset class minimum and maximums
 - Return goals
 - Risk tolerance, including expected down-market performance over varying time periods
 - Liquidity requirements
- This presentation reviews RVK's process for creating CMAs and the resulting 2026 assumption set of expected return, risk, and correlations.
- Typically, CMAs don't vary significantly year-over-year due to the long horizon date.

Capital Market Assumptions

- *Philosophy*
- *Historical Perspective*
- *Key 2026 Observations*
- *Assumption Set*
- *Capital Market Line*
- *Correlation*
- *Assumption Components*

Capital Market Assumptions

Philosophy

- Each year, RVK's general consulting and research teams collaborate to review the capital market environment and update long-term, forward-looking capital market assumptions (CMAs) for each asset class utilized by our clients.
- The forecast horizon is for long-term periods, typically 10 years or more.
- The components we estimate include:
 - Return
 - Risk (volatility of returns)
 - Correlation (relationship of asset class returns with all other asset classes)
- Return assumptions are generally index-based, net of fees, and assume no investment manager alpha.
- Annual updates are typically gradual and incorporate historical performance, current valuations, as well as the overall economic environment.

What does it mean to get CMAs “right”?

Relative accuracy is more important...

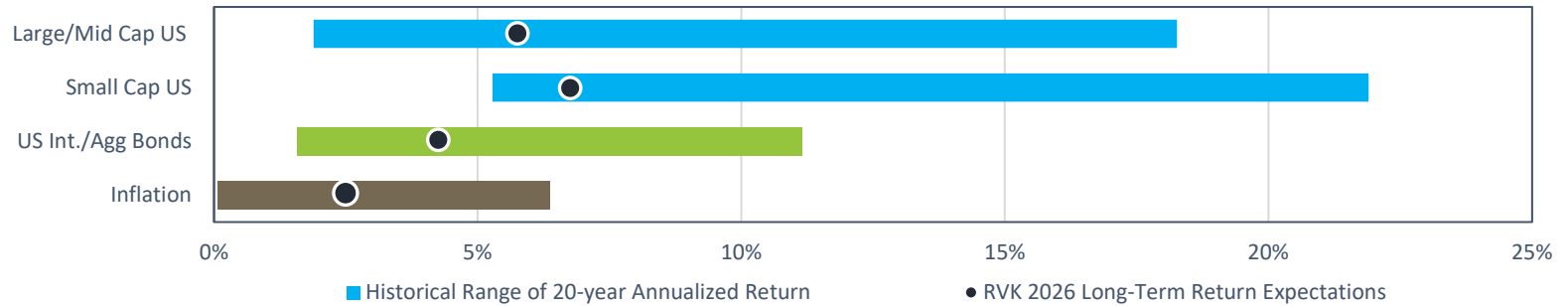
- **Relative Accuracy:** Assumptions capture the relative relationships between asset classes, which are vitally important to trade-off decisions when modeling.
 - Relative accuracy is more important because differences in returns and/or risks across asset classes is what we seek to optimize, and thus inaccurate relative relationships will produce unbalanced and poorly diversified portfolios.

...but “absolute” accuracy matters too—though perhaps not as much

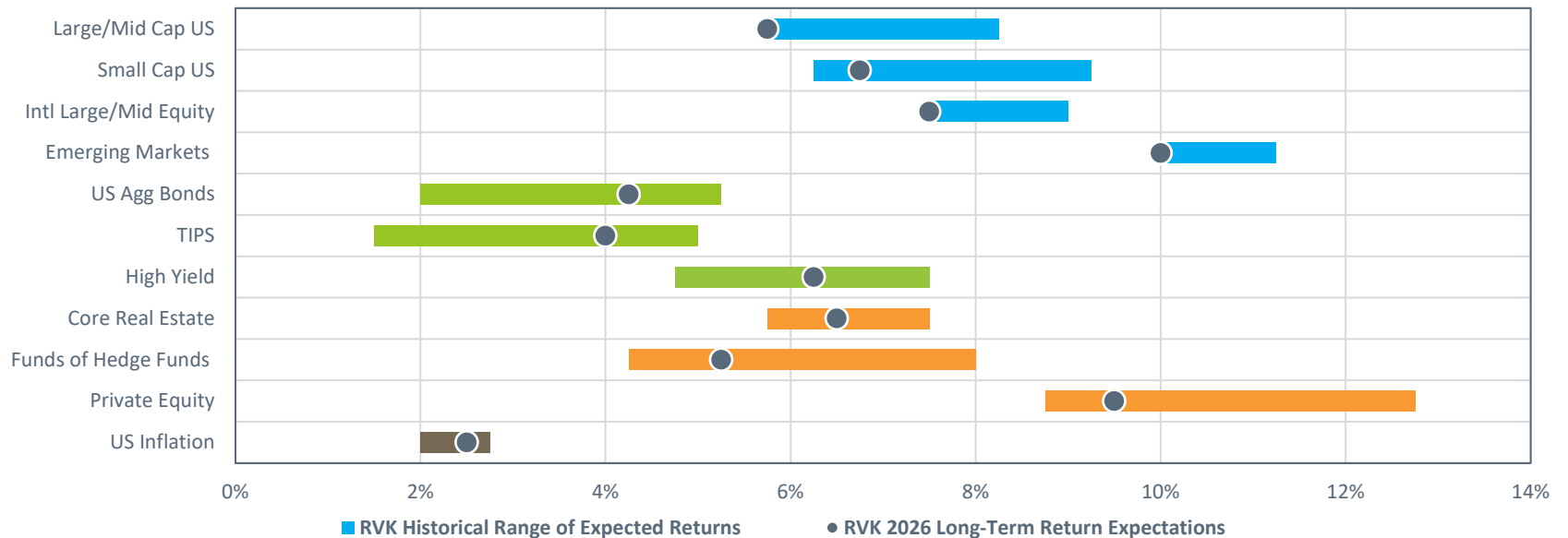
- **Absolute Accuracy:** Assumptions reflect the absolute values experienced in future long-term market environments.
 - Absolute accuracy of course still matters because if inputs are too high or too low across the board, then even if the relative relationships between assets are reasonable, that can cause a Plan to believe that it can distribute more than it can afford or restrict spending more than necessary.

Historical Perspective of Expected Returns

RVK 2026 Long-Term Expected Returns vs. Historical Market Range of Returns¹



2026 Expected Returns vs. RVK Historical Range of Expected Returns²



¹ Historical range shows the minimum and maximum 20-year annualized return for a given asset class based on monthly rolling 20-year annualized return series starting from Jan 1926. Large/Mid Cap US is represented by SBBI US Large Stock; Small Cap US by SBBI US Small Stock; US Int./Agg Bonds by SBBI US Intermediate Government Jan 1926 – December 1999 and Barclays US Aggregate Bond Index thereafter; US Inflation by SBBI US Inflation.

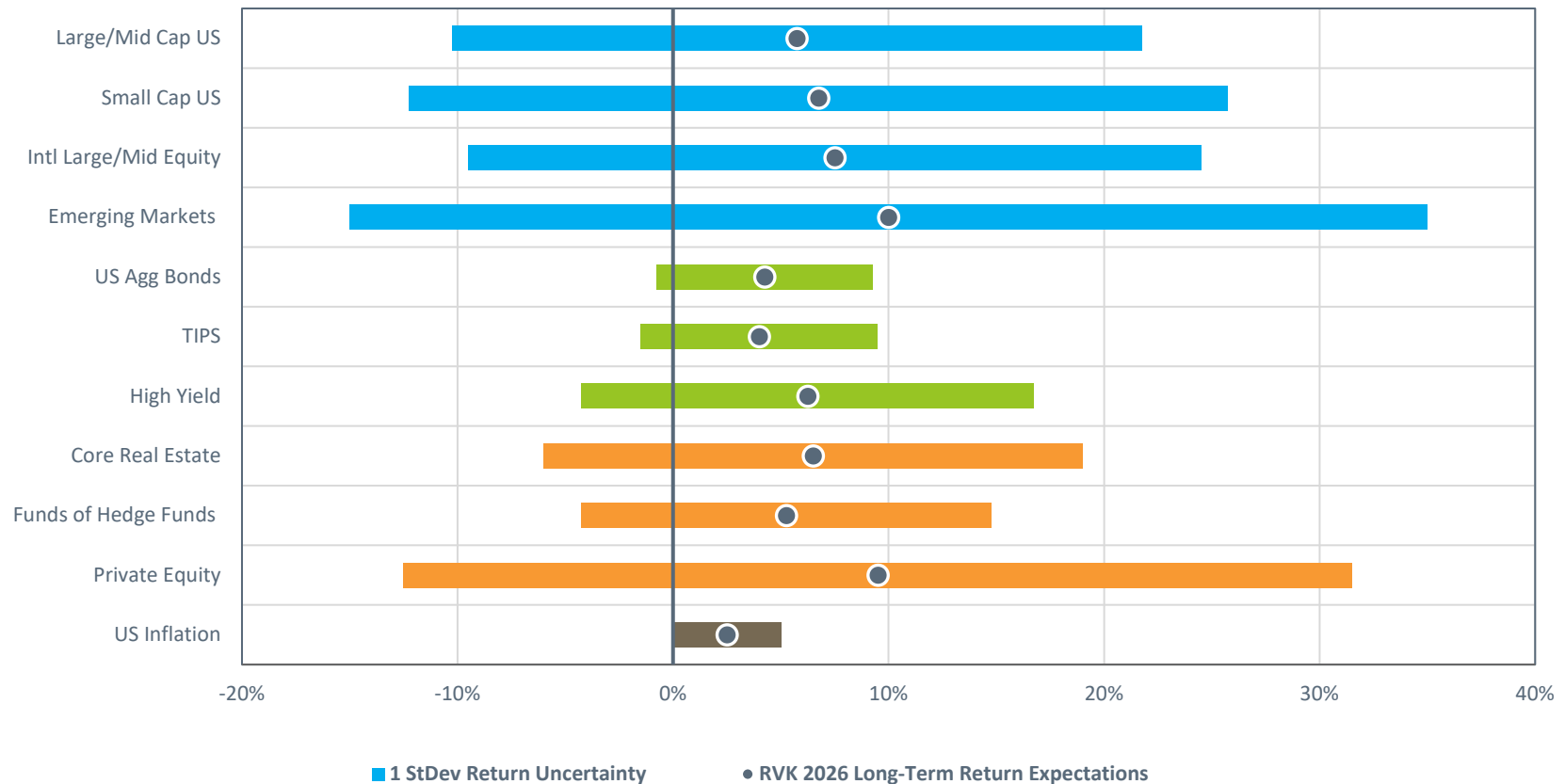
² Data shown includes 2007 through 2026 Capital Market Assumptions for selected asset classes.



Range of Potential Outcomes for Expected Returns

- Although asset class projected outcomes are displayed symmetrically below, asset classes with non-normal distributions are accounted for in companion monte carlo testing.

RVK 2026 Long-Term Return Expectations and Uncertainty of Returns Distribution



* StDev return uncertainty is based on RVK 2026 CMA risk assumption for each asset class.

Themes for 2026 Capital Market Assumptions

Inflation

Past and future inflation levels are studied and considered along with current market conditions, break-even indicators, sovereign intervention, and inflation component pricing behavior. *Our 2026 inflation assumption remained constant. This reflects moderate current levels, short-term inflationary uncertainties, as well as considers long-term deflationary factors such as deficits, debt, demographics, and automation.*

Equity Valuations

Mean reversion is considered for asset classes that demonstrate strong performance over the last year (or longer). *Equity return assumptions were decreased, particularly for international markets, given deteriorating valuation levels following another strong year of returns – as well as subdued income and growth expectations.*

Bond Yields

Yield and spread history, as well as current and prospective economic environments are considered. *The majority of fixed income return assumptions were decreased to reflect yield decreases and spread compression.*

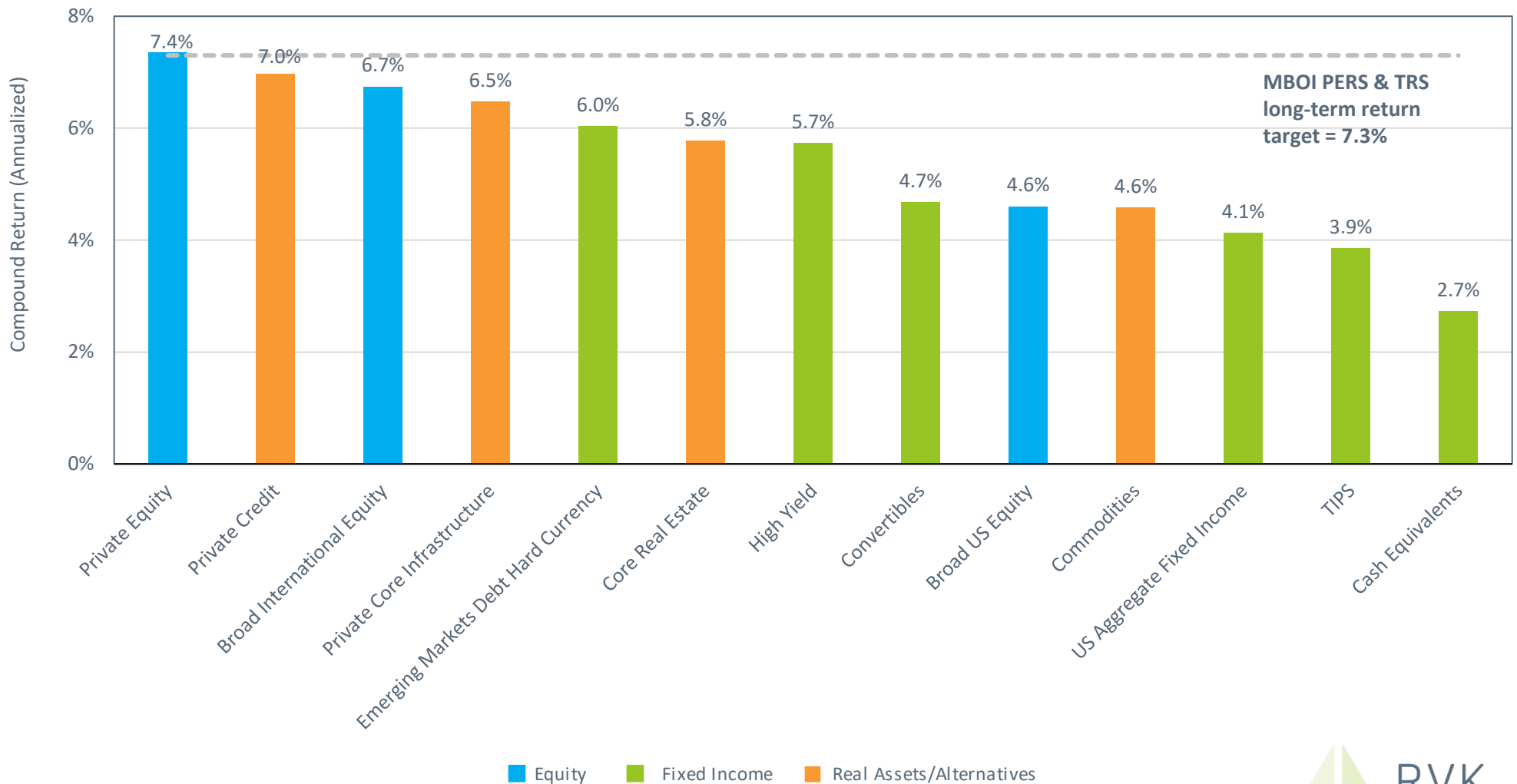
RVK 2026 Assumptions vs 2025

Asset Class	2025			2026			Change (2026 - 2025)		
	Nominal Return (Arith.)	Risk (St. Dev.)	Nominal Return (Geo.)	Nominal Return (Arith.)	Risk (St. Dev.)	Nominal Return (Geo.)	Nominal Return (Arith.)	Risk (St. Dev.)	Nominal Return (Geo.)
Large/Mid Cap US Equity	6.00%	16.00%	4.81%	5.75%	16.00%	4.56%	-0.25%	0.00%	-0.25%
Small Cap US Equity	6.75%	19.00%	5.10%	6.75%	19.00%	5.10%	0.00%	0.00%	0.00%
Broad US Equity	6.04%	16.04%	4.84%	5.79%	16.04%	4.60%	-0.24%	0.00%	-0.24%
Dev'd Large/Mid Cap Int'l Equity	8.25%	17.00%	6.94%	7.50%	17.00%	6.18%	-0.75%	0.00%	-0.76%
Dev'd Small Cap Int'l Equity	9.00%	20.00%	7.21%	8.50%	20.00%	6.70%	-0.50%	0.00%	-0.51%
Emerging Markets Equity	10.75%	25.00%	8.03%	10.00%	25.00%	7.26%	-0.75%	0.00%	-0.77%
Broad International Equity	9.07%	18.89%	7.47%	8.35%	18.89%	6.74%	-0.71%	0.00%	-0.72%
Global Equity	7.09%	16.49%	5.84%	6.75%	16.50%	5.50%	-0.34%	0.01%	-0.34%
US Aggregate Fixed Income	4.50%	5.00%	4.38%	4.25%	5.00%	4.13%	-0.25%	0.00%	-0.25%
Non-US Dev'd Sov'n Fixed Income UH	2.50%	8.50%	2.15%	2.75%	8.50%	2.40%	0.25%	0.00%	0.25%
Emerging Markets Debt Hard Currency	7.00%	10.00%	6.54%	6.50%	10.00%	6.03%	-0.50%	0.00%	-0.50%
Emerging Markets Debt Local Currency	6.25%	11.50%	5.63%	6.00%	11.50%	5.38%	-0.25%	0.00%	-0.25%
TIPS	4.00%	5.50%	3.85%	4.00%	5.50%	3.85%	0.00%	0.00%	0.00%
Low Duration Fixed Income	3.50%	2.50%	3.47%	3.25%	2.50%	3.22%	-0.25%	0.00%	-0.25%
Long Duration Fixed Income	5.50%	10.00%	5.03%	5.50%	10.00%	5.03%	0.00%	0.00%	0.00%
High Yield	7.00%	10.50%	6.49%	6.25%	10.50%	5.73%	-0.75%	0.00%	-0.75%
Bank Loans	6.50%	9.00%	6.12%	6.25%	9.00%	5.87%	-0.25%	0.00%	-0.25%
Core Real Estate	6.25%	12.50%	5.52%	6.50%	12.50%	5.77%	0.25%	0.00%	0.25%
Global REITs	7.75%	21.00%	5.76%	7.75%	21.00%	5.76%	0.00%	0.00%	0.00%
MLPs	8.00%	23.00%	5.63%	8.25%	23.00%	5.89%	0.25%	0.00%	0.26%
Funds of Hedge Funds	5.00%	9.50%	4.57%	5.25%	9.50%	4.82%	0.25%	0.00%	0.25%
Multi-Strategy Hedge Funds	5.75%	8.50%	5.41%	5.75%	8.50%	5.41%	0.00%	0.00%	0.00%
GTAA	5.75%	9.00%	5.37%	5.75%	9.00%	5.37%	0.00%	0.00%	0.00%
Private Credit	8.00%	13.00%	7.23%	7.75%	13.00%	6.97%	-0.25%	0.00%	-0.25%
Senior Secured Direct Lending	7.00%	9.50%	6.58%	6.75%	9.50%	6.33%	-0.25%	0.00%	-0.25%
Private Equity	9.75%	22.00%	7.61%	9.50%	22.00%	7.35%	-0.25%	0.00%	-0.25%
Commodities	6.00%	17.50%	4.58%	6.00%	17.50%	4.58%	0.00%	0.00%	0.00%
Diversified Inflation Strategies	5.90%	11.85%	5.24%	5.90%	11.85%	5.24%	0.00%	0.00%	0.00%
US Inflation	2.50%	2.50%	2.47%	2.50%	2.50%	2.47%	0.00%	0.00%	0.00%
Cash Equivalents	2.75%	2.00%	2.73%	2.75%	2.00%	2.73%	0.00%	0.00%	0.00%



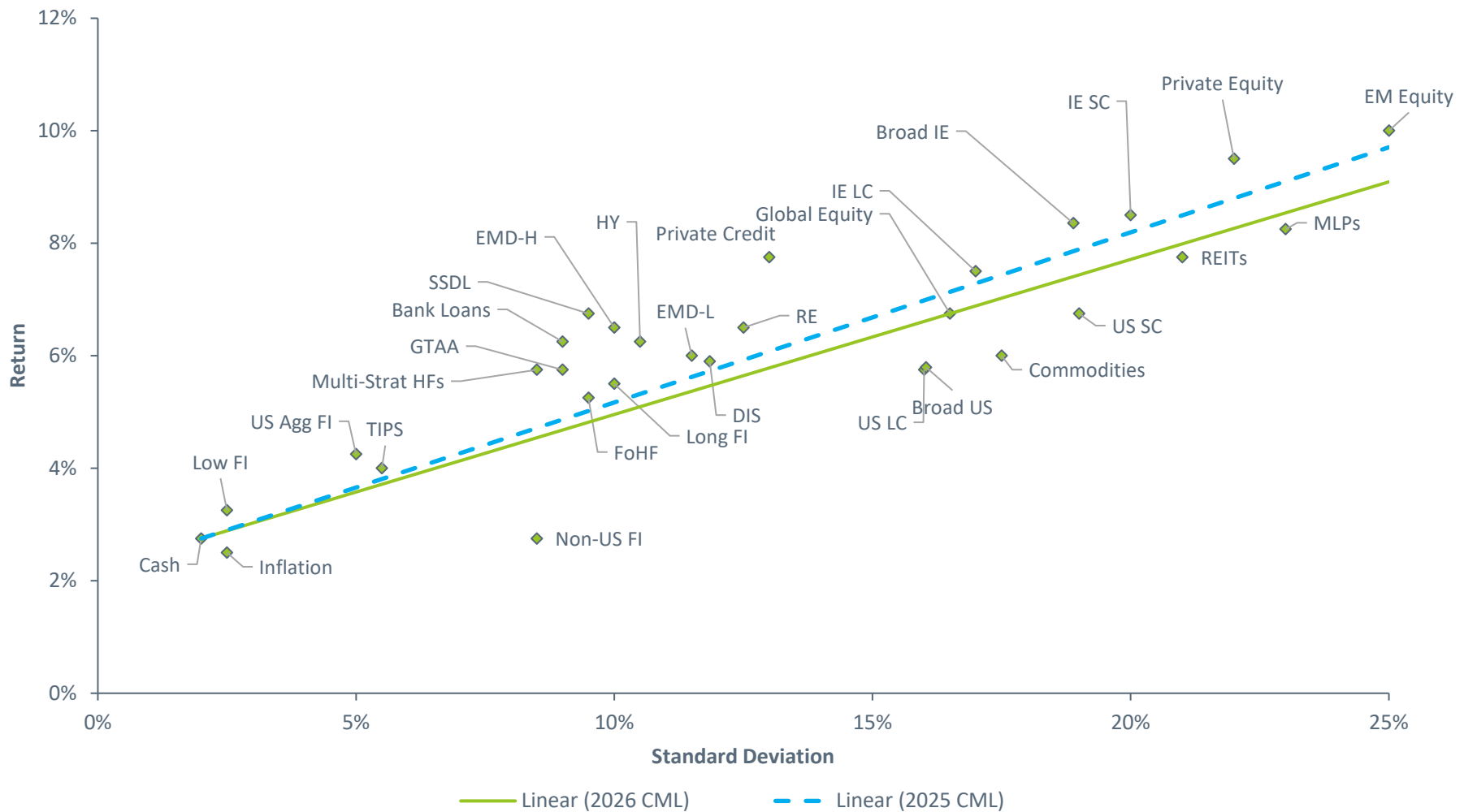
RVK 2026 Expected Geometric Returns

- It is important to note that the asset allocation exercise is not to select only asset classes that individually meet a portfolio's long-term return target.
- In the modeling process, each asset class is considered for its contribution to the portfolio through the multiple lenses of expected return, risk, and correlation.



Capital Market Line

- The capital market line represents the return and risk attributes of each asset class and reflects the discipline that return and risk are related and asset classes should be triangulated as an assumption set.
- Note that the return and risk relationships resulting from our 2026 process represent lower return potential for similar risk levels—the Capital Market Line has modestly rotated down.



Correlation

- Correlation is a quantitative measure of the degree to which asset classes move relative to each other. Correlation values can fall between 1.00 and -1.00.
- Diversification opportunities exist because the returns of different asset classes do not always move in the same direction at the same time, or with the same magnitude.

MBOI 2026 Correlation Matrix

<u>2026 Correlation Matrix</u>	Broad US Equity	Broad International Equity	US Agg Fixed Income	TIPS	High Yield Fixed Income	Private Credit	Convertibles	Emerging Markets Debt (Hard)	Real Estate	Private Core Infrastructure	Private Equity	Commodities	Cash Equivalents
Broad US Equity	1.00	0.86	0.28	0.35	0.77	0.78	0.86	0.65	0.34	0.07	0.66	0.44	-0.03
Broad International Equity	0.86	1.00	0.33	0.40	0.80	0.83	0.77	0.75	0.30	0.10	0.69	0.56	0.02
US Agg Fixed Income	0.28	0.33	1.00	0.78	0.39	-0.02	0.28	0.64	0.09	-0.04	0.03	0.01	0.10
TIPS	0.35	0.40	0.78	1.00	0.51	0.19	0.38	0.65	0.24	-0.15	0.21	0.28	0.02
High Yield Fixed Income	0.77	0.80	0.39	0.51	1.00	0.85	0.78	0.79	0.24	-0.01	0.52	0.47	-0.05
Private Credit	0.78	0.83	-0.02	0.19	0.85	1.00	0.72	0.58	0.44	0.09	0.74	0.62	-0.07
Convertibles	0.86	0.77	0.28	0.38	0.78	0.72	1.00	0.65	0.27	0.10	0.73	0.43	-0.06
Emerging Markets Debt (Hard)	0.65	0.75	0.64	0.65	0.79	0.58	0.65	1.00	0.18	-0.01	0.48	0.38	0.03
Real Estate	0.34	0.30	0.09	0.24	0.24	0.44	0.27	0.18	1.00	0.35	0.55	0.31	-0.24
Private Core Infrastructure	0.07	0.10	-0.04	-0.15	-0.01	0.09	0.10	-0.01	0.35	1.00	0.15	-0.12	0.06
Private Equity	0.66	0.69	0.03	0.21	0.52	0.74	0.73	0.48	0.55	0.15	1.00	0.41	-0.23
Commodities	0.44	0.56	0.01	0.28	0.47	0.62	0.43	0.38	0.31	-0.12	0.41	1.00	-0.04
Cash Equivalents	-0.03	0.02	0.10	0.02	-0.05	-0.07	-0.06	0.03	-0.24	0.06	-0.23	-0.04	1.00

Summary of Expected Return Methodology

- Many asset class expectations are built utilizing a building block methodology with expected inflation as a common element.

Building Block Methodology	Income	+	Inflation	+	Real Growth	±	Valuation Change
Cash Equivalents	Income + Expected interest rate changes						
Fixed Income	Income + OAS change + Expected interest rate changes (and duration impact)						
TIPS	Real Income + Inflation						
Public Equity	Income + Inflation + Real GDP/earnings growth +/- Currency Effect +/- Valuation						
Core Real Estate	Income + Inflation +/- Valuation – Manager Fees						
Hedge Funds	Income (collateral return, cash) + Beta return + Alpha return (net)						
Commodities	Collateral return (cash assumption) + Spot return (inflation assumption) + Roll return						

Spread Methodology	Beta assumption	+	Illiquidity premium
Private Credit	Bank loan assumption + Return premium		
Private Equity	US Large/Mid cap equity assumption + Return premium		

Asset Blend Methodology	
GTAA	30% global equity + 25% US Agg fixed income + 5% int'l developed fixed income + 10% EMD (local) + 10% TIPS + 10% high yield + 10% commodities
Diversified Inflation Strategies	1/3 TIPS + 1/3 commodities + 1/3 global REITs

While the above factors generally inform the direction and magnitude of the capital market assumptions, RVK also considers qualitative, triangulation, and other factors as needed, when arriving at final assumption values.



Capital Market Assumptions

Capital Market Assumptions

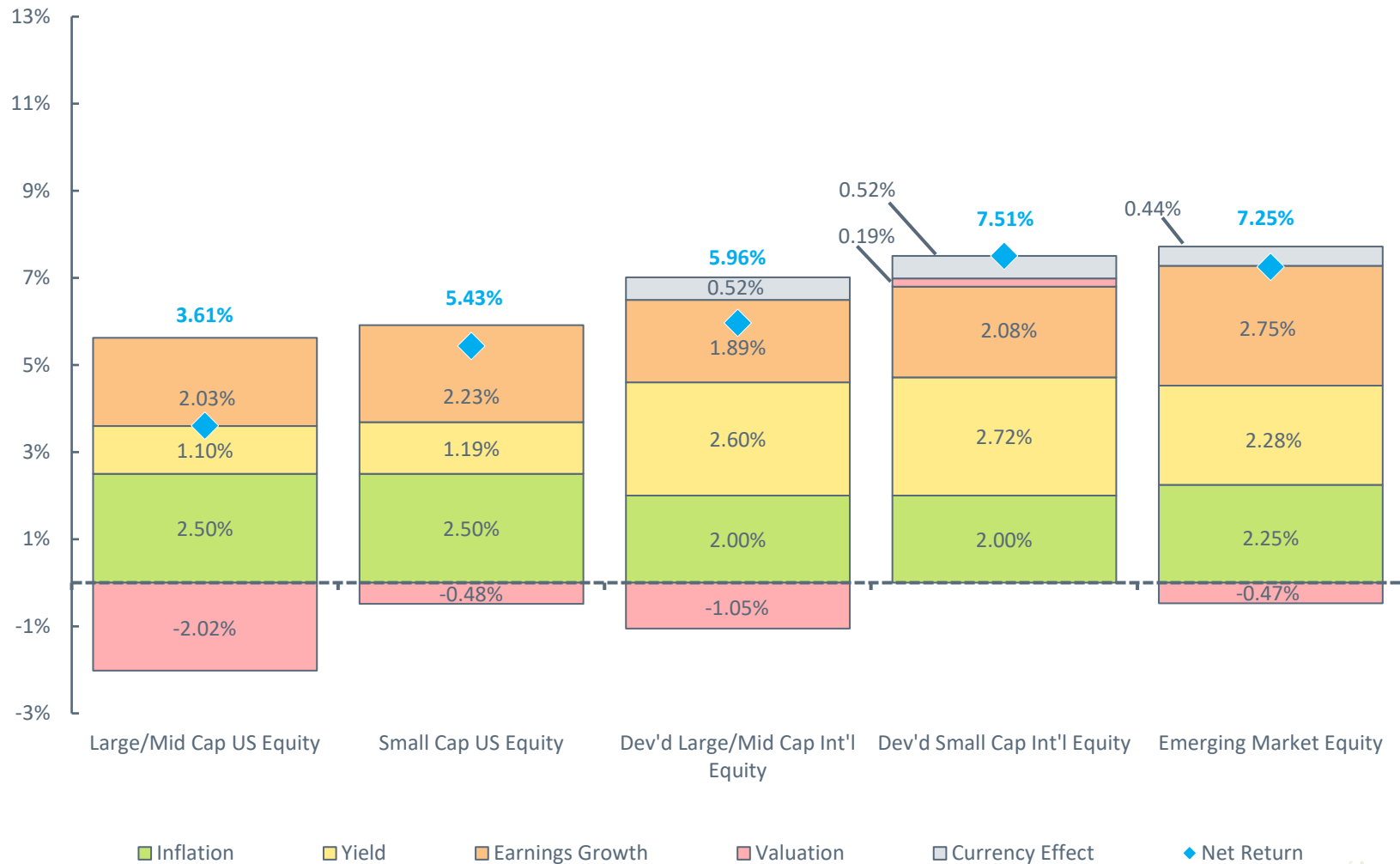
A review of key asset classes

- The following pages provide a view into the process of developing key asset class assumptions.
- There are many more asset classes and assumption construction components that are detailed in our related white paper.
- When clients have bespoke asset class construction that differ from our primary assumptions, we are happy to create custom assumptions that are then tested to ensure they will function well as part of a capital market line.

RVK Equities Methodology

- Quantifying the equity building blocks is one step in the process.
- Note the differentiated inflation assumptions of major regions.
- Valuation elements detract from expected returns for US equity.

2026 Decomposition of the Raw Building Blocks for Public Equity Asset Classes

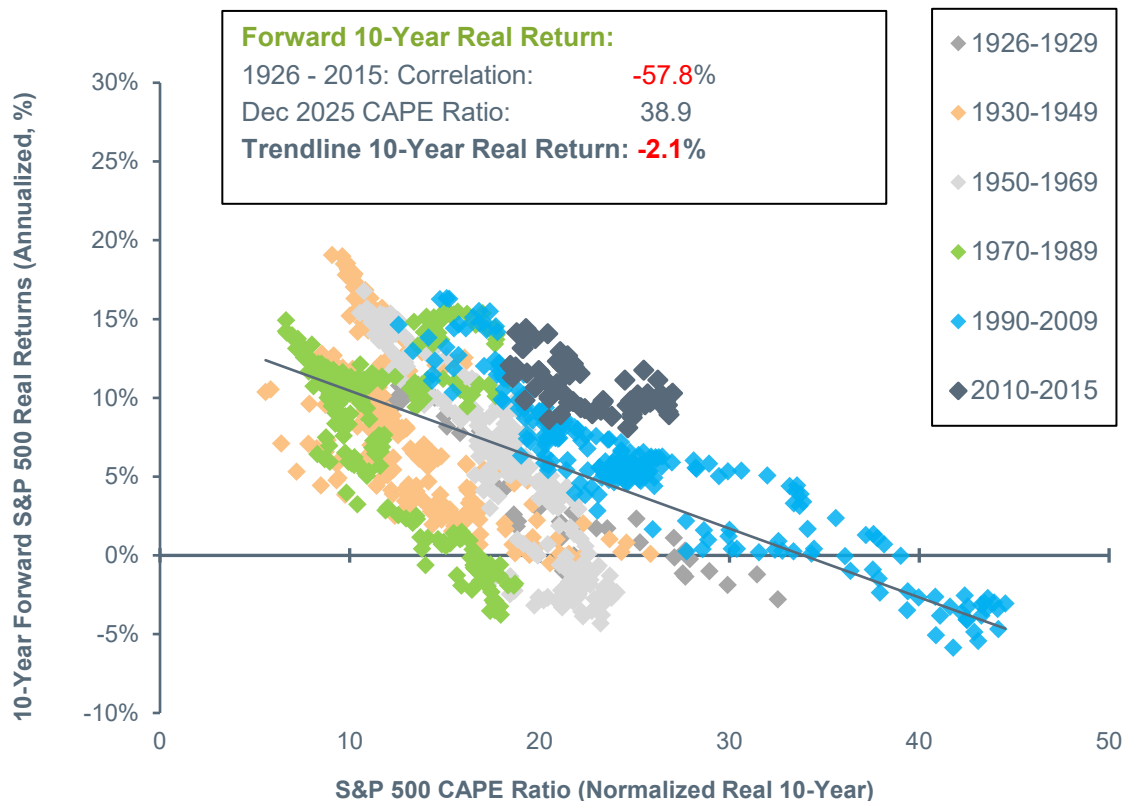


Source: FactSet (2026). Data as of December 31, 2025.

Public Equity – Domestic

Public Equity: US									
Asset Class	2025			2026			One Year Adjustment		
	Nominal Return	Risk (StDev)	Nominal Return (Geo.)	Nominal Return	Risk (StDev)	Nominal Return (Geo.)	Nominal Return	Risk (StDev)	Nominal Return (Geo.)
Large/Mid Cap US	6.00%	16.00%	4.81%	5.75%	16.00%	4.56%	-0.25%	--	-0.25%
Small Cap US	6.75%	19.00%	5.10%	6.75%	19.00%	5.10%	--	--	--
Broad US Equity	6.04%	16.04%	4.84%	5.79%	16.04%	4.60%	-0.24%	--	-0.24%

Relationship between Valuations and Forward 10 Year Returns



- The LC US equity return forecast decreased, while SC was left unchanged.
- The decrease was driven by elevated valuations as domestic equities continued their growth trend in 2025, supported by strong consumer spending, technology (AI) developments, and subsiding tariff fears.
- Year-end LC US valuation, as represented by the Shiller CAPE, ranked in the 98th percentile of historical values.
- Thus, return assumptions remain lower than historical averages.

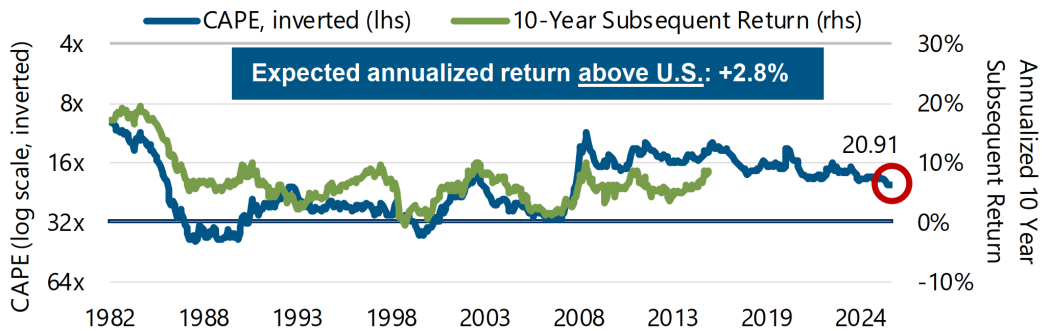
RVK Broad US Equity assumption is a combination of 95.6% Large/Mid Cap US Equity and 4.4% Small Cap US Equity.
 Source: RVK, based on data from FactSet (2026). November earnings data was used as a proxy for December in the December 2025 CAPE ratio.

Public Equity – International

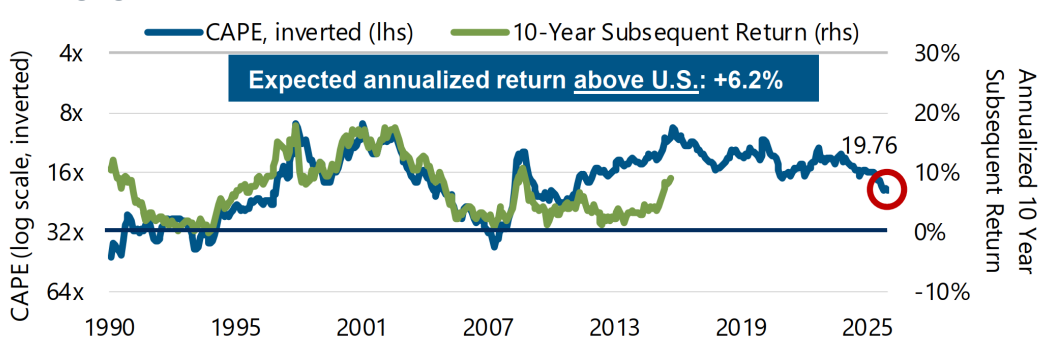
Public Equity: International									
Asset Class	2025			2026			One Year Adjustment		
	Nominal Return	Risk (StDev)	Nominal Return (Geo.)	Nominal Return	Risk (StDev)	Nominal Return (Geo.)	Nominal Return	Risk (StDev)	Nominal Return (Geo.)
Intl Large/Mid Equity	8.25%	17.00%	6.94%	7.50%	17.00%	6.18%	-0.75%	--	-0.76%
Intl Dev'd Small Cap	9.00%	20.00%	7.21%	8.50%	20.00%	6.70%	-0.50%	--	-0.51%
Emerging Markets	10.75%	25.00%	8.03%	10.00%	25.00%	7.26%	-0.75%	--	-0.77%
Broad International	9.07%	18.89%	7.47%	8.35%	18.89%	6.74%	-0.71%	--	-0.72%

Valuations: Cyclically-adjusted P/E

EAFE valuations



Emerging markets valuations



- Developed international equity assumptions were all decreased due to elevated valuations after a very strong 2025 rally, as well as due to deteriorating real growth/earnings expectations.
- The emerging markets return assumption was also decreased due to lower real growth/earnings expectations, lower dividend yields, and increased valuations after a very robust year for returns.

RVK Broad International Equity is a mix of 60.0% Dev'd Large/Mid Cap Int'l Equity, 9.7% Dev'd Small Cap Int'l Equity, and 30.3% Emerging Markets Equity.

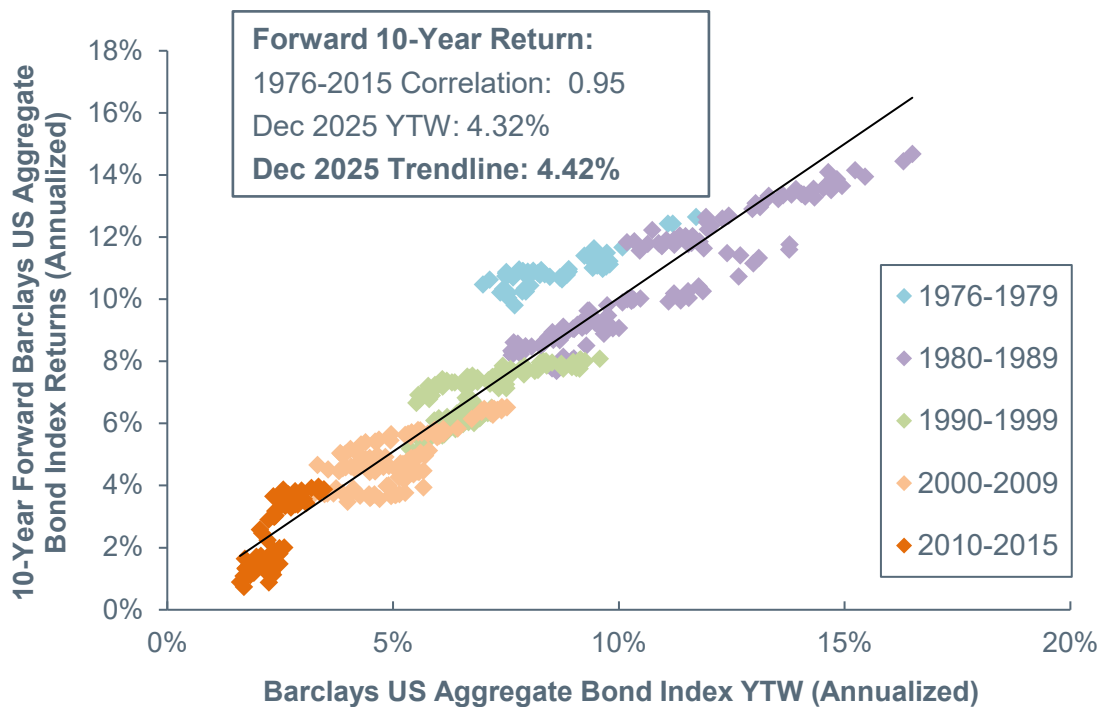
Source: Research Affiliates (RA); EAFE valuations represented by MSCI EAFE CAPE calculations by RA since December 1982; EM represented by MSCI EM CAPE calculations by RA since Jan 1990. Data as of December 31, 2025.



Fixed Income

Fixed Income									
Asset Class	2025			2026			One Year Adjustment		
	Nominal Return	Risk (StDev)	Nominal Return (Geo.)	Nominal Return	Risk (StDev)	Nominal Return (Geo.)	Nominal Return	Risk (StDev)	Nominal Return (Geo.)
US Aggregate	4.50%	5.00%	4.38%	4.25%	5.00%	4.13%	-0.25%	--	-0.25%
Non-US Dev. Sovereign	2.50%	8.50%	2.15%	2.75%	8.50%	2.40%	+0.25%	--	+0.25%
Low Duration	3.50%	2.50%	3.47%	3.25%	2.50%	3.22%	-0.25%	--	-0.25%
Long Duration	5.50%	10.00%	5.03%	5.50%	10.00%	5.03%	--	--	--
TIPS	4.00%	5.50%	3.85%	4.00%	5.50%	3.85%	--	--	--

Relationship between YTW and Forward 10 Year Returns



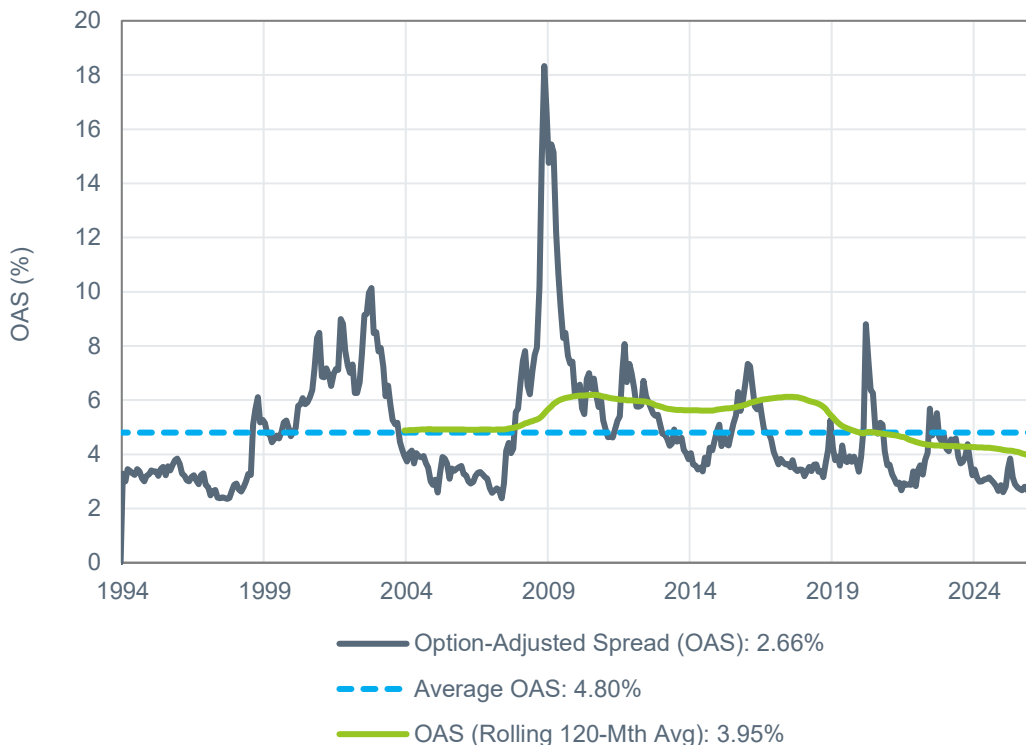
- The starting bond yield has historically been strongly correlated with future bond returns.
- Domestic fixed income return assumptions were decreased, primarily impacted by decreased yields – though partially offset by the maintained expectation for the yield curve to continue to normalize over time.
- Duration changes were generally minimal and thus did not have material impacts on return forecasts.

Fixed Income – Spread Assets

Fixed Income: Spread Sectors

Asset Class	2025			2026			One Year Adjustment		
	Nominal Return	Risk (StDev)	Nominal Return (Geo.)	Nominal Return	Risk (StDev)	Nominal Return (Geo.)	Nominal Return	Risk (StDev)	Nominal Return (Geo.)
High Yield	7.00%	10.50%	6.49%	6.25%	10.50%	5.73%	-0.75%	--	-0.75%
Emerging Markets Debt (HC)	7.00%	10.00%	6.54%	6.50%	10.00%	6.03%	-0.50%	--	-0.50%
Emerging Markets Debt (LC)	6.25%	11.50%	5.63%	6.00%	11.50%	5.38%	-0.25%	--	-0.25%
Bank Loans	6.50%	9.00%	6.12%	6.25%	9.00%	5.87%	-0.25%	--	-0.25%

BB US Corporate High Yield Index Option-Adjusted Spread (OAS)

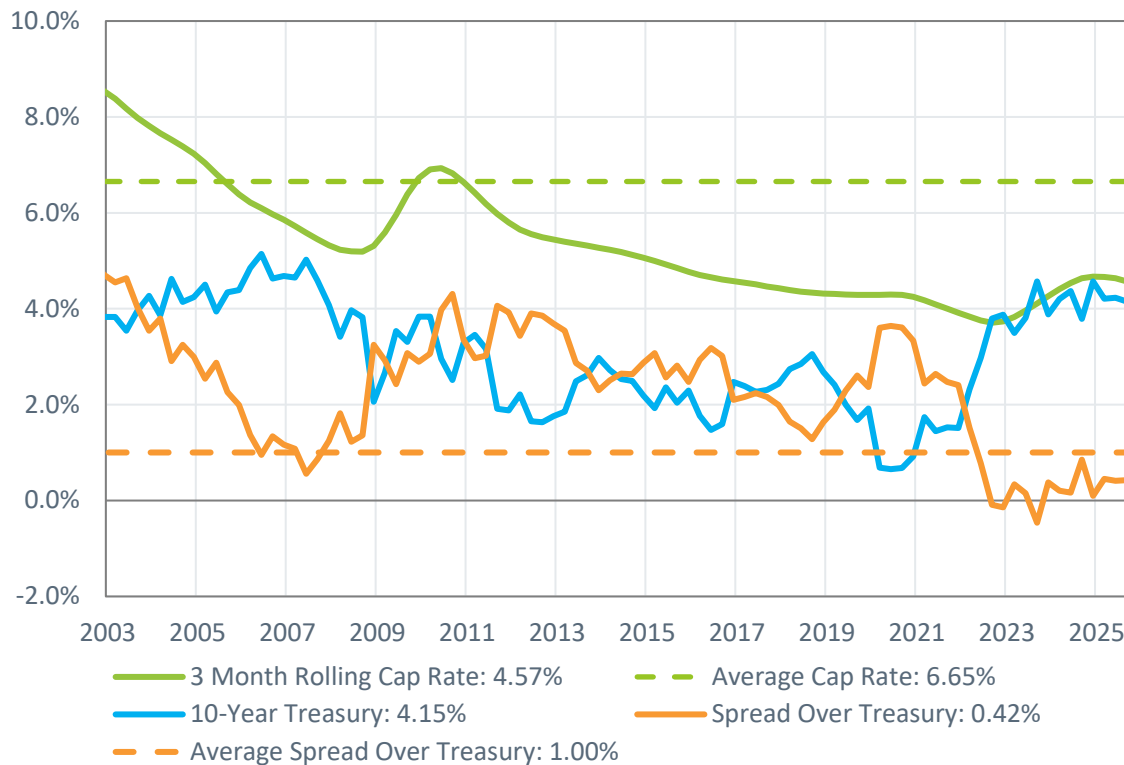


- The high yield return assumption was significantly decreased due to the continued retreat in yield as well as material spread compression.
- The bank loans return assumption was decreased as tightening spreads were paired with decreased yields.
- A pullback in yields, partially offset by currency valuation tailwinds, led to a slight decrease in the return assumption for emerging markets debt (LC).
- Emerging markets debt (HC) saw a larger decrease due to more significant yield reductions.

Real Estate

Real Estate									
Asset Class	2025			2026			One Year Adjustment		
	Nominal Return	Risk (StDev)	Nominal Return (Geo.)	Nominal Return	Risk (StDev)	Nominal Return (Geo.)	Nominal Return	Risk (StDev)	Nominal Return (Geo.)
Core Real Estate	6.25%	12.50%	5.52%	6.50%	12.50%	5.77%	+0.25%	--	+0.25%
Global REITs	7.75%	21.00%	5.76%	7.75%	21.00%	5.76%	--	--	--

Cap Rates and Treasury Spreads

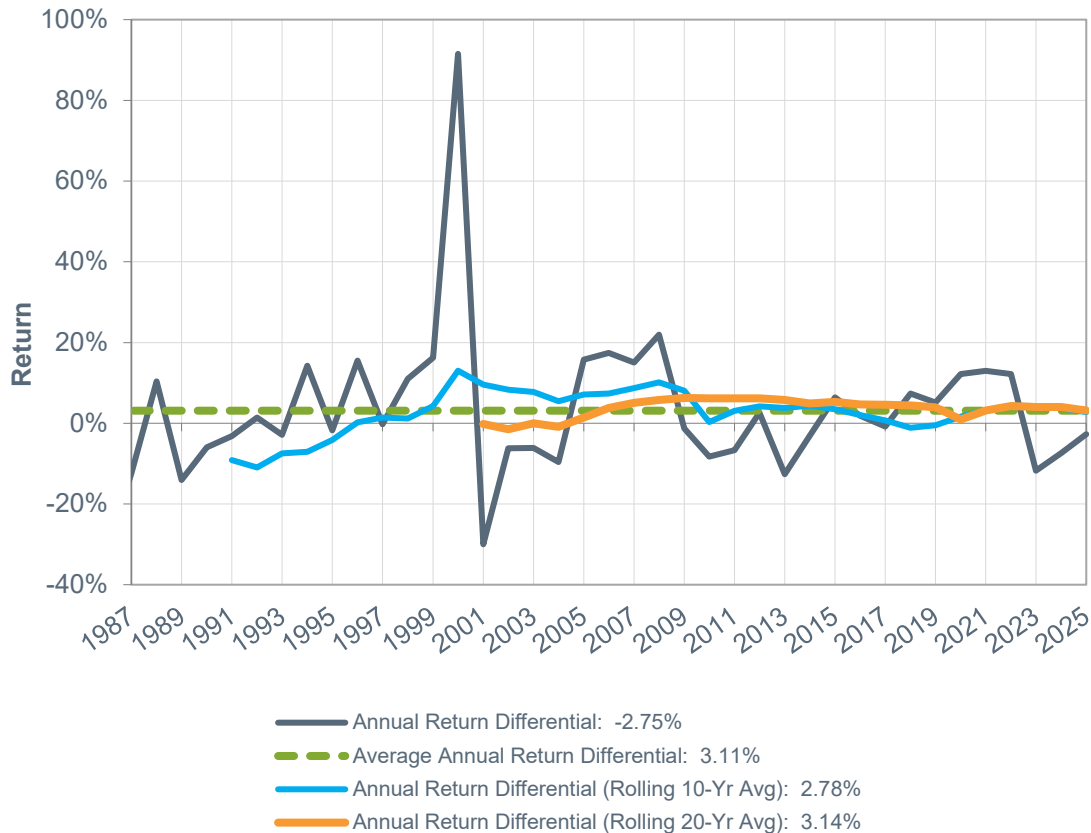


- The core real estate return assumption was increased, due to steady income yields and stabilizing valuations.
- However, cap rates and spreads over Treasuries still remain below historical averages.
- The global REITs assumption remained unchanged as yields and valuations did not change significantly.

Private Equity

Private Equity									
Asset Class	2025			2026			One Year Adjustment		
	Nominal Return	Risk (StDev)	Nominal Return (Geo.)	Nominal Return	Risk (StDev)	Nominal Return (Geo.)	Nominal Return	Risk (StDev)	Nominal Return (Geo.)
Private Equity	9.75%	22.00%	7.61%	9.50%	22.00%	7.35%	-0.25%	--	-0.25%

**Annual Return Differential:
Cambridge US PE & VC Aggregated Index vs. S&P 500 Index**

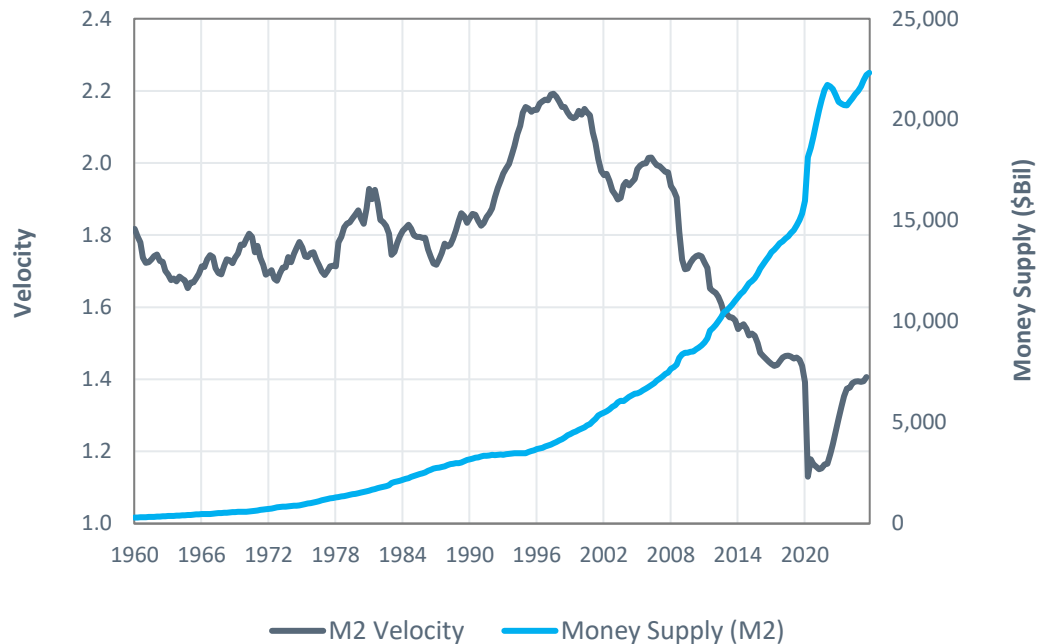


- The Private Equity return assumption was reduced due to a decreased return assumption for the public market equity component (US Large/Mid Cap), while the illiquidity premium was unchanged.
- Our illiquidity premium assumption remained at 275 basis points (geometric) above Large/Mid Cap US Equities.

US Inflation & Cash Equivalents

US Inflation & Cash Equivalents									
Asset Class	2025			2026			One Year Adjustment		
	Nominal Return	Risk (StDev)	Nominal Return (Geo.)	Nominal Return	Risk (StDev)	Nominal Return (Geo.)	Nominal Return	Risk (StDev)	Nominal Return (Geo.)
US Inflation	2.50%	2.50%	2.47%	2.50%	2.50%	2.47%	--	--	--
Cash Equivalents	2.75%	2.00%	2.73%	2.75%	2.00%	2.73%	--	--	--

Supply and Velocity of Money



- The inflation assumption remained constant, balancing the uncertainty of near-term inflationary pressures and long-term deflationary factors.
- The cash assumption maintained a positive real return and was unchanged.

As of December 31, 2025	5-Year	7-Year	10-Year	20-Year	30-Year
Treasury Yield	3.73%	3.94%	4.18%	4.79%	4.84%
TIPS Yield	1.47%	1.69%	1.93%	2.39%	2.62%
Implied Expected Inflation	2.26%	2.25%	2.25%	2.40%	2.22%

Next Steps

Applying Capital Market Assumptions: Modeling

Next Steps

- We will discuss our assumptions, asset allocation models, and stress testing with MBOI staff in August.
 - This is an iterative process with the ability to model “what if” scenarios if change is considered.
- As with any asset allocation study, it is important to consider the efficiency of current portfolio construction and the impact of possible change as well as implementation considerations.
- A successful asset allocation process does not always result in portfolio construction change; it can result in re-underwriting the current structure if still optimal.

RVK

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2026 Board of Investments Calendar

JANUARY

S	M	T	W	T	F	S
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4	5	6	7	8	9	10
11	12	13	14	15	16	17
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FEBRUARY

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JUNE

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JULY

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OCTOBER

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DECEMBER

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2027 Board of Investments Calendar

JANUARY

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FEBRUARY

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MARCH

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APRIL

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JUNE

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JULY

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AUGUST

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SEPTEMBER

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OCTOBER

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31						

NOVEMBER

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DECEMBER

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19	20	21	22	23	24	25
26	27	28	29	30	31	

BOI WORK AND EDUCATION PLAN

2026

Wednesday, February 25, 2026

Education:

Short Term Investment Pool

Reports:

Outreach Efforts for the Board - In-State Loan and INTERCAP Programs

Ethics Policy

Disaster Recovery and Emergency Preparedness

Budget Status FYTD

Quarterly Reports

In-State Loan Reports

INTERCAP Reports

Committee Meetings:

Audit: Financial Audit Reports

Wednesday, April 22, 2026 - REMOTE MEETING

Education:

Domestic Equity Asset Class Review

RVK Annual Capital Market Assumptions

Reports:

Benchmarks Used by the Board

Wednesday, May 20, 2026

Education:

Investment Policy Statement Review

Budget Proposal FY27

Real Estate Asset Class Review

Reports:

MT Buildings (Board as Landlord/Tenant Holdings)

Budget Status FYTD

Quarterly Reports

In-State Loan Reports

INTERCAP Reports

Committee Meetings:

HR: Staffing Level Review

HR: Exempt Staff Compensation Review

Wednesday, August 26, 2026

Education:

Core Fixed Income Asset Class Review

Budget Proposal for FY 28-29

INTERCAP Annual Detail Report

Reports:

Proxy Voting

Budget Status Prior FY

Quarterly Reports

In-State Loan Reports

INTERCAP Reports

Wednesday, October 21, 2026 - REMOTE MEETING

Education:

Municipal and Commercial Loans Review

First Reading - Asset Allocation Range Recommendation

Reports:

CEM, Inc Cost Reporting Analysis

Committee Meetings:

HR: Exempt Staff Performance Review

Audit: SOC I, Type 2 Report

Wednesday, December 16, 2026

Education:

MPERA and TRS Relationship

2027 Legislative Session

Adoption - Asset Allocation Range Approval

Reports:

Budget Status FYTD

Securities Litigation

Policy 217

LPAC

Quarterly Reports

In-State Loan Reports

INTERCAP Reports

Committee Meetings:

Audit: Annual Report and Financial Statements

2027

Tuesday, February 23, 2027

Education:

Board Control Environments

Reports:

Custodial Banking Relationship and Continuity

Ethics Policy and Training

Disaster Recovery and Emergency Preparedness

Budget Status FYTD

Quarterly Reports

In-State Loan Reports

INTERCAP Reports

Committee Meetings:

Audit: Financial Compliance Audit Reports

Wednesday, April 7, 2027 - REMOTE MEETING

Education:

International Equities Asset Class Review

RVK Annual Capital Market Assumptions

Reports:

Benchmarks Used by the Board

Wednesday, June 2, 2027

Education:

Investment Policy Statement Review

Budget Proposal FY28

Real Assets Asset Class Review

Reports:

State Government Customer Relationships

Budget Status FYTD

Quarterly Reports

In-State Loan Reports

INTERCAP Reports

Committee Meetings:

HR: Staffing Level Review

HR: Exempt Staff Performance and Compensation Review

Wednesday, August 25, 2027

Education:

Trust Funds and Separate Accounts Investment Reviews

Non-Core Fixed Income Asset Class Review

INTERCAP Annual Detail Report

Reports:

Budget Status Prior FY

Quarterly Reports

In-State Loan Reports

INTERCAP Reports

Wednesday, October 13, 2027 - REMOTE MEETING

Education:

Private Investments Asset Class Review

First Reading - Asset Allocation Range Recommendation

Reports:

Securities Lending

Committee Meetings:

HR: Exempt Staff Performance Review

Audit: SOC I, Type 2 Report

Wednesday, December 15, 2027

Education:

MPERA and TRS Relationship

Adoption - Asset Allocation Range Approval

Reports:

Budget Status FYTD

Securities Litigation

Policy 217

LPAC

Quarterly Reports

In-State Loan Reports

INTERCAP Reports

Committee Meetings:

Audit: Annual Report and Financial Statements



MONTANA LEGISLATIVE BRANCH

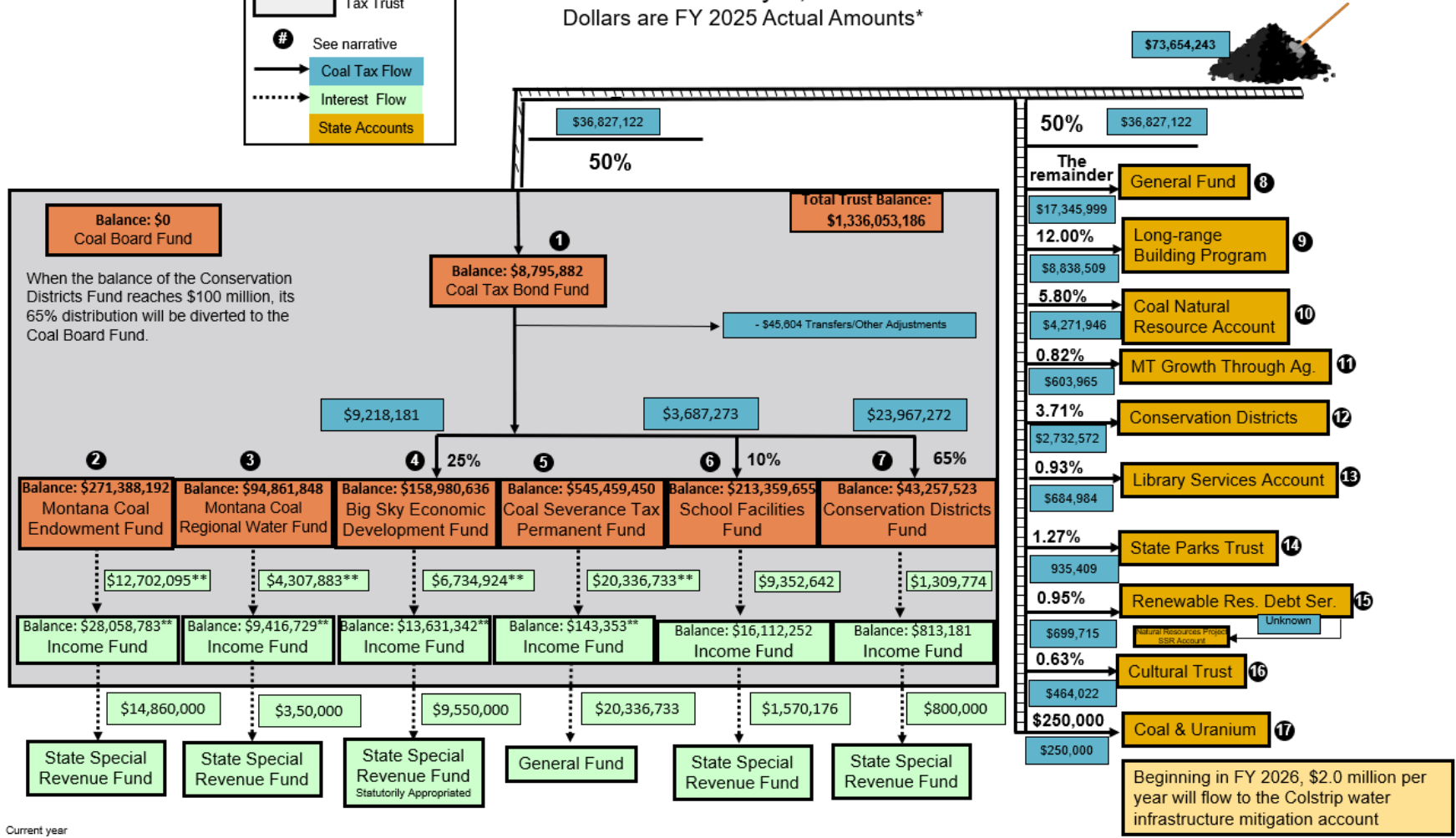
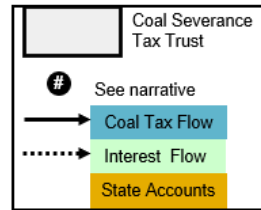
Legislative Fiscal Division

Room 110 Capitol Building * P.O. Box 201711 * Helena, MT 59620-1711 * (406) 444-2986 * FAX (406) 444-3036

Director
AMY CARLSON

COAL SEVERANCE TAX TRUST FUND

Effective July 1, 2025
Dollars are FY 2025 Actual Amounts*



* Current year
** Excludes unrealized investment gains and losses

BOI TERMINOLOGY

ACTIVE MANAGEMENT (typically with respect to stocks)

Investment method which involves hiring a manager to research securities and actively make investment decisions to buy and sell securities in an effort to outperform an assigned index, rather than purchasing a portfolio of securities that would simply replicate the index holdings (*'passive'* investing).

ACTUARIAL ASSUMED RATE (pension concept)

The investment return rate used by actuaries that enables them to project the investment growth of retirement system assets into the future (typically perpetual).

ACTUARIAL FUNDING STATUS (pension concept)

A measurement made by actuaries to measure a pension system's financial soundness (ratio of actuarial liabilities to the actuarial value of the assets available to pay the liabilities).

ALPHA (investment term)

Return on an investment portfolio in excess of the market return or benchmark return; generally used in the context of *'active'* management (as passive management, by definition, does not seek excess returns, or *'alpha'*).

ALTERNATIVE INVESTMENTS

A wide range of investments, other than traditional assets such as publicly traded stocks and bonds. The most common nontraditional or alternative investments are private equity, real estate, commodities, and hedge funds.

ARBITRAGE (bond program)

A structural or systematic difference between investment types which may allow profiting from the *'difference,'* i.e., arbitrage. The most common context for the use of *'arbitrage'* at the BOI is the federal law that prevents *'arbitrage,'* i.e., the profiting of investing tax-exempt securities (e.g., INTERCAP) into taxable yields investments (such as U.S. Treasuries).

ASSET ALLOCATION AND ASSET ALLOCATION RANGE (general investment principle)

The Board's invested assets are divided or allocated into various asset classes such as stocks and bonds, each with its own characteristics, with the objective of attaining an optimal mix of risk and return. The total expected return of a portfolio is primarily determined by the mix or allocation to its underlying assets classes. Given the importance of *'asset allocation,'* the BOI Board sets the asset allocation *'range'* for each broad investment type or asset class.

ASSET-BACKED SECURITY

Bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies, or other providers of credit. Not mortgages.

AVERAGE LIFE (fixed income, particularly bonds)

The average time period the debt is expected to be outstanding. This is typically the maturity date for a traditional bond structure; however, it will be shorter for bonds having a sinking fund or amortizing payment structure.

BANKER'S ACCEPTANCE

A short-term credit investment which is created by a non-financial firm and whose payment is guaranteed by a bank. Often used in importing and exporting, and as a discount money market fund investment.

BARCLAY'S AGGREGATE INDEX (fixed income)

A composite of outstanding bond issues, including corporate, structured, and government bonds whose overall investment features such as return and investment type are tracked over many years. This is the most common benchmark used for comparing the performance of a portfolio that invests in U.S. investment grade fixed income securities. Formerly known as the Lehman Aggregate bond index.

BASIS POINTS (investment jargon)

A basis point is 1/100th of a percentage. Ten basis points is one tenth of a percent, typically written as 10 bps.

BENCHMARK (standard investment concept)

The concept of employing a particular independent or market investment return as a measurement to judge an investment portfolio's return; typically chosen investment benchmarks have the following attributes: they are investible, quantifiable, chosen in advance, easily understandable, and have a long history; common examples are the S & P 500 Index and the Barclay's Aggregate Index.

BETA (investment jargon)

A measure of the risk (or volatility) of a security or a portfolio in comparison to the market as a whole. If the stock or portfolio moves identically to that market, its beta value is 1; if its price volatility (or movement) is greater than that market's price volatility, it is said to have beta greater than 1.

CAP, AS IN LARGE 'CAP' (generally for stocks, e.g., public equities)

'Cap' is short for capitalization, as a reference to the market value of a publicly-traded company. The current stock price times the total shares outstanding of the company equals its market capitalization or market 'cap'; often used contextually such as 'large-cap,' 'mid-cap,' and 'small-cap' for different sized public companies.

CERTIFICATE OF DEPOSIT (CD):

A short-or medium-term, interest-bearing deposit obligation offered by banks and savings and loans. These may include "Yankee CDs" which are CDs issued by foreign banks or their U.S. affiliates in the U.S. which are denominated in U.S. dollars

CLAWBACK (private equity)

A clause in the agreement between the general partner and the limited partners of a private equity fund. The clawback gives limited partners the right to reclaim a portion of distributions to a general partner for profitable investments based on significant losses from later investments in a portfolio which ultimately resulted in the general partner receiving more distributions than it was legally entitled to.

COMMERCIAL PAPER

An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory. Maturities typically range from two (2) to two hundred seventy (270) days. Commercial paper is available in a wide range of denominations, can be either discounted or interest-bearing, and usually a limited or nonexistent secondary market. Commercial paper is usually issued by companies with high credit ratings, meaning that the investment is almost always relatively low risk.

CORE (context varies for equity, fixed income, real estate)

In equity and fixed income, 'core' refers to investments that are generally always found in the portfolio and normally expect to hold for a very long time e.g. 'core' holdings of the largest U.S. companies, or U.S. treasuries; in real estate, 'core' generally refers to the best quality of real estate holdings such as prime commercial property in major metropolitan cities that have low leverage and low levels of vacancy.

CORPORATE NOTE

A type of unsecured debt issued by a corporation that may be longer-term than Commercial Paper, but shorter-term than a typical Corporate Bond.

CORRELATION (common statistical concept)

A measure of how two or more investment values or two asset classes move relative to each other during the same time period. A central concept in portfolio construction is to seek investments whose values do not move *together* at the same time, i.e., are uncorrelated. A correlation of 1 means that two or more investments 'move' precisely together.

CREDIT ENHANCEMENT (bond program)

At BOI, the term generally refers to credit support or a bond or loan guarantee. For example, the Board's INTERCAP bonds are 'enhanced' by the BOI's performance guarantee bringing down the yearly interest rate.

CUSTOM BENCHMARK (or sometimes custom index)

A way to measure investment performance using a tailor-made measurement versus a generic industry-standard benchmark. At the BOI, total pension performance is measured against the Board's 'custom index' or 'custom benchmark' which is a weighted blend of all the underlying asset class benchmarks used to measure the asset class returns.

DERIVATIVES (investment jargon)

Investment securities whose performance itself depends (or is 'derived') from another underlying investment return. Examples include stock options, puts/calls, and forward currency contracts whose returns are based on the underlying stock or currency.

DEVELOPED MARKETS (equity)

Countries having a long period of stable industrialization; or are the most economically developed.

DISCOUNT (fixed income, generally)

Used most often with respect to bonds, the price paid that is less than face (or 'par') value. A \$1 million face-value of a bond purchased for less than a million is bought at a 'discount.' Described as the difference between a bond's current market price and its face or redemption value.

DIVERSIFICATION (standard investment concept)

The concept of spreading risk by putting assets in several investment categories, each having different attributes with respect to type, expected return, risk, and correlation, to best protect against the risk of loss.

DURATION (bonds)

Almost exclusively used when discussing fixed income bonds, a measurement of how sensitive a bonds' change in price is to a change in general market interest rates, expressed in years (specifically calculated as a weighted average term to maturity of the bond's cash flows). The greater the duration of a bond, the greater the volatility of price for changes in market interest rates.

EFFICIENCY (usually when discussing various stock markets)

Used to describe markets where it is very difficult to achieve return in excess of that of the overall market from individual stock selection. When information is widely available on a company and its securities are traded regularly the market is considered 'efficient.'

EFT (Exchange Traded Fund) - a type of investment fund that trades on a stock exchange like an individual stock. ETFs represent a basket of individual securities that often track the performance of an index. A majority are passively managed and typically have lower management fees and operating expenses compared to mutual funds. However, actively managed ETFs have been a growing product line for investment managers.

EMERGING MARKETS (most often for public equities)

Certain international securities markets that are typically small, new, have low turnover, and are located in countries where below-average income prevails and is developing in response to the spread of capitalism.

ENHANCED (pertaining to stocks)

Generally linked with 'index' as in enhanced index, an indexed investment management style that has been modified to include the portfolio manager's idea of how to outperform the index by omitting some stocks in the index and overweighting others in a limited manner designed to enhance returns but at minimal risk.

EXCESS RETURNS (standard investment concept)

Returns are 'excess' if they are more than the market or more than the benchmark they are measured against.

EXEMPT STAFF VS. CLASSIFIED STAFF (specific to Montana state government)

"Exempt" refers to the Board's eleven employees who, under state law, do not fall under the state's standard employment rules (the 'classified' staff).

FIDUCIARY (from the Latin verb, *fidere*, to trust)

The concept of trust and watchfulness; a fiduciary is charged with the responsibility of investing the money wisely for the beneficiary's benefit. Board members are the ultimate 'fiduciaries' for the Board's assets and are obligated to be a good agent.

FTE (state government jargon)

An acronym in state government: "full time equivalent" as in full time employee. The concept is a slot or position, not the actual individuals. The BOI is currently authorized for 32 FTE's.

FUND OF FUNDS (private equity)

A concept used in alternative investments referring to using an investment manager to invest in **other** managers or funds, as opposed to making direct investments in funds.

GAAP/GASB (accounting terminology)

GAAP...Generally Accepted Accounting Principles; Montana state law uses GAAP accounting principles unless specifically allowed otherwise. GASB...Government Accounting Standards Board, the board that sets GAAP standards for U.S. governments (FASB...Financial Accounting Standards Board, the entity for commercial and business accounting standards).

GENERAL OBLIGATION (municipal finance term)

Used to describe the promise that a government makes to bond holders, backed by taxing and further borrowing power, it is generally considered the highest level of commitment to bondholders. At the local government level, general obligation bonds typically require a vote of the residents.

GENERAL PARTNER VS. LIMITED PARTNER (private equity)

In private equity, the general partner is responsible for the operations of the partnership and makes the actual underlying investment decisions; the limited partner is the investor, and therefore has limited liability for investment decisions; the BOI is the 'limited' partner in its private equity fund investments (and real estate funds as well).

GROWTH (as to style public equities)

An investment style that more heavily invests in companies whose earnings are expected to grow at an above average rate to the market. A growth stock usually does not pay a dividend, as the company would prefer to reinvest retained earnings in capital projects to grow the company (vs. 'value,' which considers buying established companies they feel are trading at bargain prices to the fundamental analysis of the company's financial statements and internal competitive factors).

INDENTURE (bond and loan programs)

The central document describing the contract between investors and the borrower or user of the proceeds. The Board's INTERCAP program is structured around a bond indenture.

HEDGE FUND (as defined by Investopedia)

An aggressively managed portfolio of investments that uses advanced investment strategies such as *leverage*, long, short and *derivative* positions in both domestic and international markets with the goal of generating high returns (either in an absolute sense or over a specified market *benchmark*).

HURDLE RATE (private equity)

a minimum return per annum that must be generated for limited partners of a private equity fund before the general partner can begin receiving a percentage of profits from investments.

INDEX (investment concept)

Typically, a single measure of a broadly-based group of investments that can be used to judge or be compared to the return performance of an individual investment or manager.

INDEXING (investment concept)

Typically refers to investing in a portfolio to match a broad range of investments that are set within a pre-determined grouping, such as the S&P 500, so as to match its performance; such investing is generally labeled 'passive' or indexed investing; or buying shares in an Index Fund.

IN-STATE LOAN PROGRAM (Montana-specific)

Programs that are funded by the state's coal severance tax monies.

INTERNAL SERVICE VS. ENTERPRISE FUND (state accounting concept)

Within Montana state government: a program whose funding is dependent on **mandatory participation** by another state government program is labeled an 'internal' service fund; a program whose funding is dependent on voluntary participation is labeled an enterprise fund. At BOI, the investment program is an internal service fund because participation is not voluntary; the Board's bond and loan programs, because their use is voluntary, are accounted for as an enterprise.

INVESTMENT GRADE (bonds)

Bond ratings from Moody's, Standard and Poor's, and Fitch high enough to be considered secure enough for most investors (bonds rated AAA – BBB). Below investment-grade bonds (below BBB) are generally considered to have a more speculative outlook and carry more risk of default.

IRR (private equity)

A measure of investment performance, short for 'internal rate of return,' expressed as a percentage (the 'internal rate of return' number, or discount rate) that mathematically will equalize the total future cash flows of an investment to the initial cash outflow of the investment, the concept accounts for the time value of money.

LEVERAGE (investment concept)

As an investment concept, a way to increase a return on an investment through a combination of one's own money and by borrowing additional money to enhance such an investment; high 'leverage' is also associated with high risk.

LINK DEPOSIT

The Link Deposit program can provide a financial institution a long-term fixed rate funding source "linked" to a specific loan. The State of Montana provides the financial institution funding in the form of a deposit through the Montana Board of Investments using coal tax funds.

MASTER LIMITED PARTNERSHIP

An investment structure that combines the tax benefits of a limited partnership with the liquidity of a common stock. While an MLP has a partnership structure, it issues shares that trade on an exchange like common stock. MLPs are often broadly associated with energy companies operating in midstream services.

MEAN VARIANCE OPTIMIZATION MODEL ('Modern Portfolio Theory')

A theory that it is possible to construct a portfolio to maximize the return for the least amount of risk or volatility. This theory is based on various asset types and their level of expected return, risk (volatility) and their correlation with each other or how the asset values move with each other. The central idea of the model is to blend investments so that in total, they provide both the best expected return and optimal amount of diversification to minimize deep performance swings (volatility); a central tenant is that long term historical returns are indicative of future returns.

MEZZANINE FINANCE (private equity)

Subordinated debt with an equity 'kicker' or ability to share in the equity value of the company. It is typically lower quality because it is generally subordinated to debt provided by senior lenders such as banks, thus is considered higher risk.

MULTIPLE (as in "multiple" of invested capital, private equity)

The ratio of total cash returned over the life of the investment plus the investment's residual value over the total cash expended in making the investment. A multiple of 2 means, regardless of the total investment time period, that total cash returned was twice the cash invested.

130/30 STRATEGY (public equities)

Also called 'partial long short,' this strategy involves the establishment of a short position in select stocks while taking the proceeds of those shorts and buying additional long positions in stocks. The net effect is an overall market position that is 100% long, but the active decisions on individual stock selections are amplified by this ability to short. If the stock selections are successful, the strategy enables the portfolio to profit more than if a stock had simply not been owned, as with traditional long-only portfolios.

OPPORTUNISTIC (real estate)

In real estate, a euphemism for the most risky real estate investments, typically distressed, raw land, newly developed buildings or other high risk investments in the real estate sector, (versus, 'core,' which are the best quality fully leased commercial properties).

OVERWEIGHT OR UNDERWEIGHT (investment concept)

Generally, the level of holdings of a certain type of investment that is above or below either a benchmark's weight (portion of total investment), or the percentage held of a particular asset class compared to the Board's asset allocation policy weight. Also used to describe an external investment manager's decision to have more (or less) of a particular investment than the percentage or weighting found in the benchmark.

P/E RATIO (equity)

The price of a publicly traded stock divided by its estimated or actual earnings is the price/earnings or P/E ratio. This can also be calculated for a stock index or portfolio of stocks. Over the last 100 years, the S&P 500 has had an overall P/E ratio of about 15, or a total index price of about 15 times the annual earnings of its underlying companies.

PACING STUDY (private equity)

An analysis of the likely timing and amount of the drawdown of committed but yet uninvested monies and the estimated distributions or returns from the funds held in an alternative investment portfolio, generally used to judge the future size of the portfolio and its potential liquidity needs, i.e., cash funding demands.

PAR (fixed income)

The initial principal amount designated by the issuer of the bond, or face value of a bond.

PASSIVE

For investments, generally not materially participating in an investment decision, meaning an investment portfolio whose returns follows that of a broad market index, such as an investable stock index, i.e. the S & P 500.

PASSIVE MANAGEMENT OR PASSIVE INVESTMENT (most often in public equities, but not exclusively)

An investment style where a fund's portfolio mirrors a market index, such as the S&P 500, with limited selection decisions by the manager, resulting in market returns. Passive management is the opposite of active management in which a fund's manager attempts to beat the market with various investment strategies and buy/sell decisions of a portfolio of securities to enhance returns.

PASSIVE WEIGHT (generally equities)

The percentage of a stock held in a particular index portfolio, or percentage of an overall asset class that is held in passive portfolios.

POLICY PORTFOLIO

A fixed-target asset allocation, as opposed to asset allocation ranges, which theoretically allows gauging whether deviations from the target portfolio had a positive or negative impact on overall performance.

PORTABLE ALPHA (public equities)

An investment strategy which involves the active selection of securities while neutralizing overall beta or market risk. This often involves the use of derivative investments such as futures to replicate the market return, either taking a short or long position, while then selecting securities which are expected to add return in an absolute sense or in addition to the market return. As an example, this strategy can be found with certain hedge funds where a market exposure is shorted while individual securities such as specific stocks are purchased that are expected to outperform the general market. The concept of portable applies when the ability to generate positive alpha can be overlaid or ported onto a portfolio. This is not a strategy employed by any of MBOI's existing managers.

PREMIUM (fixed income)

Most often the amount paid over the stated face amount (often called 'par') of a bond, but also used in other contexts, typically paying more (the premium) than a market price (as in a take-over bid for a company).

PRIVATE ANNUAL WAGE

The private annual wage is determined annually by the Montana Department of Labor & Industry using the average annual employment divided by the total wages.

PROXY (publicly traded companies)

An agent legally authorized to act on behalf of another party. Shareholders not attending a company's annual meeting may choose to vote their shares by proxy by allowing someone else to cast votes on their behalf, but the word 'proxy' is used more frequently colloquially as a 'close approximation.'

PRUDENT EXPERT, PRUDENT PERSON (a central fiduciary concept)

These legal terms have long histories of court-determined standards of care, deriving originally under English common law. The BOI is empowered to operate under the 'prudent expert rule,' which states that the Board shall manage a portfolio:

- a) *with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and 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.*

At an 'expert' level; there is more room for accepting risk under the prudent expert rule than the prudent person rule.

REBALANCING (general investment term)

The process of realigning the weightings of the portfolio of assets. Rebalancing involves periodically buying or selling assets in the portfolio to maintain the original desired level of asset allocation and/or to stay within predetermined asset category range; it is part of a disciplined investment approach within modern portfolio theory.

REPURCHASE AGREEMENT

A contract in which the seller of securities, such as Treasury Bills, agrees to buy them back at a specified time and price. May also be called "Repo" or "Buyback." Typically used as a short-term form of collateralized borrowing by a bank or securities dealer.

RESOLUTION (government term)

Generally, a formal and written action by a governmental (or corporate) body that has long term significance and requiring a vote of the governing body. BOI uses 'resolutions' generally only for its most significant and long term actions and/or policies.

REVERSE REPURCHASE AGREEMENT

A purchase of securities with an agreement to resell them at a higher price at a specific future date. The investor essentially borrows money and allows its securities to be held as collateral. Reverse Repurchase Agreements occur most often in government securities or other securities that are highly valued and thus considered a good form of collateral.

SECURITIES LENDING (general investment)

Investments that are temporally borrowed by other investors for a fee; the BOI allows most of its publicly traded investments to be loaned for additional marginal income.

STANDARD DEVIATION (common statistical concept)

A specific statistic that measures the dispersion of returns from the mean over a specific time period to determine the "historical volatility" of returns for a stock, or portfolio, or asset class; more specifically a single unit (i.e., one standard deviation) of dispersion that accounts for approximately 66% of all data around a mean using a 'normal' (or 'uniform' or 'bell-shaped' curve; as opposed to a skewed or asymmetrical) distribution. The standard deviation is used as a gauge for the amount of expected future volatility.

SABHRS (accounting jargon)

Montana state government's State Accounting, Budgeting and Human Resource System; the State's central information management system. BOI investment and other financial data must tie and be reported on this system, which is the official book of record and includes the state's financial statements.

STYLE DRIFT (often in reference to public equity managers, but applicable to other managers, too)

As the name implies, a divergence from an investor's professed investment bias or style or objective.

TRANCHE

A division or portion of a pool or whole; specifically: an issue of bonds derived from a pooling of like obligations (such as securitized mortgage debt) that is differentiated from other issues especially by maturity or rate of return.

TRACKING ERROR (statistical concept in investments)

A measurement of the standard deviation of a portfolio's return versus the return of the benchmark it was attempting to outperform. The concept is often used when discussing investment managers. For example, some styles are expected to have high 'tracking errors,' (e.g., deep 'value' investors who buy companies that may be dogs for years), versus passive managers, whose stock volatility is expected to be very close to their benchmark. Tracking error can either be intentional or unintentional; it can also be regarded as an accepted deviation or contrary to the management agreement. High *unexpected* tracking error is generally a serious concern to be examined and understood.

UNDERWRITER (bond program)

In investments, the agent who buys investments to be resold to the public; at BOI, the investment firms that buy the Board's bonds to be resold to the public.

UNIFIED INVESTMENT PROGRAM (Montana Constitution)

The Program in the State's constitution requiring a central investment program which the legislature has assigned to the BOI.

VALUE (as to style when discussing public equities)

An investment style that focuses on buying established companies that investors believe are undervalued and trading at bargain prices to the fundamental analysis of the company's financial statements and internal competitive factors.

VENTURE CAPITAL (private equity)

A higher-risk/high-return type of investing in startup firms and small businesses with perceived long-term growth potential. Sometimes these are already existing business ventures with limited operating history that need additional management expertise and access to capital. (For start-ups, 'seed capital,' or 'angel investor' are terms differentiating this even higher risk type of investment.)

VOLATILITY (investment jargon)

A statistical measure of the dispersion of returns for a given security or market index. Volatility is typically measured by using the standard deviation of returns from the security or market index. Commonly, the higher the volatility, the riskier the security.

YIELD (general investment, but most often within fixed income)

The amount returned to the investor above the original investment generally expressed as a percentage. Yield can be thought of as the expected return from the combination of interest and price accrual or amortization to maturity (in the case of a bond trading at a discount or premium to par).

YIELD CURVE (fixed income)

A line that plots the prevailing interest rates at a given time for bonds ranging in maturity from as short as three months out to 30 years. When plotted across these various maturities (typically 2, 5, 7, 10 and 30 years), the resultant line is shaped like a curve with generally low interest rates (the yield) for shorter maturities and gradually higher interest rates for longer maturities, because generally investors demand higher interest rates for longer term investments. The yield curve for U.S. Treasury debt is the most common when referring to the prevailing level of interest rates.

MONTANA BOARD OF INVESTMENTS ACRONYM INDEX

ACH.....	Automated Clearing House
ADV.....	Uniform Application for Investment Adviser Registration and Report by Exempt Reporting Advisor
AUM.....	Assets Under Management
ADR.....	American Depository Receipts
AOF.....	All Other Funds
ARC.....	Actuarially Required Contribution
BOI.....	Board of Investments
CAPP.....	Consolidated Asset Pension Pool
CFA.....	Chartered Financial Analyst
EM.....	Emerging Market
FOIA.....	Freedom of Information Act
FWP.....	Fish Wildlife and Parks
FX.....	Foreign Exchange
IPS.....	Investment Policy Statement
IRP.....	Intermediary Relending Program
LDI.....	Liability-Driven Investing
MBOH.....	Montana Board of Housing
MBOI.....	Montana Board of Investments
MDEP.....	Montana Domestic Equity Pool
MLP.....	Master Limited Partnership
MFFA.....	Montana Facility Finance Authority
MPEP.....	Montana Private Equity Pool
MPT.....	Modern Portfolio Theory
MSTA.....	Montana Science and Technology Alliance
MTIP.....	Montana International Pool

MTRP Montana Real Estate Pool

MTSBA Montana School Boards Association

MVO Mean-Variance Optimization

NAV Net Asset Value

PERS Public Employees' Retirement System

PFL Partnership Focus List

QZAB Qualified Zone Academy Bonds

QSCB Qualified School Construction Bonds

RFBP Retirement Funds Bond Pool

RFP Request for Proposal

SABHRS Statewide Accounting Budgeting and Human Resource System

SLQT Securities Lending Quality Trust

SOC1 Service Organization Controls 1 (Audit)

SSBCI State Small Business Credit Initiative

STIP Short Term Investment Pool

TFBP Trust Funds Bond Pool

TFIP Trust Funds Investment Pool

TIF Tax Increment Financing

TIFD Tax Increment Financing District

TRS Teachers' Retirement System

TUCS Trust Universe Comparison Service

UIP Unified Investment Program

VIX Volatility Index

ASSET CLASS ACRONYMS

DEPAC	Domestic Equity Pension Asset Class
IEPAC	International Equity Pension Asset Class
PEPAC	Private Equity Pension Asset Class
NRPAC	National Resources Pension Asset Class
REPAC	Real Estate Pension Asset Class
TIPAC	TIPS Pension Asset Class
BFPAC.....	Broad Fixed Income Pension Asset Class
USPAC	UST/AGY Pension Asset Class
IGPAC	Investment Grade Corp Pension Asset Class
MBPAC.....	MBS Pension Asset Class
HYPAC	High Yield Pension Asset Class
DSPAC	Diversified Strategies Pension Asset Class
CPAC.....	Cash Pension Asset Class

Montana Operation Manual

MOM-SFSD-POL-SAB-316-Expense Account Categories

Operating Expenses

Includes the costs of consumable commodities or services relating to the operating needs of the various functions of state government. It does not include the purchase of assets intended for long-continued use or possession.

A. Other Services (62100–62199)

Includes both professional and nonprofessional services such as audit fees, printing, insurance, and all other services that are not specifically required to be classified under another category. The services received may involve the receipt of either a product or a process. Includes all the service provider's costs incurred during the performance of the service if those costs are passed on to the State, such as travel expenses and supplies and materials. The services charged to this category may be performed by another state agency, another department/division within the receiving agency, or by the private sector.

B. Supplies and Materials (62200–62299)

Includes consumable commodities purchased for inventory or immediate consumption. Includes articles and commodities that are consumed or materially altered when used. The principal types of supplies include operating supplies, office supplies, and small tools.

C. Communications (62300–62399)

Includes the cost of communication, such as charges for telephone, facsimile, radio services, and advertisements. Postage, rental of post office boxes, messenger services, telephone installation, and the cost of outgoing freight charges are also included. Incoming freight charges are to be charged to the expense category to which the applicable goods are charged.

D. Travel (62400–62499)

Includes the cost of transportation (for state employees and appointed members of state boards, commissions, and councils) on public conveyances, such as airplanes, railroads, buses, and taxicabs. It also includes meals, lodging, per diem, and mileage allowances when privately owned vehicles are used for transportation or charges paid to the State Motor Pool. This category also includes non-employee travel not associated with the 621XX–Other services expense account category.

The cost of operating state-owned vehicles or the repair and maintenance of transportation vehicles are not included in this category (see expense account category 627XX–Repair & maintenance). It does not include vehicle and related expenses involved in routine patrol activities.

In order to comply with MCA 15-65-131, all in-state travel paid by the State, including reimbursements to contractors, should be coded to an In-State Lodging account (62408, 62428, 62438, and 62497). This will identify the expenditures as eligible for partial tax reimbursement, to be distributed by the Department of Revenue. State agencies are required to pay all taxes associated with lodging regardless of the source of an agency's funding. If lodging expenses are paid, and tax has not been assessed, such expenditures should be coded to an account other than an In-State Lodging account.

E. Rent (62500–62599)

Charges paid for the use of equipment, land, or buildings.

F. Utilities (62600–62699)

Charges paid for utility services such as the following:

1. Electric power, including standby services
2. Gases or fuels for heating, lighting, cooking, or laboratory use
3. Water or water services
4. Remove and/or treat sewage
5. Remove and/or dispose of garbage or trash

G. Repair & maintenance (62700–62799)

Includes all labor, materials and overhead, of maintaining state property, facilities, or equipment in working order (including the cost of repair and maintenance contracts). If an agency maintains its own repair and maintenance work force, labor charges will be classified under 61xxx - Personal services. The costs of any activity that results in substantial improvement or increase in the life of a capital asset should not be recorded in this category. These costs are properly treated as capital outlay.

H. Other expenses (62800–62899)

Includes expenditures not more specifically classified in other categories, including such items as the following:

1. Dues for membership in state, county and other organizations that State officials and employees are required to join;
2. Subscriptions to newspapers, magazines, and other periodicals, including continuous tax, rate, legal and other technical service subscriptions;
3. Taxes, assessments, etc. including filing fees, etc. on state-used or owned properties;
4. Registration fees for training conferences; and
5. Interest excluding debt services, interest on long-term debt should be recorded in 69XXX-Debt services.