



Legislative Background Brief

for the
Economic Affairs Interim Committee

3/7/14

Board of Investments and Montana State Fund Board Comparisons

Prepared by Pat Murdo, Legislative Staff

The Board of Investments directs Montana's unified investment program for public funds, public retirement system, and the Montana State Fund assets as well as investments of surplus funds for local governments. The unified investment program's market value on Feb. 28, 2014 was \$15.46 billion.

The Montana State Fund Board is responsible for running the statutorily created nonprofit, independent public corporation known as the State Compensation Insurance Fund, also called Montana State Fund or State Fund. The book value of investments at fiscal year end on June 30, 2013, was reported at \$1.21 billion, not including the State Fund headquarters building in Helena, which has been paid for and now is being depreciated. State Fund listed total assets on June 30, 2013, as \$1.63 billion, which includes the building, receivables, and "other" assets valued at \$59.5 million. While the building was being built, one memo reported its value at \$24.8 million.

In sum, both operations deal with a lot of money. They also rely on professional staff that handle overall operations and report to the respective boards. A recent performance audit by the Legislative Audit Division raised a question of whether board members on the Board of Investments ought to be required to have more of a financial background than the current requirements under 2-15-1808, MCA. To help Economic Affairs Committee members better understand the appointment process and the requirements of each board, both of which report to the Economic Affairs Committee, the following Table may help by providing comparisons.

Comparison of Board Members for Montana State Fund, Board of Investments

	Montana State Fund Board	Board of Investments
Number of members	7 voting members + executive director as nonvoting member. There are 2 legislative liaisons.	9 voting members + 2 legislators who are nonvoting
2013 Applications	6 (of which 4 were appointed in 2013)	9 (of which 5 were appointed in 2013)
Statute re: Board appointment	2-15-1019, MCA	2-15-1808, MCA
Member requirements	a) 4 members "shall represent State Fund policyholders" and may be employees of policyholders"; b) 1 member "may be" a licensed insurance producer; c) 1 member must have executive management experience in an insurance company or executive level experience in insurance financial accounting. d) 4 members (at least) must represent private enterprises. --The insurance producer member may represent a competitor.	a) one from the Public Employees' Retirement Board; b) one from the Teachers' Retirement Board; c) 7 members who are to provide a balance of professional expertise and public interest and accountability, who are informed and experienced in the subject of investments, and who are representatives of: (i) the financial community; (ii) small business; (iii) agriculture; and (iv) labor.

Limit on terms?	No more than 2 4-year terms	no
Per diem	Paid \$50/day for each day in which member is actively engaged. Also gets travel expenses. Legislative liaisons get legislator's daily rate.	Paid \$50/day for each day in which member is actively engaged. Also gets travel expenses. Legislative liaisons get legislator's daily rate.
Administratively attached to:	Department of Administration	Department of Commerce
Quasi-judicial board with attorney?	Quasi-judicial board but exempt from having an attorney on board	Quasi-judicial board. Must have one attorney as a board member (has 2)
Staffing: Total and # of management	350 employees of which 7 senior management	28 of which: 6 senior management
Staff exempt from state pay plan?	yes	8 staff are exempt

Backgrounds of members (board members are listed alphabetically within each board):

Montana State Fund:

- Elizabeth Best Attorney. Former Trustee of Centerville School Board, chair of the Montana Board of Labor Appeals, and president of the Montana Trial Lawyers Association.
- Joe Brenneman Dairy Farmer. Former Flathead County Commissioner. Member of the Flathead Reservation Fish and Wildlife Board and Flathead Basin Commission. Was chair of the Flathead County River Commission.
- Wayne Dykstra President and CEO of Liquid Engineering Corp., an engineering and marine construction company. Has been a paramedic and expert witness in medical malpractice cases.
- Bruce Mihelish Served as President, CEO of Western States Insurance, a \$50 million agency ranked as 50th largest insurance agency operation in U.S. Also was board member for Two Medicine Health and Wellness and on the University of Montana Business School Advisory Board.
- Richard Miltenberger Executive Vice President and Partner in Mountain West Benefits, a consulting firm specializing in employee benefits for associations, trusts, government units, and Taft-Hartley plans. Former Vice-President Blue Cross Blue Shield of Montana. Directed sales and marketing at Willis-Knighton Health System and worked at United Healthcare of Louisiana. Served as Senior Director in employee benefit management for Montgomery Ward and Co. and at Marsh and McLennon Companies.
- Lynda Moss Executive Director of Foundation for Community Vitality, which focuses on conservation of landscapes, indigenous cultures, and economic development in the Yellowstone region of Montana and Wyoming (as well as Patagonia, Argentina). State Senator 2003-2012. Was Executive Director of the Western Heritage Center, private advisor to the U.S. Delegation to the United Nations Session of the Permanent Forum for Indigenous Peoples. Served as president of the Absaroka- Beartooth Wilderness Foundation and on the Billings Housing Authority

Commission.

Lance Zanto Bureau Chief, Montana workers' compensation program in the Department of Administration. Previously vice president at Mergenthaler Transfer and Storage, involved in human resources and employee benefits. Was State of Montana Risk Manager and Human Resource, Safety and Loss Control Manager. Served as senior insurance adjuster at Montana State Fund and was a loan officer and assistant branch manager at American General Finance Co. Served as board member for WorkSafeMT and the Montana Motor Carriers Association.

Board of Investments:

Kathleen Bessette Farmer/Rancher near Havre. Former Hill County Commissioner. Also served on Bear Paw Development Board and its revolving loan fund committee.

Gary Buchanan President CEO of Buchanan Capital, which serves individuals, financial institutions, municipalities, and retirement funds. First Director of the Montana Department of Commerce. Formerly served as a senior financial consultant at Merrill Lynch. Former regional director, branch manager, and senior vice president at D.A. Davidson.

Karl England Attorney. Has been board member of Missoula Redevelopment Agency.

Mark E. Noennig Attorney. Served in Montana House of Representatives 1999-2006. Design engineer for Standard (Chevron) Oil Co.

Quinton Nyman Executive Director of the Montana Public Employees Association. Has been board member of Montana AFL-CIO.

Jack Prothero Retired Banker, MBA. Has been Board President of NeighborWorks Great Falls and past president and board member of NeighborWorks Montana. .

Marilyn Ryan Retired, member of Teachers Retirement System. Former middle and high school teacher, instructor at University of Montana. Worked in curriculum development and was a union consultant 2003-2008. Missoula Education Foundation Board Member and Board Member of Montana WorkSafe Committee.

Jon Satre President-Partner in Gordon-Prill-Drapes, Inc. (no other information given)

Sheena Wilson Fills position as retired member of Montana Public Employees Retirement System. Former Deputy Chief of Staff for Gov. Brian Schweitzer. Executive Assistant to State Auditor John Morrison, Co-owner of small business, and Field Representative for Congressman Pat Williams.