

MONTANA

BOARD OF INVESTMENTS

BOARD ADOPTED POLICY

POLICY NUMBER: 40.932

EFFECTIVE DATE: November 30, 2021

TITLE: Investment Objectives and Guidelines
Libby Asbestos Site State Cost

SUPERSEDES: April 20, 2021

BOARD ADOPTION: November 30, 2021

REVIEWED:

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

- A. Schedule I-AF: Investment Objectives and Guidelines Libby Asbestos Site State Cost.
- B. Approved Date of Schedule: February 11, 2020.
- 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 Libby Asbestos Site State Cost investments under the guidance of the Board.
- B. In October 2002, the Libby Asbestos Superfund Site (Site) was listed on the U.S. Environmental Protection Agency (EPA) National Priorities List (NPL). As part of the W.R. Grace bankruptcy proceedings, Montana and W.R. Grace entered into a \$5M settlement to be used for the state's ten percent (10%) cost share for Operation and Maintenance (O&M) costs at some areas of the site. Expenditures are expected to 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 Libby Asbestos Site State Cost 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 Libby Asbestos Site State Cost 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 (5) moving average.

C. Time Horizon

1. The Libby Asbestos Site State Cost is 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 Libby Asbestos Site State Cost 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 Libby Asbestos Site State Cost 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.