



OVERVIEW: BOARD OF INVESTMENTS

The Board of Investments, created under 2-15-1808, MCA, and allocated to the Department of Commerce for administrative purposes, is responsible for administering Montana’s unified investment program, required under Article VIII, section 13, of the Montana Constitution:

The legislature shall provide for a unified investment program for public funds and public retirement system and state compensation insurance fund assets and provide rules therefor, including supervision of investment of surplus funds of all counties, cities, towns, and other local governmental entities. Each fund forming a part of the unified investment program shall be separately identified. ...

According to its [2019 Annual Report](#), the Board of Investments (BOI or the Board) handled \$20 billion in investments for the state, including the universities, and for school districts and most local governments. That report notes that more than half the investments are handled internally by the investment staff, with the remainder handled by external asset managers. A Jan. 23, 2020, tally of BOI investments showed more than \$21 billion.

In administering the unified investment program, the Board uses the "prudent expert principle" and has the primary authority to invest state funds (17-6-201, MCA). Further directives include diversifying holdings of each fund within the unified investment program and discharging its duties "solely in the interest of and for the benefit" of the retirement and other funds in the unified investment program.

BOI Members	Representing	Term Expires
Karl Englund, Missoula, chair	Attorney	1/1/2023
Mark Noennig, Billings, vice chair	Business	1/1/2021
Jim Edwards, Helena	Small Business	1/1/2021
Teresa Olcott Cohea, Helena	Financial Community	1/1/2023
Diane Fladmo, Helena	Labor	1/1/2023
Jack Prothero, Great Falls	Financial Community	1/1/2021
Jeffrey Greenfield, Shepherd	Teachers’ Retirement	1/1/2021
Bruce Nelson, Bozeman	Agriculture	1/1/2023
Maggie Peterson, Anaconda	Public Employees' Retirement Board	1/1/2021
Rep. Jim Hamilton	Legislative Liaison	
Sen. Fred Thomas	Legislative Liaison	

Board Members

The nine-member board, appointed by the governor, also has two nonvoting legislative liaisons. One is appointed by the president of the Senate and the other by the Speaker of the House. The legislators may not be from the same political party and a preference is to be made to someone with a background in investments or finance.

In line with the duty of the Board of Investments to handle pension investments, statute requires one representative from the public employees’ retirement board and one from the teachers’ retirement board. The guidance for remaining members’ qualifications say they should “provide a balance of professional expertise and public interest and accountability...”, along with being informed and experienced in the subject of investments. Four representative areas are mentioned in statute: the financial community, small business, agriculture, and labor. In addition, One of the governor’s appointees must be an attorney, because the board is considered a quasi-judicial board under 2-15-124, MCA.

For February 2020 – Board of Investments

Economic Affairs Interim Committee

Staffing

The Board employs its own staff, now at 32, with the executive director, chief investment officer, assistant investment officer, and eight other professional staff positions exempt from the state classification and compensation plans, under 2-18-103, MCA. The current executive director is Dan Villa, former head of the Office of Budget and Program Planning.

Duties and Responsibilities

The executive director notes that the duties and responsibilities of the Board of Investments are found throughout Montana law, with directives in Titles 2, 5, 7, 15, 17, 19, 20, 22, 39, 52, 60, 69, 75, 76, 77, 81, 82, 87, and 90, MCA.

Major assignments include:

- Prudent investment of the state's financial resources. This includes all pension funds, reserve funds of the state, cities, counties, schools and universities, trust funds acquired by the state through law, litigation, or settlement, and assets of the Montana State Fund. The value of total assets as of Jan. 23, 2020, was \$21,047,974,450.29.
- Implementation of the Municipal Finance (INTERCAP) Program, which lends funds to eligible Montana governmental entities. These funds can be used for lines of credit, acquiring real or personal property, and other purposes.
- Implementation of the in-state loan programs by providing financing for eligible economic development programs in conjunction with approved Montana banks. Loan types may be for commercial, local government infrastructure, intermediary relending programs, veterans' home loan mortgages, or coal trust multifamily homes. Or the loans may be other value-added loans covered by statute.

The following pools, plus separately managed investments, are BOI's focus:

- Consolidated Asset Pension Pool
- Trust Funds Investment Pool
- Short-Term Investment Pool

Funding

The Board of Investments has the ability to charge for its services, functioning under a proprietary fund. Debt service is an obligation but is part of the bond payments.

BOI Budget FY2020, FY2021 (Proprietary - not general fund)			
Division	FY2020	FY2021	Biennium Total
Personal Services	\$4,233,160	\$4,270,775	\$8,503,935
Operating Expenses	\$3,393,097	\$3,269,699	\$6,662,796
Debt Service	\$3,016,115	\$3,235,394	\$6,251,509
Total	\$10,642,372	\$10,775,868	\$21,418,240

Legislative Audits

Financial compliance audits are done annually.

- The Financial Compliance Audit released in January 2020, [18-04B](#), had no recommendations.
- A Financial Compliance Audit, [18-04A](#), January 2019, contained one recommendation related to internal controls over financial reporting. The Board of Investments staff and Legislative Auditors disagreed over whether the issue amounted to a material weakness. (The Board said no, the Legislative Audit Division said yes)