

# MONTANA

## BOARD OF INVESTMENTS

## BOARD ADOPTED POLICY

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POLICY NUMBER: 40.904

EFFECTIVE DATE: November 30, 2021

TITLE: Investment Objectives and Guidelines  
Clark Fork Site Response Action 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-D: Investment Objectives and Guidelines Clark Fork Site Response Action Fund.
- B. Approved Date of Schedule: April 3, 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 the investment guidelines is to provide a framework for the Clark Fork Site Response Action Fund investments under the guidance of the board.
- B. The Clark Fork Site Response Action Fund originated in 2008, a Consent Decree was entered between the State of Montana, the United States and Atlantic Richfield Company (ARCO), in order to settle certain litigation and to provide for the funding of the remedial action at the Clark Fork River (CFR) Operable Unit. The settlement involves, among other things, payment by ARCO plus accrued interest. Those funds and the earnings from the investment of those funds are to be used by the State with oversight, input, and approval from the United States Environmental Protection Agency (EPA) for the purpose of remediating the CFR over an estimated ten-to-twelve-year period. Any funds left over after clean-up will be transferred, with EPA approval, to the Clark Fork State Restoration Account (established under the same Consent Decree). The fund balance at that time is expected to be mostly Trust Funds Investment Pool units.

### III. Statement of Purpose

- A. The purpose of these objectives and guidelines is to:
  1. Establish the investment objectives and performance standards of the Clark Fork Site Response Action 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 Clark Fork Site Response Action 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 and 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 Clark Fork Site Response Action Fund is an expendable fund. Major expenditures are expected to continue through 2019, and projections through 2024 on a smaller scale. 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 Clark Fork Site Response Action 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 Clark Fork Site Response Action Fund may only invest in the following:
  - a) U.S. Treasury Bonds.
  - b) U.S. Agency Bonds.
  - c) TFIP.
  - d) STIP or any cash vehicle at the Custodial Bank.

F. Other Restrictions

1. A maximum of twenty percent (20%) of the market value of the portfolio will be invested in U.S. Treasury and Agency Bonds.
2. A maximum of ninety-five percent (95%) of the market value of the portfolio will be invested in the TFIP.

- 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.