

MONTANA

BOARD OF INVESTMENTS

BOARD ADOPTED POLICY

POLICY NUMBER: 40.909

EFFECTIVE DATE: November 30, 2021

TITLE: Investment Objectives and Guidelines
Zortman/Landusky Long Term Water Trust

SUPERSEDES: April 20, 2021

BOARD ADOPTION: November 30, 2021

REVIEWED:

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

- A. Schedule I-I: Investment Objectives and Guidelines Zortman/Landusky Long Term Water Trust Fund.
- B. Approved Date of Schedule: October 3, 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 Zortman/Landusky Long Term Water Trust fund under the guidance of the board.
- B. The Zortman/Landusky Long Term Water Trust fund was established in July of 2005 by the Montana Legislature. It was funded with annual transfers of \$1.2 million by the Montana Department of Environmental Quality from the Orphan Share account. The transfers were to continue until the value of the fund was projected to be \$19.3 million on January 1, 2018. Proceeds of the fund will be expended for long-term or perpetual water treatment at the Zortman and Landusky mine sites.
- C. Funds for the Zortman/Landusky Long Term Water Trust fund are held in MU67.

III. Statement of Purpose

- A. The purpose of these objectives and guidelines is to:
 1. Establish the investment objectives and performance standards of the Zortman/Landusky Long Term Water Trust fund.
 2. Provide diversified investment exposure within the guidelines in a prudent and cost-effective manner.

IV. Investment Objective

- A. Strategic
 1. Attain above benchmark total return for all investments 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.

Adopted: November 30, 2021

Revised

Reviewed

C. Investment Guidelines

1. The Board will have full discretion to manage the Zortman/Landusky Long Term Water Trust 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 Zortman/Landusky Long Term Water Trust 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.

E. 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.
- 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 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.