



SAIF CORPORATION

BOARD OF DIRECTORS

**Wednesday
December 14, 2016
10:00 a.m.**

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

After determining a quorum was present, the meeting was called to order at 10:01 a.m. Due to inclement weather, four board members participated via telephone and WebEx. Chair Ulum requested Jeff Stone facilitate the meeting since she was participating remotely.

Roll call:

Jeff Stone

Via phone and WebEx:

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

SAIF Corporation personnel present:

Kerry Barnett, President and CEO
Bill Barr, Chief Operating Officer
Ken Collins, Chief Information Officer
Michelle Graham, 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
Jennifer Webster, Vice President of Human Resources
Cathy Pollino, Chief Internal Auditor
Chuck Easterly, Safe and Healthy Workplace Center Director
Marsha Malonson, Administrative Services Director
Mike Watters, Communications and Design Manager
Alison Olson, Budget Supervisor
David Barenberg, Government Relations Director
Jaye Fraser, Assistant Counsel
Kelly Miller, Assistant to the Board

Approval of board minutes

Motion Krishna Balasubramani, second Jenny Ulum, to approve the minutes of the November 9, 2016 meeting. The vote was unanimous, and the motion was carried.

2017 budget

Mr. Barnett reviewed the budget planning process, highlighting key budget drivers. Delivering on our current initiatives is the primary theme of the 2017 budget. Referring to material provided in advance of the meeting, Ms. Manley reported that SAIF is proposing an operating budget of \$193.7 million for 2017. This is an increase of \$9.8 million, or 5.3% from the 2016 budget. Ms. Manley reviewed the details of employee costs (\$119.5 million), agent commissions (\$30.4 million), and other budget drivers. SAIF is also proposing a 2017 capital budget of \$65.4 million consisting of \$46.9 million for the Salem campus renovation project, \$18.1 million for the policy and billing replacement project, \$250,000 for network, scanners, and server upgrades, and \$200,000 for fleet vehicles.

Throughout the report, Ms. Manley, Mr. Barnett, and other executive staff members responded to several questions from Directors regarding the Salem campus renovation project, the 1% corporate-wide incentive, and the policy and billing replacement project. Mr. Balasubramani expressed his appreciation for the detailed and concisely presented budget information.

Upon motion duly made and seconded, the 2017 budget was unanimously approved.

1% corporate-wide incentive award

Mr. Barnett reviewed the key components of SAIF's new compensation system, which goes into effect in 2018. As part of this system, the 1% corporate-wide incentive will be based on measures and goals approved by the Board.

Mr. Barr presented the proposed key performance measures, and goals of each, for the 1% corporate-wide incentive award. They include loss ratio, return to work timeliness, claims frequency, and project portfolio health. These measures were chosen because they are impacted by the work of many divisions across the company and they reflect clear alignment with SAIF's core commitments.

Mr. Barnett and Mr. Barr responded to several questions from the Board regarding how the measures were chosen and if they will remain the same from year to year.

Upon motion duly made and seconded, the board unanimously approved the 1% corporate-wide incentive award measures as presented.

Corporate scorecard

Referring to materials presented prior to the meeting, Mr. Barr reminded the board that the scorecard contains critical, corporate-wide metrics that help align our work to our mission and ensure we are meeting our core commitments. He listed the four scorecard measures being addressed today and then turned the floor over to members of the executive team. Mr. Hoffman spoke about loss ratio; Ms. Witzke addressed new business sales; Mr. Easterly addressed frequency of all filed claims vs. expected frequency; and Ms. Webster spoke about employee retention and turnover.

Mr. Barr and members of the executive team responded to questions from the Board regarding claims frequency, employee turnover ratio, and how the scorecard is being communicated.

Project portfolio update

Mr. Barr updated the board on the status of the portfolio projects with respect to scope, schedule, and budget. While acknowledging some schedule and budget pressures, Mr. Barr reported he is generally pleased with the status of these projects. We continue to refine the report, adding sections to show completed and upcoming projects.

President's report

Mr. Barnett provided a look back on 2016, listing many of our key accomplishments including the dividend, Salem campus project, major technology projects, clean audit from the Secretary of State, and many others, all while providing excellent service to our policyholders and injured workers. He thanked everyone at SAIF for the incredible work they have done this year.

The Directors offered numerous comments on this impressive list and commended the staff on their achievements.

Legislative update

Jaye Fraser provided a legislative update to the board. With a potential \$1.7 billion shortfall, revenue will be a major issue this session. Other likely issues include transportation, family leave, and housing. The Workers' Compensation Division recently completed several months of rulemaking. Most significant for SAIF is premium exemption which will now require communication with the Workers Compensation Division. SAIF is viewed as a trusted workers' compensation resource and our education efforts continue with legislators and labor and business partners.

CEO performance review

Chair Ulum asked for input regarding the CEO performance review documents, previously emailed to the Directors. Solicitation for feedback will go out in January and February with the final performance review at the March board meeting.

Audit Committee report

Mr. Jensen reported the Audit Committee met prior to the board meeting. Multiple audits were reviewed including the Salem campus project contract invoice monitoring and building security. The committee approved the 2017 internal audit plan.

EXECUTIVE SESSION

Pending litigation

At 11:54 a.m., the Chair declared the following 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 exempt public records and pending litigation.

End of executive session

At 1:25 p.m., the Chair announced the conclusion of Executive Session and adjournment of the meeting.



Kelly Miller, Assistant to the Board