

OFFICE OF THE GOVERNOR
STATE OF MONTANA

STEVE BULLOCK
GOVERNOR



MIKE COONEY
LT. GOVERNOR

May 11, 2017

The Honorable Corey Stapleton
Secretary of State
State Capitol
Helena, MT 59620

Dear Secretary Stapleton:

In accordance with the powers vested in me as Governor by the Constitution and the laws of the State of Montana, I hereby veto House Bill 533 (HB 533), "AN ACT ESTABLISHING REQUIREMENTS FOR PROFESSIONAL INVESTMENT EXPERIENCE FOR CERTAIN MEMBERS OF THE BOARD OF INVESTMENTS; ESTABLISHING CONTINUING EDUCATION REQUIREMENTS FOR BOARD OF INVESTMENTS MEMBERS; AMENDING SECTION 2-15-1808, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

HB 533 establishes a new requirement for three members of the Board of Investments to have at least five years of professional investment experience. This new requirement creates an overconcentration in the financial industry that may present risks of micro-management and conflicts of interest.

Due to receiving this bill after sine die, I no longer have the option of proposing an amendment to reduce the number of members required to have at least five years of professional investment experience from three to two. Therefore, to protect the integrity and functionality of the Montana Board of Investments, and to avoid conflicts of interest that have plagued other states, I must veto this bill.

Current law requires that seven members, who are informed and experienced in the subject of investments, represent the following areas: (1) financial community, (2) small business, (3) agriculture, and (4) labor. In addition, one member must be a licensed attorney, one must be a member of the public employees' retirement board, and one must be a member from the teachers' retirement board. In total, seven different areas must be represented by seven members.

Furthermore, the board members must provide a balance of professional expertise, public interest, and accountability. This board should be a citizen board that represents a cross section of Montanans and brings a diversification of professional experience. Adding a new requirement that three members have at least five years of professional investment experience in addition to the above seven represented areas only further limits the pool of potential board members who meet the qualification requirements and may provide too much power in the hands of those from the investment sales, brokerage, banking, or insurance industries.

Secretary Stapleton
May 11, 2017
Page 2

HB 533 was proposed in response to an audit conducted by the Legislative Audit Division. In making its recommendation, the Legislative Audit Division used the Stanford Institutional Investors' Forum Best Practice Report. The report provided that board competency involves a completely different skill set than those of a professional investment manager, actuary, or auditor, and boards "benefit from diversity of member backgrounds and experience." Furthermore, the report stated that the critical issue is not whether an individual comes to the board with a background in institutional investing, but rather that the board members be prepared "to fulfill their responsibilities and meet their core competencies."

This veto is necessary to protect the integrity, functionality, and diverse representation of Montanans in the Board of Investments and to assure that Montana's multi-billion-dollar investment holdings are managed solely in the interests of Montanans

For these reasons, I veto HB 533.

Sincerely,



STEVE BULLOCK
Governor

cc: Legislative Services Division
Scott Sales, President of the Senate
Austin Knudsen, Speaker of the House