

# MONTANA

## BOARD OF INVESTMENTS

### BOARD ADOPTED POLICY

POLICY NUMBER: 40.923

EFFECTIVE DATE: November 30, 2021

TITLE: Investment Objectives and Guidelines  
Public-School Trust

SUPERSEDES: April 20, 2021

BOARD ADOPTION: November 30, 2021

REVIEWED:

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

- A. Schedule I-W: Investment Objectives and Guidelines Public-School Trust.
- 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 this policy statement is to provide a framework for the Public-School Trust investments (formerly referred to as the Trust and Legacy Fund) under the guidance of the Board.
- B. The Public-School Trust was established in 1973 by Article X Section 2 of the Montana Constitution. The trust consists primarily of land granted to the State of Montana by the United States or other entities. The Public-School Trust is administered by the Montana Department of Natural Resources.
- C. Per Article X Section 5 of the Montana Constitution, ninety-five percent of all interest received on fund investments and ninety-five percent (95%) of all income received from fund owned land shall be equitably apportioned to public school districts. Five percent (5%) of all interest received on fund investments and five percent (5%) of all income received from fund owned land shall be added to the Public-School Trust.

#### III. Statement of Purpose

- A. The purpose of these objectives and guidelines is to:
  1. Establish the investment objectives and performance standards of the Public-School Trust 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 Public-School Trust 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, each weighted proportionately to the portfolio's holdings, over a five (5) year moving average.

C. Time Horizon

1. Public-School Trust is a permanent account. 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 Public-School Trust 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 Public-School Trust may only invest in the following:
  - a) TFIP.
  - b) STIP or any cash vehicle at the Custodial Bank.

F. Other Restrictions

1. A minimum 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.