



SAIF CORPORATION
BOARD OF DIRECTORS MEETING

Wednesday
December 10, 2008
10:00 a.m.

SAIF Corporation
400 High Street SE
Salem, Oregon

After determining a quorum was present, the meeting was called to order at 10:13 a.m.

Roll Call:

John Anhorn, Chair
Catherine Travis, Vice Chair
John Endicott
Ralph Martinez
Robb Van Cleave (joined the meeting at 10:35 a.m.)

SAIF Corporation Personnel Present:

Brenda JP Rocklin, President and CEO
Chris Davie, Vice President of Corporate Policy and External Affairs
Colleen Sealock, Vice President of Operations and Human Resources
John Gilkey, Vice President of Policyholder Services
Michael Mueller, Sr. Vice President of Claims and Legal Services
Pamela Jordan, Vice President of Administrative Services
Theresa McHugh, Vice President of Financial Services
Steve Snyder, Vice President of Fraud and Investigations
Michael Hartman, Vice President of Underwriting Services
Michelle Graham, Vice President of Claims
Garry Robinson, Vice President of Information Services
Cathy Pollino, Chief Internal Auditor
Casey Baumert, Corporate Internal Auditor
Pat Morrill, Agency and Group Program Coordinator
Christy Witzke, Director for Marketing and Groups
Quinton Clem, Claims Training Supervisor
Jerry Dykes, Chief Financial Officer
Denise Martin, Accounting and Budget Analyst
Sara Bayes, Executive Assistant

Other Attendees:

Michael Wood, Administrator, OR-OSHA

EXECUTIVE SESSION

Pending Litigation

At approximately 10:13 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 approximately 10:17 a.m., the Chair announced the conclusion of Executive Session.

Approval of Minutes

Motion, Ms. Travis, second Mr. Martinez, to approve the minutes of the meeting of November 12, 2008. The vote was unanimous and the motion was carried.

OR-OSHA

Chris Davie introduced Michael Wood, the administrator of Oregon OSHA (OR-OSHA). Mr. Wood provided OR-OSHA handouts and updates to SAIF's board and executive officers on OR-OSHA services, enforcement activity, and OR-OSHA's proposed budget for the 2009-2011 biennium.

AOI Group Contract

Pat Morrill proposed a new three-year, \$38,370 per year contract with Associated Oregon Industries (AOI), for AOI's Group Insurance Agreement and Partnership Services Addendum. This is a \$6,170 or 19 percent increase from previous years and includes the following services:

1. Monthly roster reconciliation to satisfy the requirements of ORS 737.316(1).
2. Marketing of the AOI/SAIF Corporation Group Insurance Programs, including the following:
 - a. Promotional materials and communications to AOI members;
 - b. Direct communication campaign to SAIF's appointed agents regarding the SAIF/AOI program (new this year);
 - c. Feature SAIF as a prominent workers' compensation business partner on AOI website; and
 - d. Full-page space for promotion/education in four AOI Business Viewpoint publications (increase from half-page space in previous contract).

There are 851 members, representing approximately \$18 million in premium, currently in the group program with AOI.

Motion Ms. Travis, second Mr. Martinez, to approve the three-year, \$38,370 per year contract with Associated Oregon Industries (AOI) as outlined by Ms. Morrill. The vote was unanimous and the motion was carried.

2008 Injured Worker Satisfaction Survey

Mike Mueller reported to the board that, since 1997, SAIF has conducted periodic injured worker satisfaction surveys. From here forward, both the injured worker and Spanish-speaking injured worker surveys will be conducted every other year. The next injured worker survey results will be available in June 2010.

Quinton Clem reported that the overall 2008 survey results concluded that 54 percent of injured workers rated SAIF's claims service as "excellent" or "very good" and 25 percent rated the service as "good," for a combined percentage of 79. Of the remaining respondents, 10 percent rated SAIF's overall service as "fair," and 11 percent said service was "poor." Notable increases of the injured workers' perceptions of claims personnel were found in "responsive to needs" at 88 percent, "professional" at 96 percent, "a good listener" at 92 percent, and "polite" at 96 percent. Also, the injured workers' perception of SAIF in terms of "being a stable company" and "paying fair and consistent benefits" continue to be positive when compared to 2005 results. Mr. Clem added that the areas in which the survey showed decreases, such as communication, understanding of the workers' compensation system, and medical care satisfaction levels will be watched closely over the next two years.

Corporate Strategic Plan

Chris Davie presented the board with the final draft of the 2009-2011 Corporate Strategic Plan (CSP). At the board's request, the CSP team added a tactic to evaluate alternative means of providing payments to injured workers or beneficiaries and a tactic to develop a financial contingency plan as part of the update to SAIF's Dynamic Financial Analysis model (DFA).

During the first quarter of 2009, CSP team members will be responsible for completing project plans for each of the seven strategies. The project plans will include targets, milestones, and measurable results.

The board approved the 2009-2011 Corporate Strategic Plan.

2009 Operating & Capital Budgets

Theresa McHugh reported that the proposed 2009 operating expense budget is \$128 million or \$1.3 million less than the 2008 board-approved budget. This represents a one percent decrease from the 2008 budget, and an increase of 2.89 percent compared to the 2008 projected actual expenses. One major component affecting the percentage increase in the 2009 budget over the 2008 projected actual expenses was the favorable outcome for SAIF in the OSEP vs. SAIF case in 2008. This was credited in 2008 and significantly reduced the 2008 projections from what they would have otherwise been. Excluding the OSEP adjustment, the increase over the 2008 projected actual expenses would be just under 2.2 percent. The budget, while lean, still accommodates initiatives outlined in the 2009-2011 Corporate Strategic Plan. The 2009 FTE is estimated to be under the 2008 FTE by 3.4, which brings the projected 2009 FTE count to 886.96. Capital budgeted expenditures are also significantly reduced from 2008 and total \$138,796 for 2009.

Motion Mr. Van Cleave, Second Ms. Travis to approve the 2009 direct operating expense budget of \$125.9 million, a net operating expense budget of \$128.0 million, and a capital budget of \$138,796. The vote was unanimous and the motion was carried.

Legislative Update

Mr. Davie reported that SAIF has two legislative proposals currently in Legislative Counsel for drafting, and they will be available prior to the 2009 legislative session.

Mr. Davie updated the board on the Management-Labor Advisory Committee and their continued discussion of attorney fees, supplemental disability benefits, death benefits, and alternative care treatment that will be presented at the 2009 Legislative Session.

The Workers' Compensation Division has "housekeeping" concepts to bring forward and SAIF is looking at these concepts to avoid any unintended consequences.

Mr. Davie informed the board members that they will receive SAIF's 2009 CompNews calendar by mail.

President's Report

2009 Board Calendar / SAIF Holidays

The board was presented with the final draft of the 2009 board meeting dates and SAIF holidays.

Ms. Rocklin informed the board that the June 17, 2009 board meeting will take place at SAIF's new Portland office.

Contracts List

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

Other Business

Audit Committee

Ms. Travis reported that the Audit Committee had met with representatives from KPMG and the Audits Division of the Oregon Secretary of State's office earlier today, to discuss the financial audits. The conclusion was a clean, unqualified opinion with no material weaknesses. There were four significant deficiencies in the areas of: reinsurance recoverables, review of user access, administrator and superuser access, and administrator access and user provisioning. KPMG actuaries reviewed SAIF's in-house actuarial study, as well as the study of the board-appointed actuary Rick Sherman, and determined that SAIF's reserves were in a reasonable range and no fraud risk was identified.

Other internal audits were discussed by SAIF's internal auditors, and management has agreed to all recommendations.

Audit Committee members met the internal auditors privately. Board members were assured that the auditors continue to receive full cooperation from SAIF staff.

Ms. Travis reported that the Audit Committee will meet again on April 1, 2009, prior to the Board meeting.

Compensation Committee

Mr. Van Cleave reminded board members of the CEO performance review timeline memo in the board packet.

Given Board Member Martinez's anticipated resignation, Mr. Van Cleave proposed that a board audit committee member transfer to the compensation committee since the CEO's yearly compensation review is based on the prior year. All board members agreed.

Adjournment

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

There being no further business, the meeting was adjourned at 11:47 a.m.

Sara Bayes, Executive Assistant to the Board