



Revenue Interim Committee

67th Montana Legislature

PO BOX 201706
Helena, MT 59620-1706
(406) 444-3064
FAX (406) 444-3036

SENATE MEMBERS

JILL COHENOUR -- Chair
GREG HERTZ
BRIAN HOVEN
MIKE LANG
EDIE MCCLAFFERTY
SHANNON O'BRIEN

HOUSE MEMBERS

BECKY BEARD – Vice Chair
ALICE BUCKLEY
CONNIE KEOGH
MARK THANE
JEREMY TREBAS
TOM WELCH

COMMITTEE STAFF

MEGAN MOORE, Lead Staff
JARET COLES, Staff Attorney
ALEXIS NEWCOMER, Secretary

TO: Revenue Interim Committee
FROM: Megan Moore, Committee staff
DATE: June 6, 2022
RE: HJ 6: Returns for Coal Severance Tax Trust Fund, Retirement Funds, and State Fund

For the House Joint Resolution 6 study of the coal severance tax trust fund, the Revenue Interim Committee requested information on investment returns for the coal severance tax trust fund compared with returns for funds that allow investment in corporate stock.

When asked about investment returns, Board of Investments Executive Director Dan Villa cautioned against using returns of other funds as a proxy for potential coal severance tax trust fund returns because "investment objectives are different, asset allocations are different, cash flow requirements are different, time horizons are different, contributions are different, and risk profiles are different."¹

Board of Investments data on investment returns for the Public Employee Retirement System (PERS), the Coal Severance Tax Trust Fund, and the State Fund for the period from March 31, 1997, to March 31, 2022, show the highest returns for PERS and similar return rates for the Coal Severance Tax Trust Fund and the State Fund.²

Fund	Investment Returns: 3/31/1997 to 3/31/2022
Public Employee Retirement System	7.39%
Coal Severance Tax Trust Fund	5.41%
State Fund	5.36%

Constitutional amendments in 1994 and 2000 allowed for investment of retirement funds and state compensation insurance funds, respectively, in private corporate capital stock. State compensation insurance fund stock investments are limited to 25% of the book value of the fund's total invested assets. There is no restriction on retirement system fund investment in stocks.

Data on investment returns before investment of PERS funds in private corporate capital stock was not readily available. State Fund returns from 2001 to present were 6.63%.³

¹ Email from Dan Villa, Executive Director of Board of Investments, May 11, 2022.
² Email from Dan Villa, May 16, 2022. The investment return range is the longest timeframe for which Board of Investment has readily available monthly performance data for all three plans.
³ Email from Dan Villa, June 4, 2022.