

MONTANA

BOARD OF INVESTMENTS

ANNUAL REPORT 2024

Central Montana - MISSOURI RIVER BREAKS

“...scenes of visionary enchantment...”
- Meriwether Lewis (1805)

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Special Note: The numbers within this annual report are unaudited and may be subject to change in the audit process. The audited Unified Investment Program and Enterprise Fund Financial Statements will be made available once the Legislative Audit Division issues the Audit Opinions. Once issued, the Legislative Audit Division will have both Audit Opinions available online at [Legislative Audit Division Audit Opinions](#) by selecting Board of Investments under Agency. The Board’s website [Annual Reports & Audits](#) will also contain a link.

BOARD MEMBERS



Jack Prothero
Board Chair
Representing
Financial
Term Ending
1/5/2025



Mark Barry
Representing
Financial
Term Ending
1/5/2025
Committees:
• Audit Chair
• Loan



Porter Bennett
Representing
Agriculture
Term Ending
1/1/2027
Committees:
• Audit
• Loan



Dwaine Iverson
Representing
Financial
Term Ending
1/1/2027
Committees:
• Audit



Dr. Tim Kober
Representing
Labor
Term Ending
1/1/2027
Committees:
• HR
• Loan



Jeff Meredith
Representing
Small Business
Term Ending
1/5/2025
Committee:
• Loan Chair
• HR



Maggie Peterson
Representing
PERS
Term Ending
1/5/2025
Committees:
• HR Chair
• Audit



Daniel Trost
Representing
TRS
Term Ending
1/5/2025
Committees:
• Audit
• HR



Cindy Younkin
Representing
Law
Term Ending
1/1/2027
Committee:
• Loan
• HR

NON-VOTING LEGISLATIVE LIAISONS



Representative
Bob Keenan
House of
Representatives
Liaison
Term Ending
1/1/2025



Senator
Jeremy Trebas
Senate Liaison

Term Ending
1/1/2025

BOARD OF INVESTMENTS STAFF

- ❖ Dan Villa, Executive Director
- ❖ Jon Putnam, CFA, CAIA, FRM, Chief Investment Officer
- ❖ Peggy MacEwen, SPHR, SHRM-SCP, sHRBP, SPTD, SWP, PAHR
Chief Operating Officer/Deputy Director

- ❖ Polly Boutin, Associate Financial Manager
- ❖ Jason Brent, CFA, CAIA, Director of Public Markets
- ❖ John Carpenter, CPA, Accounting Bureau Manager
- ❖ Roberta Diaz, Investment Accountant
- ❖ Julie Feldman, CPA, Financial Manager/Comptroller
- ❖ Willie Gross, Investment Analyst – Fixed Income
- ❖ Kirsten Haswell, Investment Officer – Fixed Income
- ❖ Doug Hill, Director of the Commercial Loans
- ❖ Matthew Hoffman, Investment Analyst – Investment Operations
- ❖ Samantha Holman, Investment Analyst – Fixed Income
- ❖ Ian Horwood, CFA, Investment Analyst – Private Investments
- ❖ Tim House, Investment Analyst – Investment Operations
- ❖ Ethan Hurley, CAIA, Director of Real Estate/Real Assets
- ❖ Sheli Jacoby, Investment Accountant
- ❖ Cort Jensen, General Counsel
- ❖ Eron Krpan, CFA, CIPM, Director of Investment Operations
- ❖ Tammy Lindgren, Investment Accountant
- ❖ Mark Lodman, Network Administrator
- ❖ Savannah Morgan, Office Manager/Board Secretary
- ❖ John Romasko, CFA, Director of Fixed Income
- ❖ Peggy Saarela, Administrative Assistant/Credit Analyst
- ❖ Jessilynn Salois, Investment Accountant
- ❖ Rob Sampson, CFA, CAIA, Investment Analyst – Real Estate/Real Assets
- ❖ Steve Strong, CFA, Investment Analyst – Public Markets
- ❖ Brenda Thomas, Investment Accountant
- ❖ Louise Welsh, Director of Municipal Loans
- ❖ Thomas Winkler, CAIA, Director of Private Investments

- ❖ Investment Accountant – VACANT
- ❖ Investment Analyst – VACANT
- ❖ Investment Officer – VACANT

UNIFIED INVESTMENT PROGRAM

Montana's State Constitution requires that the state's financial assets be managed through the Unified Investment Program. The Montana Legislature established the Board of Investments (the Board) to carry out that mandate. The Board manages the state's investments within those constitutional and statutory guidelines.

As of June 30, 2024, the Board of Investments managed over \$28.3 billion in pension funds, trust funds, insurance reserves, state operating funds, and certain local government funds. Within these broad categories, investment pools and separately managed investments are utilized to meet the financial goals and expectations of the agencies and entities that entrust those funds to the Board. Each participant is separately identified for accounting and recordkeeping. The Board approves all Investment Policy Statements. The Board's portfolio is available on its [FY2024 Investment Holdings](#) webpage.

Total Fund Fiduciary Net Position Held in Trust for Participants (In Millions)

Fund Type	STIP	TFIP	CAPP	SMA	STIP in Pool	STIP Reserve	Grand Total
Pension Funds	\$ 156.0	\$ 0.0	\$14,833.4	\$ 0.0	\$ 0.0	\$ 0.0	\$14,989.4
Trust Funds	97.0	1,621.9	0.0	0.5	0.0	0.0	1,719.4
Coal Sev. Tax Trust	45.4	1,020.6	0.0	203.1	0.0	0.0	1,269.1
Insurance Reserves	401.8	52.1	0.0	1,454.9	0.0	0.0	1,908.8
Operating Funds	7,859.7	357.2	0.0	111.0	0.0	0.0	8,327.9
STIP in Pool	208.3	0.0	0.0	0.0	(208.3)	0.0	0.0
STIP Reserve	0.0	0.0	0.0	0.0	0.0	86.4	86.4
STIP Apprec./Deprec.	1.3	0.0	0.0	0.0	0.0	0.0	1.3
6/30/2024	\$8,769.5	\$3,051.8	\$14,833.4	\$1,769.5	\$ (208.3)	\$ 86.4	\$28,302.3

Table Comments: The table represents the amount each fund type has invested in the Short-Term Investment Pool (STIP), Trust Funds Investment Pool (TFIP), Consolidated Asset Pension Pool (CAPP), and Separately Managed Accounts (SMA). The amounts presented include receivable and payable accruals. Appreciation/depreciation on STIP assets classified as Cash and Cash Equivalents are reported at cost on the financial statements.

ASSET MANAGEMENT

Internal and External - Approximately 51% of the Board's investments are managed internally by the Board's investment staff. Assets managed internally are often lower-risk assets that can be better managed "in-house" to limit costs. The remaining assets are managed externally by professional investment managers in various asset classes. Utilizing the specialized expertise of these external managers, the Board seeks to maximize the return available from various market options. External managers are carefully selected and monitored by the Board's staff.

Active and Passive - Approximately 81% of the investments are actively managed. The actively managed assets are primarily fixed income assets managed internally by the Board's own investment staff at a lower cost than possible by an external manager with a passive mandate.

PENSION FUNDS

Managing Pension Investments requires a skillful balance of:

- Maximizing long-term returns
- Analyzing plan liquidity needs
- Managing risks
- Controlling costs

The Board manages the Pension Funds of nine separate retirement plans that provide retirement benefits for public employees of state and local government entities. The two largest funds are the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS). The retirement system assets are invested within the Short-Term Investment Pool (STIP) and the Consolidated Asset Pension Pool (CAPP), discussed in further detail in the Investment Pools' section of this report.

Pensions Fiduciary Net Position Held in Trust for Participants (In Millions)

Fund Name	STIP	CAPP	Grand Total
Public Employees' Retirement	\$ 73.5	\$ 7,164.7	\$ 7,238.2
Teachers' Retirement	55.5	5,064.4	5,119.9
Firefighters' Retirement	7.1	678.1	685.2
Police Retirement	6.4	607.9	614.3
Sheriffs' Retirement	6.1	556.7	562.8
Game Wardens' Retirement	3.4	347.4	350.8
Highway Patrol Retirement	2.2	222.6	224.8
Judges' Retirement	1.3	137.0	138.3
Vol. Firefighters' Retirement	0.5	54.6	55.1
6/30/2024	\$ 156.0	\$ 14,833.4	\$ 14,989.4

Table Comments: The amounts presented include receivable and payable accruals.

Pension funds are, by nature, long-term funds and require a long-term view when making investment decisions. Prudence, patience, and professional discipline are the hallmarks of the Board's investment process.

Factors considered in managing pension investments include long-term growth (expected rates of return), liquidity needs (how readily convertible to cash), risk (multi-dimensional), and cost. The Board addresses these factors through a strong governance model that requires the Board to engage in the review and confirmation of asset allocation.

The Board examines historical market performance, trends, and long-term economic forecasts during the asset allocation review. It also carefully studies more specific considerations related to individual asset classes, including costs, risks, potential returns, and the correlations between asset classes.

maximize investment

The Board aims to maximize investment returns while keeping risk within prudent levels and maintaining sufficient liquidity to meet current benefit payments to retirees. The Board's asset allocation mix is critical to the return on pension fund investments. Please refer to the CAPP section for the approved ranges established by Board policy as of December 12, 2023, and allocation as of June 30, 2024.

The table on the following page shows investment returns, net of fees, for the PERS since fiscal year 1995. The returns for the other eight retirement systems are consistent with that of PERS. As shown by the S&P 500 Index (equity) and Bloomberg Barclays U.S. Aggregate Bond Index (fixed income) in the table, the use of different asset classes heavily influences returns.

Average	PERS Actual Net Return	S&P 500 Index Total Return	Bloomberg US Aggregate Bond Index
Inception to Date	7.76%	10.80%	4.53%
Fiscal Year	PERS	S&P 500	Bloomberg
FY24	9.07%	24.56%	2.63%
FY23	8.50%	19.59%	-0.94%
FY22	-4.32%	-10.62%	-10.29%
FY21	27.72%	40.79%	-0.33%
FY20	2.71%	7.51%	8.74%
FY19	5.70%	10.42%	7.87%
FY18	8.84%	14.37%	-0.40%
FY17	11.94%	17.90%	-0.31%
FY16	2.07%	3.99%	6.00%
FY15	4.58%	7.42%	1.86%
FY14	17.16%	24.61%	4.37%
FY13	13.04%	20.60%	-0.69%
FY12	2.41%	5.45%	7.47%
FY11	21.79%	30.69%	3.90%
FY10	12.87%	14.43%	9.50%
FY09	-20.69%	-26.22%	6.05%
FY08	-4.86%	-13.12%	7.12%
FY07	17.96%	20.59%	6.12%
FY06	9.07%	8.63%	-0.81%
FY05	8.13%	6.32%	6.80%
FY04	13.43%	19.11%	0.32%
FY03	6.61%	0.26%	10.40%
FY02	-7.29%	-17.99%	8.63%
FY01	-5.08%	-14.83%	11.23%
FY00	7.93%	7.25%	4.56%
FY99	12.08%	22.75%	3.15%
FY98	16.63%	30.15%	10.54%
FY97	19.63%	34.69%	8.15%
FY96	12.60%	25.99%	5.02%
FY95	16.33%	26.07%	12.55%

*Table Comments: FY01- FY02 Collapse of the dot com bubble.
FY08-FY09 Global Financial Crisis.
FY22 Higher global interest rates.*

The Board reviews absolute return performance, performance to internally established benchmarks, and performance to its peers. The Board utilizes independent comparisons of its performance and costs to that of other large public pension systems. The most recent report comparing costs and performance can be found on the Board's website at [CEM Benchmarking Report](#).

TRUST FUNDS

The Board invests approximately \$3.1 billion for over 60 trust funds, some created and protected by the State Constitution. Other trusts have been created statutorily by the legislature or involve federal funds. Several trust funds were established as part of settlements between the state and private corporations to ensure environmental clean-up of polluted sites.

COAL SEVERANCE TAX TRUST FUND

Article IX, Section 5 of the State Constitution requires that 50% of the coal severance tax revenues be deposited in a permanent trust fund (Coal Trust), in which the principal "shall forever remain inviolate unless appropriated by three-fourths (3/4) vote of the members of each house of the legislature." The Board is encouraged to invest 25% of the Coal Trust in the Montana economy, emphasizing new or expanding businesses.

Over the years, the legislature has partitioned the Coal Trust into several sub-trust funds: the Permanent Fund, the Severance Tax Bond Fund, the Montana Coal Endowment Fund, the Montana Coal Endowment Regional Water Fund, the Big Sky Economic Development Fund, the School Facilities Fund, the Montana Coal Endowment Conservation District Fund, and the Coal Board Fund. Beginning in fiscal year 2024, the School Facilities Fund's 75% allocation of the coal severance tax revenue drops to 10% until its fund balance reaches \$300 million. The Montana Coal Endowment Conservation District Fund receives the remaining 65% allocation until its fund balance reaches \$100 million. Once the balance reaches \$100 million, the 65% allocation will revert to a newly created Coal Board Fund. The remaining 25% dedicated to the Big Sky Economic Development Fund terminates on June 30, 2035.

The interest earnings are legislatively appropriated as follows:

- Permanent Fund and the Severance Tax Bond Fund income is transferred periodically to the state general fund.
- Montana Coal Endowment Fund income is appropriated for local government infrastructure projects.
- Montana Coal Endowment Regional Water Fund income is appropriated for local government water projects.
- Big Sky Economic Development Fund income is appropriated for economic development projects.
- School Facilities Fund income is appropriated for school facility projects.
- Montana Coal Endowment Conservation District Fund income is appropriated to promote natural resource conservation.

The fair values of the Coal Trust sub-trust funds are shown below:

Coal Severance Tax Trust Fund
Fiduciary Net Position Held in Trust for Participants (In Millions)

Sub-Trust Fund Name	STIP	TFIP	SMA	Grand Total
Permanent Fund	\$ 30.8	\$ 309.2	\$ 203.1	\$ 543.1
Montana Coal Endowment (MCE) Fund	3.0	262.5	0.0	265.5
School Facilities Fund	3.6	202.6	0.0	206.2
Big Sky Economic Development Fund	3.8	139.2	0.0	143.0
MCE Regional Water Fund	1.2	90.8	0.0	92.0
MCE Conservation District Fund	2.8	16.3	0.0	19.1
Severance Tax Bond Fund	0.2	0.0	0.0	0.2
6/30/2024	\$ 45.4	\$ 1,020.6	\$ 203.1	\$ 1,269.1

Table Comments: The amounts presented include receivable and payable accruals.

The table below reflects the Separately Managed Accounts (SMA) held by the Coal Trust. The Board uses the In-State Loan Program to invest a portion of the Coal Trust in compliance with state law. The following pages provide more details on the program and the various financing options.

Coal Trust – SMA
Fiduciary Net Position Held in Trust for Participants (In Millions)

Montana Mortgages and Loans	Permanent Coal Trust
In-State Loans and Mortgages:	
Business Loan Participation Program	\$ 106.2
Veterans’ Home Loan Program	47.1
Coal Trust Multifamily Homes Program	24.5
Infrastructure Loan Program	7.9
Intermediary Relending Loan Program	5.5
Value-Added Loan Program	0.0
Montana Facility Finance Authority	11.6
Montana Science & Technology Alliance	0.3
6/30/2024	\$ 203.1

Table Comments: The amounts presented include receivable and payable accruals.

Coal Tax – SMA Permanent Fund In-State Loan Programs

Over the years, the Montana Legislature has directed that the Board provide certain financial incentives, typically at below-market interest rates, to certain borrowers who meet the program requirements set in law.

The In-State Loan Program was created in 1984 as part of the “Build Montana” program. The program invests Coal Severance Tax Trust (Coal Trust) funds in Montana to stimulate the state’s economy. State law authorizes the Board to invest Coal Trust dollars in Montana to increase employment and business opportunities while maintaining and improving the state’s physical environment.

The In-State Loan Program balances are provided on the previous page in the [Coal Tax – SMA](#) table.

Loan Types – Four loan types are available in the In-State Loan Program, and some offer a job credit interest rate reduction equal to 0.05% for each qualifying job created up to a maximum reduction of 2.5%.

- The **Business Loan Participation Program** allows the In-State Loan Program to participate up to 80% in a loan originated by an approved lender. The loan proceeds may finance unencumbered land, buildings, and equipment.
- The **Infrastructure Loan Program** provides loans to eligible local governments to construct or purchase infrastructure for basic sector business use. By law, this program’s total number of loans outstanding is limited to \$80 million.
- The **Intermediary Relending Loan Program** provides loans to local economic development organizations with revolving loan programs. Individual loans may not exceed \$500,000, and total loans outstanding in this program are legally limited to \$10 million.
- The **Value-Added Loan Program** provides low-interest loans to value-added type businesses that create or retain jobs. Total loans outstanding in this program are limited by law to \$70 million.

Additionally, the Board assists in implementing the following two programs with the Montana Board of Housing:

- The **Veterans’ Home Loan Program** provides low-interest loans for Montana Veterans who are first-time home buyers. By law, the Montana Board of Housing administers and approves the loans. The Board funds the approved loans. Total loans outstanding are limited by law to \$50 million.
- The **Coal Trust Multifamily Homes Program** provides low-interest loans for developing and preserving homes and apartments to assist eligible low-income and moderate-income applicants. By law, the Montana Board of Housing administers and approves the loans. The Board funds the approved loans. Total loans outstanding in this program are limited by law to \$65 million.

In-State Loan Program Highlights



Jackrabbit Rentals, LLC, an entity of the Williams Group, is based in Belgrade, MT. The Williams Group is an HVAC, plumbing, and civil engineering company. The Board's commercial loan participation program participated in 80% of a \$13.5 million loan used to finance the new corporate facility pictured to the left. This was in addition to a \$1.5 million Down Payment Assistance Program loan. As a result of the loans, the business has created jobs and is entitled to an interest rate reduction of 0.05% for each qualifying job created.



House of YUM, LLC, dba Uptown Hearth, is in Columbia Falls, MT. The Uptown Hearth offers a café, bakery, and modern coworking space pictured above. The Board's commercial loan participation program participated in 80% of a \$1.4 million loan for a three-story addition to the existing building.

In-State Investments and Bond Guarantees

In addition to the Board's In-State Loan Program, the Montana Legislature authorized other programs to use coal tax monies from various sub-funds. The Montana-related investments, including the Board's bond guarantees, are shown in the table below. The In-State Loan Program balances are provided in this report's Coal Severance Tax Trust Fund section, Coal Tax – SMA table.

Montana-Related Investments and Bond Guarantees Fiduciary Net Position Held in Trust for Participants (In Millions)

Investment	SMA	CAPP	TFIP	Bond Guarantees	Grand Total
Coal Severance Tax Trust Fund:					
In-State Loan Program and Mortgages	\$191.2	\$ 0.0	\$ 0.0	\$ 0.0	\$ 191.2
Montana Facility Finance Authority Loans	11.6	0.0	0.0	0.0	11.6
Montana Science & Technology Alliance	0.3	0.0	0.0	0.0	0.3
Residential Mortgages	0.0	0.6	0.0	0.0	0.6
Direct Real Estate	0.0	0.0	28.2	0.0	28.2
INTERCAP Bond Guarantee	0.0	0.0	0.0	75.2	75.2
MFFA Bond Guarantee	0.0	0.0	0.0	103.9	103.9
6/30/2024	\$ 203.1	\$ 0.6	\$28.2	\$179.1	\$ 411.0

Table Comments: The amounts presented include receivable and payable accruals.

Bond Guarantees - The Board can pledge certain monies to credit enhance bondholder security for the Board's Enterprise Fund (INTERCAP Loan Program) and the [Montana Facility Finance Authority Program](#) (MFFA), which allows for lower interest rates through a statutory mechanism. As of June 30th, the Board had provided loan guarantees from the Coal Severance Tax Trust Fund and the Treasurer's Cash Fund to the Enterprise Fund for exposure to INTERCAP bond issues amounting to approximately \$75.2 million and from STIP, TFIP, and the Coal Severance Tax Trust Fund, to the MFFA amounting to approximately \$103.9 million. The Board has not had to perform on any bond or loan guarantee.

OTHER TRUST FUNDS

Other Trust Funds Fiduciary Net Position Held in Trust for Participants (In Millions)

Fund Name	STIP	TFIP	SMA	Grand Total
Abandoned Mine Land Rec. Trust	\$ 7.7	\$ 0.0	\$ 0.0	\$ 7.7
Barker Hughesville St Response	1.6	7.6	0.0	9.2
Belt Water Treatment Plant Fund	4.5	21.9	0.0	26.4
Butte Area One Restoration Fund	1.0	4.7	0.0	5.7
Butte Area Redevelopment Trust	1.6	11.5	0.0	13.1
Clark Fork River Restoration Fund	3.3	21.1	0.0	24.4
Clark Fork Site Response Action Fund	5.1	45.6	0.0	50.7
Coal Tax Park Trust Fund	2.4	28.0	0.0	30.4
Cultural Trust Fund	0.7	15.7	0.0	16.4
East Helena Compensation Fund	1.4	0.4	0.0	1.8
East Helena Greenway Project Trail Maint.	0.3	0.7	0.0	1.0
Endowment For Children	0.1	1.4	0.0	1.5
Fish, Wildlife, and Parks Mitigation Trust	2.8	6.7	0.5	10.0
Flying J CECRA Facilities Fund	0.5	2.2	0.0	2.7
Harold Hamm Endowment	>0.0	0.1	0.0	0.1
Invasive Species Trust Fund	0.0	2.8	0.0	2.8
Libby Asbestos Site State Cost	1.1	4.0	0.0	5.1
Luttrill Pit Operations and Maintenance	0.3	1.7	0.0	2.0
Montana Historical Society Trust Funds	0.9	2.8	0.0	3.7
Montana Pole Superfund Site Settlement	3.6	14.9	0.0	18.5
Noxious Weed Management Trust	0.0	10.1	0.0	10.1
Older Montanans Trust	>0.0	0.3	0.0	0.3
Potter Trust Fund	>0.0	0.2	0.0	0.2
Public-School Trust	0.0	889.1	0.0	889.1
Real Property Trust	0.5	6.6	0.0	7.1
Resource Indemnity Trust Fund	>0.0	103.8	0.0	103.8
Smelter Hill Uplands Restoration Fund	1.3	7.1	0.0	8.4
Streamside Tailings Op. Settlement Fund	1.9	14.2	0.0	16.1
Tobacco Trust Fund	8.2	293.7	0.0	301.9
Upper Blackfoot Response Action Rest.	0.9	0.1	0.0	1.0
UCFRB Reserve Fund	0.3	21.6	0.0	21.9
UCFRB Restoration Fund	2.4	62.4	0.0	64.8
Wildlife Habitat Trust Fund	1.3	14.9	0.0	16.2
Yellowstone Exxon Settlement Fund	2.0	4.0	0.0	6.0
Zortman/Landusky Long-Term Water Trust	17.1	0.0	0.0	17.1
Zortman/Landusky Long-Term Water Fund	22.2	0.0	0.0	22.2
6/30/2024	\$ 97.0	\$ 1,621.9	\$ 0.5	\$ 1,719.4

Table Comments: The amounts presented include receivable and payable accruals. A fund may be one trust or a combination of several smaller trusts.

[Other Trust Funds Descriptions \(click here\)](#)

INSURANCE RESERVES

The Board invests approximately \$1.9 billion for several insurance programs. The State Workers' Compensation Insurance Fund (Montana State Fund) owns the largest dollar value of such securities and is discussed in more detail on the next page. The fair values of the insurance reserves are shown below:

Insurance Reserves Fiduciary Net Position Held in Trust for Participants (In Millions)

Fund Name	STIP	TFIP	SMA	Grand Total
Montana State Fund	\$ 18.7	\$ 0.0	\$ 1,441.3	\$ 1,460.0
Other Insurance Funds:				
Agency Insurance	108.4	0.0	0.0	108.4
Employee Group Benefits	137.3	35.9	2.3	175.5
Montana University System Group Ins.	85.6	12.3	1.9	99.8
MUS Workers Compensation	9.7	3.9	0.0	13.6
Unemployment Insurance Benefits	27.4	0.0	0.0	27.4
Defined Contribution Disability	1.0	0.0	9.4	10.4
Uninsured Employers	2.6	0.0	0.0	2.6
Hail Insurance	9.6	0.0	0.0	9.6
Subsequent Injury	1.5	0.0	0.0	1.5
6/30/2024	\$ 401.8	\$ 52.1	\$ 1,454.9	\$ 1,908.8

Table Comments: The amounts presented include receivable and payable accruals.

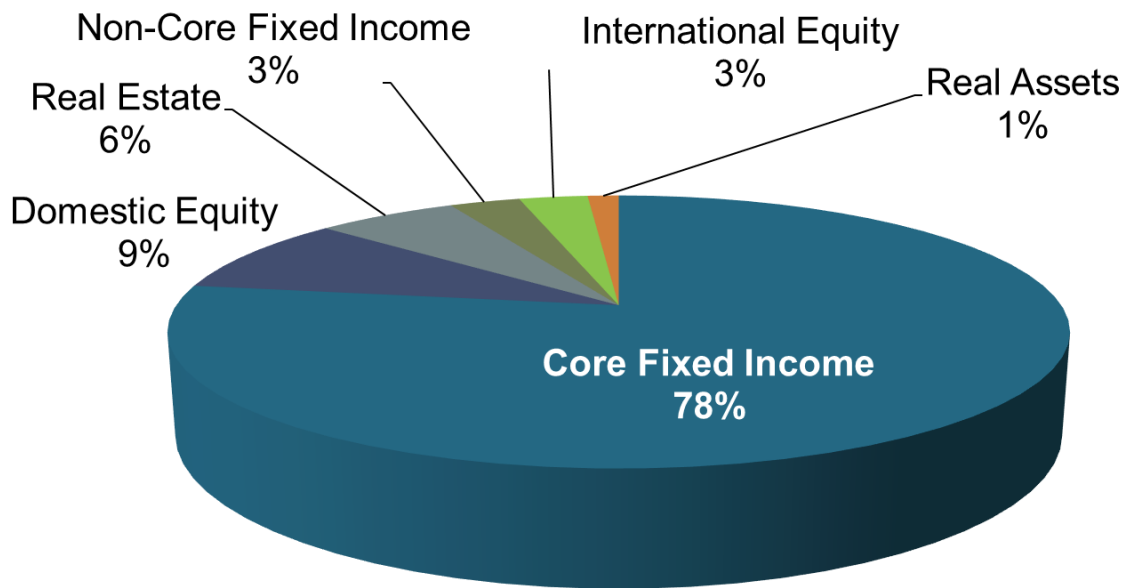
[Other Insurance Funds Descriptions \(click here\)](#)

MONTANA STATE FUND

The Montana State Fund (MSF) provides workers' compensation and occupational disease insurance for workplace injuries or illness claims. The investment returns for the MSF shown below are net of fees. The MSF's portfolio balances are provided on the previous page. The Board managed approximately \$1.5 billion in investments on behalf of the MSF as of June 30, 2024.

Montana State Fund Returns	1-Year	2-Year	10-Year
	4.61%	3.41%	3.16%

Montana State Fund By Investment Type



OPERATING FUNDS

Statutes limit where most state agency funds may be invested. Agencies must have the legal authority to invest separately from the State’s general cash account (the State Treasurer’s Fund) in the STIP. An agency may have funds other than ordinary operating monies that can prudently have a longer-term investment outlook and an opportunity for better returns. The TFIP or SMA are available to meet those needs.

Operating Funds Fiduciary Net Position Held in Trust for Participants (In Millions)

Fund Name	STIP	TFIP	SMA	Grand Total
State Treasurer’s Fund	\$ 3,212.9	\$ 241.5	\$ 69.4	\$ 3,523.8
State Agency	2,353.0	1.2	0.0	2,354.2
Local Governments	1,848.1	0.0	0.0	1,848.1
Montana State University-Bozeman	235.9	56.0	0.0	291.9
Montana Housing Infra. Rev. Loan Fund	73.0	0.0	33.2	106.2
FWP License	62.1	29.2	3.1	94.4
University of Montana-Missoula	55.5	28.5	5.0	89.0
State of Montana Workforce Housing Fund	11.7	0.0	0.3	12.0
Montana Technological University	7.4	0.5	0.0	7.9
Montana Historical Society	0.1	0.3	0.0	0.4
6/30/2024	\$ 7,859.7	\$ 357.2	\$ 111.0	\$ 8,327.9

Table Comments: The amounts presented include receivable and payable accruals.

[Operating Funds Descriptions \(click here\)](#)

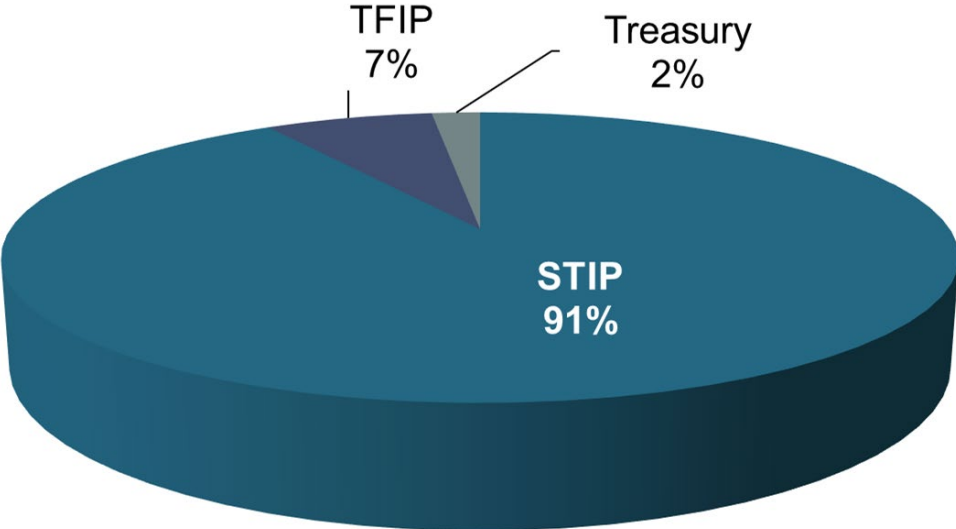
Although state agencies with accounts that retain their interest earnings are legally required to invest in the STIP, local government entities can, by statute, voluntarily invest in the STIP as provided in Section 17-6-204, MCA.

STATE TREASURER'S FUND

The State Treasurer's Fund is the cash in all state accounts that do not retain their investment earnings. All earnings are deposited into the state special revenue fund Debt and Liability Free Account. State law authorizes the Board to determine the amount of surplus cash in the State Treasurer's Fund to invest and the type of investments to be made. The fund is managed to maximize income rather than for the total rate of return. This fund has been a major participant in STIP since its creation in 1973. The investment returns shown below are net of fees. The State Treasurer's Fund investment balance as of June 30, 2024, was approximately \$3.5 billion.

State Treasurer's Fund Returns	1-Year	2-Year	10-Year
	5.14%	4.32%	1.57%

State Treasurer's Fund By Investment Type



Operating Funds – SMA Montana Housing Assistance Programs

The 2023 Legislature passed House Bill 819 (HB819) in response to the growing need for affordable housing in the state. The legislation designated the Board to invest the following funds as provided by law.

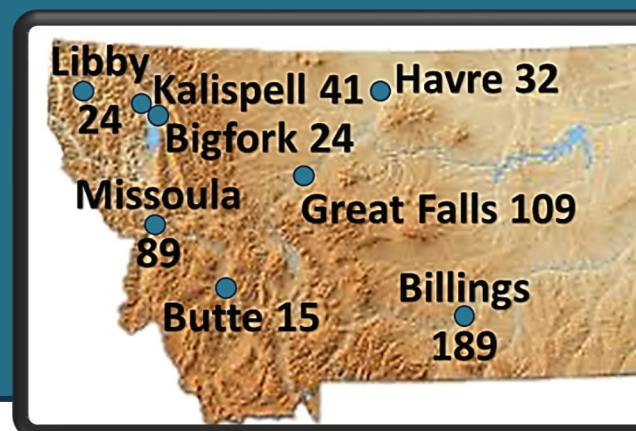
MONTANA HOUSING INFRASTRUCTURE REVOLVING LOAN FUND

In August 2023, the \$106 million HB819 allocation was transferred into the new Montana Housing Infrastructure Revolving Loan Fund account to be used as a financing resource for affordable housing infrastructure projects. The cash is invested in STIP in anticipation of funding loans for the following SMA programs within the fund.

Montana Housing Infrastructure Revolving (MHIR) Programs – The following programs have been formed to help local governments and housing developers lower the cost of affordable housing infrastructure development. A minimum gross density of 10 units for each acre is required to participate. Other restrictions apply. Please see the Board’s website for further information.

- The **MHIR Bond Program** allows the Board to participate in up to 50% of a local government security at a rate up to 25% of the co-purchaser’s rate, exclusive of any fees. The security may have up to a 20-year term. The funds must be used to expand or extend water, wastewater, stormwater, street, road, curb, gutter, and sidewalk infrastructure for new or rehabilitated residential development. The program committed to and funded approximately \$2.1 million as of June 30, 2024.
- The **MHIR Loan Program** provides up to 20-year term loans to eligible local governments or developers not to exceed \$1 million or 50% of the project costs. The interest rate is posted weekly on the Board’s website and locked in on the reservation date. The funds must be used to cover demolition costs or expand or extend water, wastewater, stormwater, street, road, curb, gutter, and sidewalk infrastructure to serve new or rehabilitated residential development.
- The **Impact Fee Loan Program** provides up to 24-month zero-interest loans to housing developers to help pay local government fees and eliminate the carrying costs of expanding housing opportunities in Montana. The funds must be used to pay impact fees, latecomer fees, or other state/local government-imposed administration fees. A maximum of \$3 million participation per project is allowed. Total loans outstanding in this program are limited to \$15 million. The program had \$6 million reserved and no funding as of June 30, 2024.

The **HOMES Linked Deposit Program** helps lower interest rates during construction by utilizing fully collateralized, interest-bearing demand deposit accounts at Montana-domiciled lenders for up to 24 months. The funds deposited must be linked to affordable housing development construction loans. The lender earns the first 3.5% of the Federal Home Loan Bank Community Advance Straight Line Amortizing two-year loan rate, and the Board earns the remainder. There are 523 units in progress at the locations shown to the right of the 1,000 units scheduled for construction using \$103 million of the \$106 million available as of June 30, 2024.





MHIR Programs Highlights

The Board broke ground on the new MHIR Bond Program participating in 50% of a \$4.2 million Tax Increment Urban Renewal Revenue Bond. The City of Missoula, Missoula Redevelopment Agency, issued the bond to finance extending public infrastructure to the 3-acre affordable parcel on the project pictured to the right's north end. The financed costs include a portion of the public infrastructure in common with the remaining acreage.



The overall infrastructure project fulfills MHIR's purpose by offering diverse housing types, including approximately 89 below-market homeownership and 225 long-term rental opportunities. The project is off Scott Street in the North Reserve-Scott Street Urban Renewal District.

STATE OF MONTANA WORKFORCE HOUSING FUND

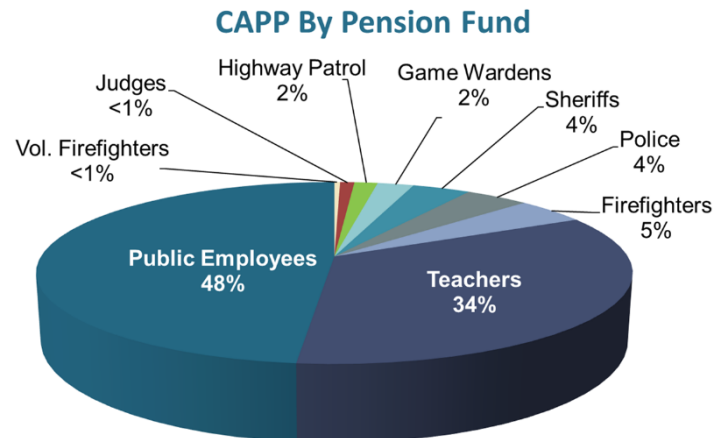
Additionally, HB819 selected the Board to manage a new \$12 million Montana Workforce Housing Fund. These funds must be used to construct or purchase workforce housing specific to counties with less than 15,000 inhabitants within a 30-mile radius of a state facility housing at least 100 state inmates or behavioral health patients.

The Pintler Meadows housing project for state employees of Montana State Prison and Montana State Hospital is underway in Deer Lodge, MT. Plans are drawn for twenty-eight 1400-square-foot townhouse units estimated to be available for occupancy in 2025. The Board oversees the property in addition to its Direct Real Estate portfolio.

INVESTMENT POOLS

Consolidated Asset Pension Pool (CAPP)

The Board's CAPP is only used by the pension systems. This combined investment pool has eight approved pension asset classes (PAC). All pension funds are invested prudently with the diversification necessary to mitigate risk. All pension assets are governed by a board-approved investment policy statement that includes asset allocation policy categories and ranges established by the Board.



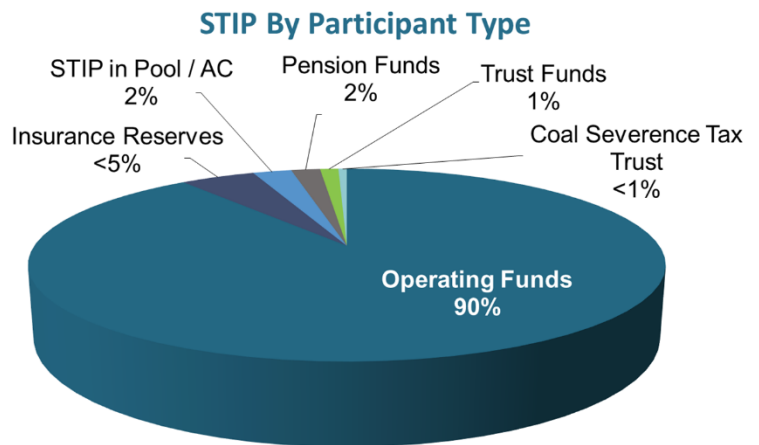
CAPP Asset Allocations

Pension Asset Class	Range		Allocation as of 6/30/24
	Low	High	
Domestic Equities	23%	35%	27.3%
Private Investments	12%	20%	16.8%
International Equities	10%	20%	14.0%
Core Fixed Income	9%	19%	14.5%
Real Estate	7%	15%	12.1%
Non-Core Fixed Income	5%	9%	7.0%
Real Assets	3%	9%	6.0%
Cash	0%	5%	2.4%

Table Comments: The combined cash at the plan and CAPP levels are subject to the range. Montana Public Retirement Plans shall have no greater than 5% of the Net Asset Value managed by any one external manager using an active investment strategy.

Short-Term Investment Pool (STIP)

The STIP was created in 1973 and is used by state agencies, local governments, and retirement systems as an alternative to idle cash. The STIP investments are short-term, highly liquid, and among the safest obtainable. The STIP is structured similarly to a money market fund. Its yield tends to be higher than average money market yields due to lower expenses and an ability to make some investments in securities with slightly longer maturities. The chart to the right shows the percentage of shares by participant type as of June 30, 2024.



STIP Asset Allocations

Asset Class	% as of 6/30/24
Commercial Paper	43.3%
Certificates of Deposit	18.9%
Federal Agencies	29.5%
Corporate Notes	6.6%
Money Market Funds	1.7%

Table Comments: STIP's cash and cash equivalents generally are short-term, highly liquid investments with maturities of three months or less at the time of purchase measured at cost and fair value.

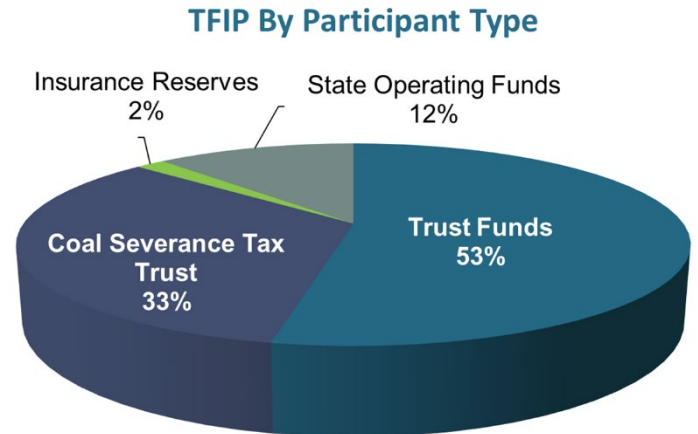
The STIP is not Federal Deposit Insurance Corporation (FDIC) insured, otherwise insured, or guaranteed by the federal government, the State of Montana, the Board, or any other entity against investment losses. The Board maintains a reserve fund to offset possible losses and limits fluctuations in the STIP's Fiduciary Net Position Held in Trust for Participants.

The STIP provides participants with ready access to cash. Shares are transacted at \$1.00. Fractional shares may be purchased, and participants may buy or sell shares within notice of one business day. The \$8.8 billion in investments are managed by Board staff. There were approximately 540 accounts invested in the STIP during the year, including over 200 local government accounts. All investments are made by Board staff, and all income is distributed to participants on the first day of the month. The pool reported net earnings for state and local government agencies of approximately \$428.2 million (unaudited) in fiscal year 2024.

Trust Funds Investment Pool (TFIP)

The TFIP was created in 1995 to expose participants to a portfolio of income-producing assets. Using a commingled pool allows for simplified investing and accounting, broader diversification, and less risk than would otherwise be available for individual participants.

The TFIP participants consist primarily of the state’s trust funds. The Board invests approximately \$3.1 billion for over 60 trust funds, some of which were created and protected by the state Constitution. Other trusts have been created statutorily by the legislature or through receipt of federal funds. Several trust funds were established as part of settlements between the state and private corporations to ensure environmental clean-up of polluted sites.



TFIP Asset Allocations

Asset Class	% as of 6/30/24
Fixed Income	66.3%
Real Estate	24.1%
Non-Core Fixed Income	6.7%
Real Assets	2.9%

Current income is important to these participants, and the pool is managed for income generation rather than total rate of return. Income distributed includes interest accruals, discount/premium, accretion/amortization, and net securities lending income. The TFIP invests directly in the Asset Classes as shown. Each Asset Class has an underlying set of investment objectives and investment guidelines. All realized capital gains and losses are retained in the pool.

ENTERPRISE FUND

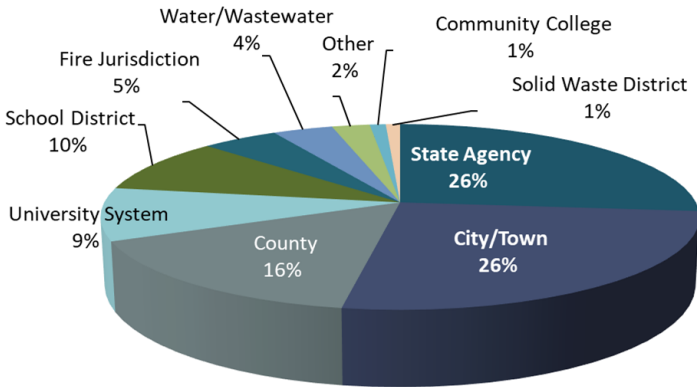
The Board uses the Enterprise Fund to account for its programs created under the Municipal Finance Consolidation Act (MFCA) and Economic Development Act. The Enterprise Fund Financial Statement provides information on all the programs defined under this fund. The following focuses on the active MFCA-authorized programs that significantly impact the Enterprise Fund.

INTERCAP LOAN PROGRAM

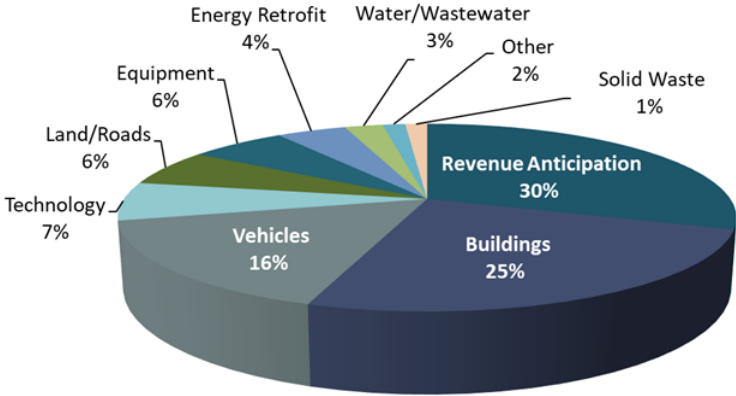
The Board has provided low-interest loans to Montana state agencies, universities, and local governments for various projects. INTERCAP has loaned \$707.9 million statewide since its inception. As of June 30, 2024, there is \$75.2 million outstanding on the bond used to fund the loans. Loan interest rates are reset every February. The loan rate from February 16, 2023, to February 15, 2024, was 6.00% (5.75% autopay). The loan rate for February 16, 2024, to February 15, 2025, is 6.25% (5.75% autopay).

Over 80% of all Montana counties and municipalities have financed projects through INTERCAP.

Loans By Borrower Type Since Inception



Loans By Project Type Since Inception



The Board makes firm one-year commitments to fund the loans. The program committed to \$29.3 million and funded \$25.4 million on average over the past five fiscal years. The program estimated that the fiscal year 2024 commitments and fundings would be under \$20 million. The program committed to \$40.7 million and funded \$32.3 million in fiscal year 2024 because of a higher demand for interim financing and a larger-than-usual municipal project. The program estimates the Board will commit to and fund under \$25 million in fiscal year 2025.

The table below compares the INTERCAP bonds used to fund the loans vs. the borrower loans with the interest rates in effect.

INTERCAP
Bonds vs. Loans (In Millions)

Fiscal Year	Bonds Outstanding	Bond Rate	Loans Outstanding	Loan Rate
FY24	\$ 75.2	5.05%	\$ 79.3	5.75%
FY23	\$ 68.7	5.07%	\$ 68.7	5.75%
FY22	\$ 68.7	0.63%	\$ 69.2	1.50%
FY21	\$ 90.6	0.15%	\$ 72.1	1.65%
FY20	\$ 90.7	1.00%	\$ 69.0	2.50%
FY19	\$105.1	1.87%	\$ 79.6	3.37%
FY18	\$105.1	1.65%	\$ 81.0	3.15%
FY17	\$107.9	1.20%	\$ 94.7	2.50%
FY16	\$ 97.3	0.52%	\$ 80.5	1.55%
FY15	\$106.4	0.23%	\$ 82.5	1.25%
FY14	\$106.5	0.16%	\$ 79.0	1.00%
FY13	\$106.6	0.22%	\$ 75.3	1.00%
FY12	\$ 95.0	0.22%	\$ 79.9	1.25%
FY11	\$ 95.5	0.48%	\$ 75.6	1.95%
FY10	\$ 96.1	0.50%	\$ 79.4	1.95%
FY09	\$ 88.6	2.15%	\$ 77.7	3.25%
FY08	\$ 98.0	3.25%	\$ 77.3	4.25%
FY07	\$ 98.5	3.85%	\$ 66.9	4.85%
FY06	\$ 83.6	3.65%	\$ 69.6	4.75%
FY05	\$ 84.3	2.60%	\$ 64.7	3.80%
FY04	\$ 90.6	1.25%	\$ 64.9	2.70%
FY03	\$ 72.2	1.35%	\$ 52.8	2.85%
FY02	\$ 57.3	1.90%	\$ 48.5	3.15%
FY01	\$ 57.7	3.50%	\$ 43.7	4.75%
FY00	\$ 47.6	4.35%	\$ 43.3	5.60%
FY99	\$ 47.9	3.05%	\$ 38.8	4.30%
FY98	\$ 48.0	3.60%	\$ 38.5	4.85%
FY97	\$ 35.9	3.65%	\$ 25.2	4.75%
FY96	\$ 26.1	3.35%	\$ 17.5	4.85%
FY95	\$ 19.6	4.90%	\$ 14.9	6.40%

Table Comments: FY22-FY24 reflects the reduced Autopay rate. In FY20, in response to the COVID-19 pandemic, the loan rate was decreased to 1.00% from February 16, 2020, to August 15, 2020.

The Board can pledge certain monies to guarantee these loans, allowing for a lower interest rate through a statutory mechanism. To date (without intending any limitation), the Board has identified the State Treasurer's Fund (see Operating Funds section) and the Coal Severance Tax Trust Fund as being legally available for such purposes.

INTERCAP loans have been of very high credit quality, and the Board has never suffered a loss. This is attributed to the underwriting standards and the credit soundness of Montana agencies, boards, authorities, and local governments.

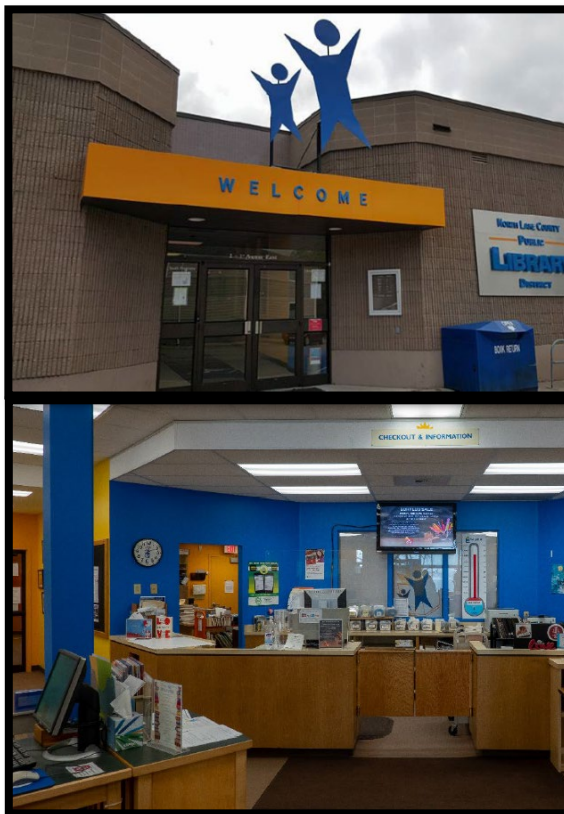
INTERCAP Highlights

To highlight a few of this year's projects serving Montana's communities, the Program financed equipment upgrades such as the City of Kalispell's garbage trucks and the completion of the Desmet Elementary School "Smokejumpers" solar energy project, both pictured to the right.

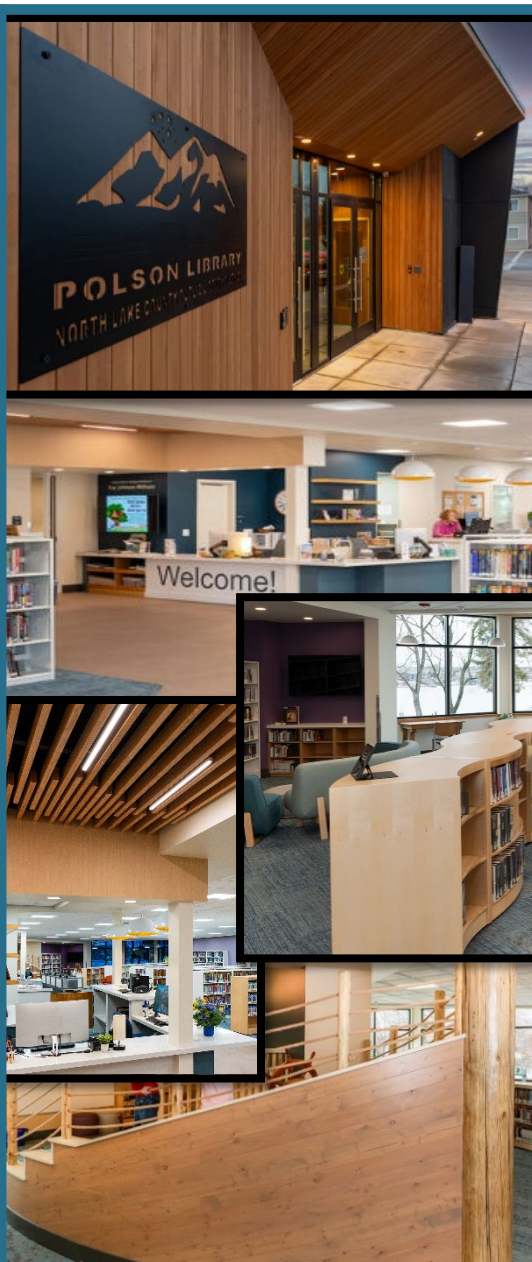
The City of Billings financed costs associated with remodeling, improving, and equipping the Stillwater Building through INTERCAP, transitioning the building from the former federal courthouse in downtown Billings into the new Law and Justice/City Hall building. This building is over 200,000 square feet and will house 300+ employees, bringing most city departments under one roof. Below is an artist's rendering of the plan for the first-floor lobby. More information on the project is available on the City of Billings website.



The North Lake County Library financed a major renovation of its Polson, MT facility through INTERCAP. The remodel focused on changes, renovations, additions, and upgrades throughout the building, as seen in the before-and-after photos below and to the right.



improvements



OTHER BOND PROGRAMS

- ***Qualified Zone Academy Bond Program (QZAB)***

This program allows qualifying school districts to borrow money at no or nominal interest rates by issuing qualified zone academy bonds. The Board acts as a legal funding conduit and has no pecuniary liability for the repayment of the bonds. As of June 30, 2024, eleven school districts issued over \$13.6 million in QZAB bonds.

- ***Qualified School Construction Bond Program (QSCB)***

By issuing qualified school construction bonds, this program allows qualifying school districts to borrow money at no or nominal interest rates. The Board acts as a legal funding conduit only and has no pecuniary liability for the repayment of the bonds. As of June 30, 2024, two school districts issued over \$8.3 million in QSCB bonds.

MONTANA DOWN PAYMENT ASSISTANCE PROGRAM

The 67th Legislature created the American Rescue Plan Act (ARPA) Economic Transformation and Stabilization and Workforce Development Advisory Commission to oversee the allocation of ARPA funds.

Governor Gianforte created the Montana Down Payment Assistance Program in December 2021 as a public-private partnership between the State of Montana and Montana banks, credit unions, and economic development agencies. The program helps Montana businesses finance the acquisition of equipment, new construction, or the purchase of real estate or buildings with improvements.

With the commission's unanimous, bipartisan recommendation, Governor Gianforte allocated \$37 million of the ARPA funds for the program to the Board. The Board, in collaboration with the Governor's Office of Budget and Program Planning, developed the program and provided zero-interest loans for up to 25 years, ranging from \$100,000 to \$3 million.

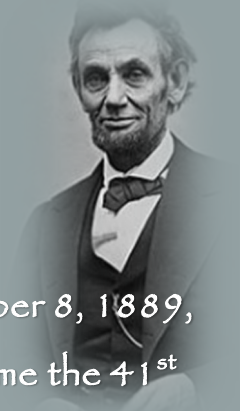
The first round of funds allocated was reserved in six business days, leveraging \$125 million in economic activity across Montana in fiscal year 2023.

A second allocation of \$43 million was made in fiscal year 2024. The second-round allocation was reserved in one business day, leveraging an additional \$86 million in economic activity across Montana.

Central Montana ~ Missouri River Breaks



On May 26, 1864, President Lincoln signed an act that made Montana a territory of the United States.



On November 8, 1889, Montana became the 41st state admitted to the Union.



MONTANA

BOARD OF INVESTMENTS



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The 68th Montana Legislature passed Senate Bill 232, which requires state agencies to report statistics on public information requests. In the fiscal year 2024, the Board received 15 requests, with an average response time of 2.05 days. All requests were fulfilled with information available on the Board of Investments website.
