

# MONTANA

## BOARD OF INVESTMENTS

### BOARD ADOPTED POLICY

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POLICY NUMBER: 40.902

EFFECTIVE DATE: November 30, 2021

TITLE: Investment Objectives and Guidelines  
Belt Water Treatment Plant Fund

SUPERSEDES: April 20, 2021

BOARD ADOPTION: November 30, 2021

REVIEWED:

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#### I. Appendix I: Trust Funds: Investment Objectives and Guidelines

- A. Schedule I-B: Investment Objectives and Guidelines Belt Water Treatment Plant Fund.
- B. Approved Date of Schedule: February 14, 2018.
- 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 this policy statement is to provide a framework for Belt Water Treatment Plant Fund investments under the guidance of the Board.
- B. The Belt Water Treatment Plant Fund consists of funds originated from various Montana Department of Environmental Quality (DEQ) sources, all of which derive from payments from the Office of Surface Mining Reclamation and Enforcement. Expenditures from the funds will be used for the operation and maintenance of the water treatment plant to be constructed in Cascade County, Montana. Expenditures are expected to begin in 2022 and follow the schedule provided by the DEQ, as updated.

#### III. Statement of Purpose

- A. The purpose of these objectives and guidelines is to:
  - 1. Establish the investment objectives and performance standards of the Belt Water Treatment Plant Fund account.
  - 2. Provide diversified investment exposure within the guidelines in a prudent and cost-effective manner.

#### IV. Investment Objective

- A. Strategic
  - 1. The objective of the Belt Water Treatment Plant Fund portfolio is to attain above benchmark total return within the parameters of the Investment Guidelines set forth below with an emphasis on investment income and preservation of principal.
- B. Performance
  - 1. 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, and the Bloomberg/Barclays 1-5 Year Treasury Index, each weighted proportionately to the portfolio's holdings, over a five-year moving average.

C. Time Horizon

1. The Belt Water Treatment Plant Fund a long-term expendable trust fund. The Board expects to meet or exceed all objectives over a long-term investment horizon. Over shorter periods, the anticipated market volatility, and specific actions, including risk mitigation efforts of the Board may lead to unfavorable but expected deviation from these objectives.

D. Investment Guidelines

1. The Board will have full discretion to manage the Belt Water Treatment Plant Fund portfolio 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.

E. Permitted Investments

1. The Belt Water Treatment Plant Fund may only invest in the following:
  - a) Debt obligations of the U.S. Government, including its agencies and instrumentalities.
  - b) TFIP.
  - c) STIP or any cash vehicle at the Custodial Bank.

F. Other Restrictions

1. A maximum of ninety-nine percent (99%) of the market value of the portfolio will be held in any combination of TFIP or Government/Agency securities.
2. The maximum maturity of Government/Agency securities will be six (6) years.

- G. If at any time, due to market fluctuations or any other circumstances, any of the guidelines are not maintained, Staff will use its best efforts to conform to these limits in a timely manner, while considering current market conditions and the associated costs of rebalancing. At the Board's next regularly scheduled quarterly meeting, the CIO shall inform the Board of any 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.