MONTANA
BOARD OF INVESTMENTS

BOARD ADOPTED POLICY

POLICY NUMBER: 40.936

EFFECTIVE DATE: November 30, 2021

TITLE: Investment Objectives and Guidelines 2011 Yellowstone Exxon Settlement Fund

SUPERSEDES: April 20, 2021

BOARD ADOPTION: November 30, 2021

REVIEWED:

I. Appendix I: Investment Objectives and Guidelines

A. Schedule I-AJ: Investment Objectives and Guidelines 2011 Yellowstone Exxon Settlement Fund.

B. Approved Date of Schedule: March 24, 2021.

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 2011 Yellowstone Exxon Settlement Fund investments under the guidance of the Board.

B. In January 2017, the State of Montana and U.S. Department of the Interior issued the “Final Programmatic Damage Assessment and Restoration Plan and Final Programmatic Environmental Assessment for the ExxonMobil Pipeline Company July 1, 2011, Yellowstone River Oil Spill”. The plan was prepared by the State of Montana through the Department of Justice Natural Resource Damage Program (NRDP) and the U.S. Department of the Interior, through the Bureau of Land Management and U.S. Fish and Wildlife Service. The plan describes the natural resource injuries caused by the oil spill and restoration project types to compensate for those injuries. The restoration plan includes a range of project types that address specific injuries associated with the oil spill. It will guide restoration of the Yellowstone River to improve the natural and recreational resources of the river injured due to the spill.

C. NRDP has provided the Board a schedule of estimated expenditures and will update the schedule with material changes.

III. Statement of Purpose

A. The purpose of these objectives and guidelines is to:

1. Establish the investment objectives and performance standards of the 2011 Yellowstone Exxon Settlement 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 2011 Yellowstone Exxon Settlement 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 (5) year moving average.

C. Time Horizon

1. The 2011 Yellowstone Exxon Settlement Fund is an expendable fund. Expenditures are expected in future years, as projected, and periodically updated by the NRDP. 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 2011 Yellowstone Exxon Settlement 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 2011 Yellowstone Exxon Settlement 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 ninety-seven percent (97%) of the market value of the portfolio will be invested in the TFIP.
2. A maximum of sixty percent (60%) of the market value of the portfolio will be invested in U.S. Treasury and Agency bonds.
3. The maximum maturity of U.S. Treasury and Agency bonds 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.