

MONTANA

BOARD OF INVESTMENTS

POLICY NUMBER: 40.401

EFFECTIVE DATE: May 20, 2026

TITLE: State of Montana 401(a) Defined
Contribution Retirement Plan

SUPERSEDES: NEW

BOARD ADOPTION: May 20, 2026

REVIEWED: May 20, 2026

I. Introduction

- A. The State of Montana Public Employees' Retirement System (PERS) 401 (a) Defined Contribution Plan (the "Plan") was formally adopted by the 1999 legislature and began operation in 2002. The Plan is a qualified pension plan established for the exclusive benefit of Participants and their beneficiaries.
- B. The Montana Public Employees' Retirement Board (MPERB) has contracted with the Montana Board of Investments (BOI) to manage the investment alternatives of the Plan members in accordance with Title 19, Chapter 3, part 21, Montana Code Annotated.
- C. This policy is effective upon adoption and supersedes all previous Investment Policy Statements (IPS) related to the investment management of the State of Montana 401 (a) Defined Contribution Plan.

II. Purpose - The purpose of this policy statement is to provide a broad strategic framework for the State of Montana PERS 401(a) Defined Contribution Plan under the guidance of the Montana Board of Investments.

III. Legal and Constitutional Authority

- A. Article VIII, Section 13, of the Montana Constitution requires that the Legislature provide for a Unified Investment Program for public funds.
 1. Section 17-6-201, MCA:
 - a) Established the Unified Investment Program; and
 - b) Created the Board of Investments.
- B. Section 19-3-2102, MCA, allows MPERB to establish a defined contribution plan.
- C. Section 19-3-2122, MCA, allows MPERB to contract with BOI for management of the defined contribution plan investment lineup.
- D. MPERB voted to contract with BOI on February 12, 2026, and BOI voted to contract with MPERB on February 25, 2026.
- E. Section 17-6-201(1), MCA, requires the BOI Board to operate under the "prudent expert principle," defined as:
 1. Discharging its duties with care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity with the same resources and familiar with like matters exercises in the conduct of an enterprise of like character with like aims; and

2. Discharging its duties solely in the interest of and for the beneficiaries of the funds managed.
- F. The Board acts as an investment fiduciary of the Plan, on behalf of the Montana Public Employees' Retirement Board.
- IV. Strategic Investment Objectives - The overall objective is to provide a range of investment alternatives that offer materially different risk and return characteristics which allow Plan Participants to achieve a portfolio appropriate for the beneficiary based on age, income, and individual retirement goals.
- V. Time Horizon - BOI seeks to provide options for employees to accommodate portfolios with a variety of time horizons. Plan Participants have different investment time horizons and can direct their investments accordingly.
- VI. Performance Measurement - BOI shall review the suitability of investment alternatives and make appropriate changes as warranted upon notification to Participants. Investment performance is measured over a market cycle of seven to ten (7-10) years for each investment manager or asset class based on a relevant benchmark that adheres to industry best practices.
- VII. Roles and Responsibilities
- A. Montana Public Employees' Retirement Board (MPERB)
 1. MPERB, the Plan sponsor, is the named fiduciary of the Plan. Participants make individual investment decisions, subject to the investments offered under the Plan and, ultimately, bear the risks and rewards of investment returns.
 2. MPERB is responsible for the administration of all Plan benefits.
 - B. Board of Investments (BOI)
 1. BOI is responsible for approving the IPS for the Plan and has the authority to select appropriate investment options for Participants, subject to the requirements of 19-3-2122, MCA.
 2. BOI reviews this document periodically and, as needed, approves any changes to the policy.
 3. As described in the BOI Governance Manual, BOI delegates authority to the Executive Director, Chief Investment Officer (CIO), and other Staff to execute the day-to-day duties required to carry out the Board's mission.
 - C. Executive Director - MPERB
 1. The Executive Director is empowered by MPERB to sign all documents required to conduct Board business, unless there are specific written policies or instructions from the Board to the contrary.
 - D. Executive Director - BOI
 1. The Executive Director is empowered by BOI to sign all documents required to conduct Board business, unless there are specific written policies or instructions from the Board to the contrary.
 2. The Executive Director is authorized to contract for investment manager services and, if deemed appropriate, terminate them, per recommendation from BOI's Chief Investment Officer (CIO).
 3. The Executive Director is required to report to the MPERB Board on the performance of the Plan at least annually.

E. Chief Investment Officer

1. The CIO is empowered by BOI to serve as the principal Staff person responsible for overseeing the investment activities under BOI's jurisdiction in compliance with the Board's policies.
2. The CIO, with the support of other Staff, is responsible for recommending any changes to the Plan lineup.
3. The CIO, with the support of other Staff, is responsible for recommending IPS changes for Board approval.

F. Staff

1. The BOI Staff is responsible for:
 - a) Managing day-to-day investment operations and delegating work to external resources as appropriate; and
 - b) Monitoring all investment manager due diligence activities and recommending changes to the CIO.

G. Investment Consultant

1. The investment consultant assists the CIO and Staff with policy recommendations and provides advice to the BOI Board.
2. Monitoring and reporting to the BOI Board the performance of each asset class and the individual managers' performance.
3. The investment consultant also assists Staff in monitoring all external managers and reports independently to the BOI Board.

H. External Managers

1. Investment managers are responsible for all aspects of portfolio management as set forth in the contract specific to each manager.
2. Investment managers must communicate with Staff as needed regarding investment strategies and results.
3. Investment managers must also cooperate fully with Staff regarding any issues as well as any requests from the investment consultant, Plan administrator, and the master custodian.

VIII. Investment Options

- A. The Board will maintain investment options in the Plan in compliance with 19-3-2122, MCA. The Board expects to offer investment options in the following categories, which may include active and/or passive fund management:

1. Domestic Equity;
2. International Equity;
3. Bonds;
4. Real Estate;
5. Real Assets; and
6. Target Date Funds.

The Board may offer additional investment alternatives to meet Participants' changing needs or changes in the investment industry.

IX. Risk Management

- A. Evaluation of Investment Managers - BOI Staff have detailed processes for investing in new managers and overseeing existing manager relationships. These processes shall include, but are not limited to, an ongoing examination of manager investment strategy, philosophy & process, team/staffing, operations & compliance, risk management & legal functions. These processes will be regularly evaluated to comport with industry best practices.
- B. Constraints
1. Liquidity: Participants may move their assets daily from one investment alternative to another, subject to any limitations set by that specific investment alternative. MPERB and BOI seek to offer a range of investment alternatives within the Plan to provide sufficient liquidity to accommodate participant needs.
 2. Tax Considerations: The Plan is exempt from federal and state income taxes. Participants' contributions to the Plan are not taxed. The appreciation of Participants' assets in the Plan is not taxed. Therefore, tax-advantaged investments are not offered.
 3. Legal Considerations: The Plan is governed by applicable federal and state statutes and regulations, including Section 401(a) of the Internal Revenue Code of 1986, as amended, Title 19, Chapters 2 and 3 of the Montana Code Annotated and MPERB's Defined Contribution Plan Document.
- C. Monitoring/Reporting - Transparency
1. Managers shall submit periodic reports to facilitate Staff's monitoring of the managers' conformance to investment restrictions and performance objectives.
 2. Staff shall provide regular reporting to the BOI Board regarding the performance of the managers.
 3. Staff will discuss and communicate any key information discovered due to the ongoing manager monitoring process that might assist the BOI Board in understanding the risks associated with the manager selections for the Plan.

Authority: Montana Constitution, Article VIII, Section 13
Section 2-15-1808, MCA
Sections 17-6-201 through 17-6-203, MCA
Sections 19-2-503 through 19-2-505, MCA
Sections 19-3-2102 through 2122, MCA