



## **SAIF CORPORATION**

### **BOARD OF DIRECTORS**

**Wednesday  
December 14, 2011  
10:00 a.m.**

**SAIF Corporation  
400 High St SE  
Salem, Oregon**

After determining a quorum was present, the meeting was called to order at 10:04 a.m.

#### **Roll call:**

Catherine Travis, Chair  
Robb Van Cleave, Vice Chair  
John Endicott  
Jim Ford (via phone)

#### **SAIF Corporation personnel present:**

Brenda JP Rocklin, President and CEO  
Ken Collins, Interim Vice President of Information Services  
Chris Davie, Vice President of Corporate Policy and External Affairs  
Jerry Dykes, Chief Financial Officer  
Ryan Fleming, Director of Human Resources  
Kathy Gehring, Vice President of Claims  
John Gilkey, Sr. Vice President of Policyholder Services and Programs  
Michelle Graham, Vice President of Policyholder Services  
Rick Hanson, Strategy and Brand Director  
Michael Hartman, Vice President of Policyholder Programs  
Annie Lyons, Claims Adjuster  
Theresa McHugh, Vice President of Financial Services  
Pat Morrill, Agency and Group Program Coordinator  
Mike Mueller, Sr. Vice President of Claims  
Alison Olson, Accounting Analyst  
Lori Pallister, Lead Business Analyst  
Shannon Rickard, Legal Services Director  
Colleen Sealock, Vice President of Operations and Human Resources  
Paul Weddle, Assistant Counsel  
Christy Witzke, Marketing and Groups Director  
Pam Woods, Vice President of Claims  
Stephanie Robinson, Assistant to the Board  
Ruth Lord, Assistant to the Board

### **EXECUTIVE SESSION**

#### **Pending litigation**

At 10:04 a.m., the Chair declared this portion of the meeting to be in Executive Session, pursuant to ORS 192.660(2)(f) and ORS 192.660(2)(h), to allow the board to discuss pending litigation.

### **End of Executive Session**

At 10:05 a.m., the Chair announced the conclusion of Executive Session.

### **Approval of board minutes**

Motion Jim Ford, second Robb Van Cleave, to approve the minutes of the meeting of November 16, 2011. The vote was unanimous, and the motion was carried.

### **Budget request for 2012**

Theresa McHugh recommended that the board approve a total budget of \$132.3 million for 2012, which is comprised of \$128.1 million in direct operating expenses, \$2.9 million for costs related to the Assigned Risk program, and \$1.3 million for costs related to the Other States Coverage program. She also asked for the board's approval of a capital budget for 2012 of \$576,996.

#### Direct operating expense budget

The 2012 direct operating expense budget is a 6.7 percent increase above the 2011 direct operating expense budget. There are three large components that comprise the majority of the increase from 2011:

- The largest increase is in agent commission costs, at \$2.7 million when comparing budget to budget, and under \$1 million when comparing budget to projected 2011 actual expenses.
- An increase in the PERS rate was in effect for six months of 2011, and is effective all of 2012 and for at least the first six months of 2013.
- An increase in credit card fees, which was a result of the implementation of the credit card program in August of 2011.

The remaining growth over 2011 is a two percent increase, and over half of that increase is related to the cost of new FTE and an increase in performance-based compensation awards and associated costs.

#### FTE

The FTE count shows a decrease since the November board meeting, resulting from an adjustment in hours for a part-time position and vacancies in two other positions that will not be filled or included in the 2012 budget. A claims adjuster trainee class will be hired in early 2012, but those positions have not been included as new FTE because it is anticipated that they will be absorbed through attrition during the course of the year.

#### Capital budget

The 2012 capital budget shows a 32.2 percent increase from 2011. Ms. McHugh noted that the 2011 and 2010 capital budgets were unusually low, partially due to the focus on eliminating the mainframe, which has now been completed.

## Exhibits

Ms. McHugh reviewed and briefly discussed each of the following exhibits:

### Exhibit A: Budgeted and Actual Direct Operating Expenses

- This chart shows information for the last several years, and Ms. McHugh noted that 2012 shows a budget total that is similar to 2007, right before the recession occurred.

### Exhibit B: Major Expenses for 2011 and 2012

- Salaries, employee benefits, retirement, and payroll taxes make up 69 percent of the budget.
- Commissions equal slightly over 14 percent.
- The remaining categories are slightly under 17 percent.

### Exhibit C: Proposed 2012 Operating Expense Budget

- This report provides budget account information.

### Exhibit D: Proposed 2012 Operating Expense Budget Account Detail

- This report provides detail and components of each budget account shown in Exhibit C.

### Exhibit E: 2012 Operating Expense Budget Variances

- Ms. McHugh noted significant items in the 2012 budget and areas that experienced significant changes from the 2011 budget and 2011 projected actual expenses.

Mr. Ford inquired as to what measures were taken to ensure that the credit card fees charged to SAIF are competitive. Ms. McHugh stated that SAIF works directly with the Oregon State Treasury, and Jerry Dykes added that Treasury reviews the fees every few years. SAIF's average is two percent on transactions. Mr. Ford stated that based on the high ticket size and low chargeback rate of SAIF's transactions, SAIF should be getting the best rate as opposed to a blended rate. Ms. McHugh and Mr. Dykes confirmed that the rate is beneficial to SAIF because it is based on the volume of the entire state, but they will look into that further with the State Treasury.

### Exhibit F: 2012 FTE Distribution

### Exhibit G: Regular FTE Reconciliation

- This chart provides detail on what is shown in Exhibit F.

### Exhibit H: Direct Earned Premium vs. Expense Ratio (Operating Expense Ratio)

- SAIF's operating expense ratio is projected to remain largely unchanged in 2012, even though the budget is increasing, because premium is also expected to increase in 2012.

### Exhibit I: Ten-Year Key Growth Indicators

### Exhibit J: Group Program Profile

### Exhibit K: Facilities List (organized by buildings owned and buildings leased)

Exhibit L: IS Significant Budget Items

- One of the primary initiatives in 2012 will be an examination of how SAIF can reduce its paper usage, including board packets.
- This exhibit outlines new projects starting now that the mainframe has been eliminated.

Exhibit M: 2012 Capital Budget

- The significant increase this year over last year is in computer hardware and server upgrades.
- Older vehicles will continue to be replaced, but SAIF's overall fleet will decrease by four vehicles.

Mr. Ford commented that he appreciates the historical perspective that was provided in the board packet, because having that extra data was very helpful in understanding the budget increases.

Ms. McHugh noted that this is the first year SAIF has used the new budget system, which was approved by the board last year. Exhibits C and D were system generated this year instead of having to be manually entered.

John Endicott suggested that we look at American-made products as we go forward with making purchases in 2012. Mr. Van Cleave inquired as to how we would work that in with the Oregon procurement laws. Chris Davie answered that SAIF is not subject to the public contracting statutes. Ms. Rocklin added that SAIF currently considers whether a proposed vendor is a SAIF policyholder and that it would not be a problem to add a new factor to our list of contract considerations.

Motion Mr. Van Cleave, second Mr. Endicott, to approve the 2012 Operating Expense Budget and the 2012 Capital Budget. The vote was unanimous, and the motion was carried.

**Associated Oregon Industries (AOI) contract**

Pat Morrill proposed a new three-year Group Insurance Agreement and Group Member Services Addendum with Associated Oregon Industries (AOI). The current Agreement expires December 31, 2011. SAIF will pay AOI \$53,358 for 2012, \$45,576 for 2013, and \$45,576 for 2014. These amounts represent a 39 percent increase for the 2012 year and a 19 percent increase for the 2013 and 2014 years over the last contract. The increase incorporates a shift to a more targeted approach in AOI's marketing strategy of the AOI/SAIF group programs.

Motion Mr. Van Cleave, second Mr. Endicott, to approve the three-year Group Insurance Agreement and Group Member Services Addendum with AOI. The vote was unanimous, and the motion was carried.

Mr. Van Cleave added that he likes seeing SAIF on OPB and that he hopes we continue that partnership, as it benefits both parties. Mr. Davie agreed and advised board members that SAIF has been advertising on OPB for the past five or six years and is currently under a three-year contract.

### **2012-2014 Corporate Strategic Plan**

Mr. Davie presented the Corporate Strategic Plan (CSP), which was a final version of what was presented in draft form at the November board meeting.

Rick Hanson stated that the new plan has been announced internally and that it was met with positive feedback from employees. He added that the CSP team is currently soliciting volunteers for several of the tactics; they anticipate that those decisions will be made in January and that all teams will be up and running sometime in February. Mr. Hanson will report back in mid-2012 with an update on progress.

All employees now have a card displaying the key strategies in the new plan. The cards also were distributed to board members.

Motion Mr. Ford, second Mr. Van Cleave, to approve the 2012-2014 Corporate Strategic Plan. The vote was unanimous, and the motion was carried.

### **Injured Worker Resources tactic**

Annie Lyons reported that the Injured Worker Resources tactic team completed extensive research to obtain input from injured workers on what their experience has been and what their expectations are when working with SAIF. The team also examined every piece of claim information, including forms, documents, and data elements, to determine what is needed to benefit the worker and help reduce confusion. This research resulted in an extensive list of recommendations, both for improving SAIF's existing website resources and for developing new ones.

The team developed a philosophy for coming up with a plan for a dynamic online experience for injured workers: **Just in time** (available 24/7), **Just enough** (the essential information), and **Just for me** (claim-specific information).

Lori Pallister discussed a diagram that illustrates what the team is recommending to be provided to injured workers through SAIF's website. When workers visit saif.com and select the Worker Guide landing page, they will be provided with the option to log into a secure Injured Worker website where they will be able to access claim information, claim payments, and claim forms.

The tactic team took their recommendations to the Executive Council, which were approved. Implementation of the team's recommendations is now moving forward. Chair Travis commented that she likes the personal approach the team used. She also likes the "just enough" philosophy, as it will ensure that only the essential information is being sent to the injured worker, which will help to eliminate confusion.

### **President's report**

#### Forward-looking calendar

Ms. Rocklin reminded the board that in January there will be another tactic team coming to discuss delivery of services throughout Oregon. Also in January there will be a discussion with the Chief Actuary Shawn Wright about key loss reserve assumptions.

Legislative updates are also back on the agenda for the first couple of meetings of 2012 because the Legislature will be back in session in February for one month.

There were no questions.

#### Contracts list

Ms. Rocklin provided the board with the pending contracts list. There were no questions.

#### SAIF Live

Ms. Rocklin informed the board that she and the Executive Council will discuss year-end highlights tomorrow at SAIF Live, which will include the board's action today on the budget. Also on the agenda is the recent visit to the thirteen customers who are featured in the 2012 Comp News calendar. Ms. Rocklin will discuss the positive comments made by those customers about their experiences with SAIF.

Ms. Rocklin also announced that Stephanie Robinson, Assistant to the Board, will be retiring at the end of this year. She and the board thanked Ms. Robinson for her 24 years of service at SAIF.

(Jim Ford left the meeting at 11:00 a.m.)

#### **Report from Board Compensation Committee**

Mr. Van Cleave distributed the calendar of the board compensation committee's process for the upcoming CEO evaluation. In January Ms. Travis and Mr. Van Cleave will interview all members of the Executive Council to gather input for the CEO evaluation; a specific date for those interviews will be set. Ralph Martinez will not be available in February, so Mr. Van Cleave is working with Ms. Travis to determine who will participate in the Board Compensation Committee meeting scheduled to be held in February. At that meeting, the committee will gather data and make their recommendations on Ms. Rocklin's performance rating and pay adjustment. Those recommendations will be presented to the full board at the March board meeting.

#### **Report from Board Audit Committee**

Mr. Endicott informed the board that the Audit Committee met prior to the board meeting, with Mr. Ford attending via phone. At the meeting, Internal Audit reported on the following audits:

- Weekly wage audit follow-up
- Underpayment review follow-up
- Other States Coverage review

They also reviewed the internal audit budget and risk assessment plan. He noted that one of the things in the budget is the addition of an IT Auditor. He also noted that Casey Baumert will be changing his FTE to 60 percent.

There was a closed-door session wherein Audit Committee members asked about any undue pressures put on Internal Audit. None was reported.

Mr. Endicott also recommended that Patrick Allen, who is the new director at DCBS, be invited to an upcoming board meeting so the board can share its thoughts on how things are going at SAIF.

**Adjournment**

Motion Mr. Van Cleave, second Mr. Endicott, to adjourn the meeting. The vote was unanimous, and the motion was carried.

There being no further business, the meeting was adjourned at 11:05 a.m.

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Ruth Lord, Assistant to the Board