

MONTANA

BOARD OF INVESTMENTS

BOARD ADOPTED POLICY

POLICY NUMBER: 40.1020

EFFECTIVE DATE: June 4, 2025

TITLE: Montana Growth and
Opportunity Pension Fund
Investment Policy Statement

SUPERSEDES: NEW

BOARD ADOPTION: June 4, 2025

REVIEWED: June 4, 2025

I. Introduction

- A. The purpose of this policy is to provide a framework for the Montana Growth and Opportunity Pension Fund under the guidance of the Board.
- B. The Montana Growth and Opportunity Pension Fund is governed by the Montana Growth and Opportunity Trust 40.1000.
- C. The Montana Growth and Opportunity Pension Fund is permanent.
- D. Distributions of the interest from the Montana Growth and Opportunity Trust are as follows:
 1. 50% to the Montana Growth and Opportunity Pension Fund with the remaining 50% divided as follows:
 - a) 40%, up to \$20 million a year, to the State Property Tax Assistance Account.
 - b) 20%, up to \$10 million a year, to the Montana Water Development State Special Revenue Account.
 - c) 20%, up to \$10 million to the Better Local Bridge State Special Revenue Account.
 - d) 20%, up to \$10 million, to the Montana Early Childhood State Special Revenue Account.
 - e) Any remainder to the Montana Growth and Opportunity Trust Pension Fund.
 2. If in any year, the inception-to-date market rate of return as of June 30 in the previous two consecutive fiscal years is less than the current actuarially assumed rate of return set by either the teachers' retirement system or the public employees' retirement system, then no more than 25% of the balance of the fund may be transferred to the teachers' retirement system and an additional 25% transferred to the public employees' retirement system limited to the amount necessary to bring the inception-to-date market rate of return as of June 30 of the prior fiscal year up to the actuarially assumed rate of return established by the respective systems.
- E. The Board will have full discretion to manage the Montana Growth and Opportunity Pension Fund consistent with this policy. Compliance with the following guidelines for permitted investments and other restrictions is the sole responsibility of the Staff. Any exceptions or compliance violations are to be reported to the Board at the next scheduled quarterly Board meeting.
- F. If at any time, due to market fluctuations or any other circumstances, any of the guidelines are not maintained, Staff will use its best efforts to conform to these limits in a timely manner, while considering current market conditions and the associated costs of rebalancing. At the Board's next regularly scheduled quarterly meeting, the CIO shall inform the Board of any situations where the allocations were outside the limits and either inform the Board of the actions that were taken to return the portfolio back within guidelines or a plan to do so.

Adopted: June 4, 2025

Revised: NEW

Reviewed: June 4, 2025

II. Purpose

A. The purpose of this policy statement is to:

1. Establish the investment objectives and performance standards of the Montana Growth and Opportunity Pension Fund; and
2. Provide diversified investment exposure within the guidelines in a prudent and cost-effective manner.

III. Investment Objectives

- A. Strategic - The objective of the Montana Growth and Opportunity Pension Fund is to attain above benchmark total return within the parameters of this policy with an emphasis on investment income and preservation of principal.
- B. Success in achieving this objective will be measured by comparing the risk and return of the account to the Trust Funds Investment Pool (TFIP) benchmark, the Short-Term Investment Pool (STIP) benchmark, the S&P Total Market Index, and the MSCI All Country World ex-U.S. Index, each weighted proportionately to the portfolio's holdings, over a five-year moving average.
- C. Time Horizon - The Montana Growth and Opportunity Pension Fund is a permanent account. The Board expects to meet or exceed all objectives over the long-term investment horizon. Over shorter periods, the anticipated market volatility, and specific actions, including risk mitigation efforts by the Board may lead to unfavorable, but expected deviation from these objectives.

IV. Permitted Investments

A. The Montana Growth and Opportunity Distribution Account may only invest in the following:

1. STIP or any cash vehicle at the Custodial Bank;
2. U.S. Treasury Obligations;
3. Direct Obligations of the U.S. Agencies;
4. Trust Funds Investment Pool (TFIP); and
5. Public Equities.

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

Authority: Montana Constitution, Article VIII, Section 13
Montana Constitution, Article IX, Section 5
Section 2-15-1808, MCA
Section 17-1-113, MCA
Sections 17-6-201 through 17-6-205, MCA
HB924 (2025)