



SAIF CORPORATION

BOARD OF DIRECTORS

**Wednesday
December 13, 2017
10:00 a.m.**

**SAIF Corporation
440 Church St.
Salem, Oregon**

After determining a quorum was present, the meeting was called to order at 10:02 a.m.

Roll call:

Jennifer Ulum, Chair
Jeff Stone, Vice Chair
Krishna Balasubramani
Kevin Jensen
Maurice Rahming

SAIF Corporation personnel present:

Kerry Barnett, President and CEO
Bill Barr, Chief Operating Officer
Ken Collins, Chief Information Officer and Chief Technology Officer
Chris Vrontakis, Vice President of Policyholder Services
Bruce Hoffman, Vice President of Underwriting Services
Gina Manley, Vice President of Finance and Chief Financial Officer
Kathy Gehring, Vice President of Claims
Holly O'Dell, Vice President of Legal and Strategic Services
Christy Witzke, Vice President of Marketing, Sales, and Communications
Jennifer Webster, Vice President of Human Resources
Bridgette Matthews, Assistant Vice President of Claims
Chuck Easterly, Director, Safe and Healthy Workplace Center
Cathy Pollino, Chief Internal Auditor
Alison Olson, Budget Supervisor
Bill Donaldson, Information Security Supervisor
Kelly Miller, Assistant to the Board

Approval of Board minutes

Motion Mr. Jensen, second Mr. Stone to approve the minutes of the November 8, 2017 meeting. The vote was unanimous, and the motion was carried.

2018 budget

Referring to materials provided in advance of the meeting, Ms. Manley reported that SAIF is proposing an operating budget of \$210.6 million for 2018. This is an increase of \$16.9 million or 8.7% from the 2017 budget. The 2018 proposed budget includes \$6.4 million for Salem campus renovation furniture and technology costs. Without these one-time spends, the budget increase would be \$10.5 million or 5.4%. Ms. Manley reviewed

the details of employee costs (\$125.7 million), commissions (\$30.5 million), facilities and equipment (\$21.6 million), and other budget drivers. SAIF is also proposing a capital budget of \$40.9 million consisting of \$31.7 million for the Salem campus renovation, \$5.8 million for the policy and billing replacement project, \$2.2 million for facilities equipment, \$1.1 million for technology, and \$107,750 for fleet vehicles. The 2018 proposed budget is consistent with SAIF's strategic plan.

Throughout the report, Ms. Manley and other executive staff members responded to questions from the Directors regarding such matters as purchases for the Salem campus renovation, increased FTE, and the policy and billing replacement project. Regarding the Salem campus renovation, the Directors requested a report showing the percentage of work that has been completed by minority-owned, women-owned, and emerging small businesses. Mr. Stone expressed his appreciation for the detailed and well-presented budget information.

Upon motion duly made and seconded, the 2018 budget was unanimously approved.

Task Force update

Mr. Barnett presented an update on the Governor's Task Force on the PERS Unfunded Actuarial Liability. The Governor's staff is focused on three main proposals; a matching fund to encourage creation of PERS side-accounts, creation of a risk reserve pool for several state entities, including SAIF, and the creation of side accounts by state entities. SAIF is actively exploring the creation of a side account that would be used solely to offset future PERS assessments payable by SAIF.

Mr. Barnett responded to several questions from the Directors regarding details of each option and the potential ramifications to SAIF. The board expressed their appreciation for management's efforts to help solve the PERS UAL problem in a manner consistent with SAIF's interests.

Small business digital strategy

Mr. Barnett provided a report on SAIF's small business digital strategy. This strategy is in response to how small businesses are increasingly purchasing insurance and other products online. Colorado's state fund, Pinnacol, has developed an online digital portal called Cake. This portal enables small businesses to quote, purchase, and enroll in five minutes. Further research and analysis is being completed on how we would build this capability ourselves or how we might integrate Cake with our technology.

Mr. Barnett responded to several questions from the Directors regarding return on investment, the percentage of our book of business interested in this service, and next steps.

Operations report

Mr. Barr reported the Salem campus renovation project is going well and reminded the Directors of the increased scope and extended schedule for additional work to the Parkway building. The policy and billing project continues to challenge us; the teams are responding effectively. The go-live date was moved out three weeks due to operational requirements.

Referring to the scorecard, Mr. Barr addressed current performance in each of the four sections. He went on to highlight various measures we have chosen to eliminate, adjust, or move to a different section for the 2018 scorecard.

We continue to do well on three of the one percent incentive measures through the third quarter. Project portfolio work continues and the teams are working diligently to honor deadlines. For the 2018 one percent incentive measures, management is proposing the following measures: (1) loss ratio: paid claims to standard premium, (2) frequency of all claims versus expected frequency, (3) percent of injured workers with 60 days or less of temporary total disability, and (4) the project portfolio.

President's report

Mr. Barnett reported an average pure premium reduction of 14 percent and a 4-point increase to each of SAIF's expense tiers, both effective January 1, were approved by the Department of Consumer and Business Services.

SAIF's employee engagement survey had a response rate of 85%. Strengths include leadership and clarity of direction. Opportunities were similar to last year's survey.

A ten percent discount has been approved for the new Oregon Restaurant and Lodging Association contract which launches on January 1.

ERM update on cyber security

Mr. Collins provided a report to the Directors on cyber-security issues and SAIF's security program goals. He outlined SAIF's risk assessment, areas in which SAIF has improved, upcoming areas of focus, and a recent security incident.

Mr. Collins and SAIF's Information Security Supervisor, Bill Donaldson, responded to questions from the Directors. Chair Ulum shared her appreciation for the update.

Mr. Balasubramani stepped out of the meeting at 11:57 p.m.

Schedule for CEO performance

Chair Ulum reviewed the CEO performance review schedule which will be similar to last year. Solicitation for feedback will go out in January and February with the final performance review at the March board meeting.

Board Audit Committee report

Mr. Jensen reported the Audit Committee met prior to the board meeting. Multiple audits were reviewed including the dividend issuance and SAIF's expense allocation process. The committee approved the 2018 internal audit plan.

Finalize 2018 board calendar

The 2018 draft board and committee calendar was approved. The September board meeting will be held at SAIF's Portland office.

Mr. Balasubramani returned to the meeting at 12:17 p.m.

Board transition

Chair Ulum thanked Mr. Jensen for his service on SAIF's Board of Directors and read a resolution into the record. Other Directors and management expressed their appreciation for Mr. Jensen's dedication and camaraderie.

Motion Mr. Rahming, second Mr. Stone to adopt the resolution. The vote was unanimous, and the motion was carried.

Adjournment

There being no further business, the meeting was adjourned at 12:23 p.m.



Kelly Miller, Assistant to the Board