

MONTANA

BOARD OF INVESTMENTS

BOARD ADOPTED POLICY

POLICY NUMBER: 40.802

EFFECTIVE DATE: November 30, 2021

TITLE: Investment Objectives and Guidelines
Coal Severance Tax Bond Fund

SUPERSEDES: June 1, 2021

BOARD ADOPTION: November 30, 2021

REVIEWED:

I. Appendix II: Investment Objectives and Guidelines

- A. Schedule II-A: Investment Objectives and Guidelines Coal Severance Tax Bond Fund
- B. Approved Date of Schedule: August 22, 2017.
- C. This Schedule is effective upon adoption by the Board and supersedes all previous Investment Objectives and Guidelines for this specific portfolio.

II. Introduction

- A. The purpose of the investment guidelines is to provide a framework for the Coal Severance Tax Bond Fund under the guidance of the board.
- B. The Coal Severance Tax Bond Fund was established under Section 17-5-703, MCA, as a sub-fund of the Permanent Coal Severance Tax Trust. The Legislature authorizes the sale of coal severance tax bonds to finance renewable resource projects and local government infrastructure projects. On July 1st of each year, the state treasurer shall determine the amount necessary to meet all principal and interest payments on bonds payable from the coal severance tax bond fund during the next twelve (12) months and retain that amount in the coal severance tax bond fund.
- C. Funds for the Coal Severance Tax Bond Fund are held in the Short-Term Investment Pool (STIP), designated by SABHRS fund 09042 with Department of Revenue being designated as the responsible business unit.

III. Statement of Purpose

- A. The purpose of these objectives and guidelines is to:
 1. Establish the investment objectives and performance standards of the Coal Severance Tax Bond Fund.
 2. Provide diversified investment exposure within the guidelines in a prudent and cost-effective manner.

IV. Investment Objective

- A. Strategic
 1. Provide funds to meet all principal and interest payments on bonds payable from the coal severance tax bond fund during the next twelve (12) months.
- B. Performance
 1. Success in achieving this objective will be measured by comparing the risk and return of the account to the Short-Term Investment Pool benchmark over a five (5) year moving average.

C. Investment Guidelines

1. The Board will have full discretion to manage the Coal Severance Tax Bond Fund consistent with the investment guidelines stated below. 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.

D. Permitted Investments

1. The Coal Severance Tax Bond Fund may only invest in the following:
 - a) STIP.

- E. 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 cases that 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.