



**SAIF CORPORATION**

**BOARD OF DIRECTORS MEETING**

**Wednesday  
March 15, 2017  
9:00 a.m.**

**SAIF Corporation  
440 Church Street SE  
Salem, Oregon**

After determining a quorum was present, the meeting was called to order at 9:05 a.m.

**Roll call:**

Jenny Ulum, Chair  
Kevin Jensen, Vice Chair  
Krishna Balasubramani  
Maurice Rahming  
Jeff Stone - absent

**SAIF Corporation personnel present:**

Kerry Barnett, President and CEO  
Bill Barr, Chief Operating Officer  
Ken Collins, Chief Information Officer and Chief Technology Officer  
Michelle Graham, Vice President of Policyholder Services  
Bruce Hoffman, Vice President of Underwriting Services  
Jennifer Webster, Vice President of Human Resources  
Gina Manley, Vice President of Finance and Chief Financial Officer  
Holly O'Dell, Vice President of Legal and Strategic Services  
Bridgett Matthews, Claims Director  
Joe Nhem, Actuarial Research Director  
Christy Witzke, Marketing and Groups Director  
David Barenberg, Government Relations Director  
Allison Olson, Budget Supervisor  
Cathy Pollino, Chief Internal Auditor  
Kelly Miller, Assistant to the Board

The meeting was webcast internally at SAIF.

**REGULAR BUSINESS MEETING**

**Approval of Board Minutes**

Upon motion duly made and seconded, minutes from the January 23, 2017, meeting were unanimously approved.

Due to Mr. Stone's absence, Chair Ulum was appointed to the compensation committee for today's meeting.

## **EXECUTIVE SESSION**

### **Review and Evaluate the Performance of the CEO**

At 9:09 a.m., Holly O'Dell declared this portion of the meeting to be in Executive Session, pursuant to ORS 192.660(2)(i), to allow the board to review and evaluate the performance of the CEO.

### **End of Executive Session**

At 9:45 a.m., the Chair announced the conclusion of Executive Session.

## **RECESS FOR COMMITTEE MEETINGS**

At 9:46 a.m., the regular business meeting was recessed for committee meetings.

## **REGULAR BUSINESS MEETING**

At 11:05 a.m., the regular business meeting resumed.

### **CEO Performance Evaluation and Compensation**

Mr. Balasubramani reported on the board's evaluation of the CEO's performance, noting the process was similar to the last couple of years. The overall theme of the evaluation was extremely positive.

Chair Ulum thanked Mr. Barnett for his leadership and expressed how pleased the board is with his work. The organization is functioning well which reflects back on SAIF's management team. SAIF has a great culture which continues to improve.

Mr. Balasubramani reported on the board compensation committee meeting. The committee looked at salary benchmarks from similar organizations noting that in many ways, SAIF is unique in the industry. The committee reviewed data from other state funds and from the broader P&C market to assess market compensation. The composite benchmark, based on advice from outside compensation consultants, weighs the state fund data by one-third and the P&C market by two-thirds. The market has moved to smaller base pay increases and larger incentive pay. The compensation committee recommended that Mr. Barnett's base compensation be increased by 6% and that his incentive pay for 2016 be set at 25%.

Motion by Mr. Balasubramani, second by Mr. Rahming, that the CEO's base compensation be increased 6% effective March 1, 2017 and that the 2016 incentive amount be 25%. The vote was unanimous and the motion carried.

### **2016 Financial Report**

Ms. Manley reported on the 2016 financial results. Surplus increased to \$1.64 billion from \$1.42 billion at the beginning of the year. Net income is \$176 million compared to \$116 million in 2015. SAIF saw a 5.2% increase in premiums and a favorable reserve development of \$270 million.

Total investment income was \$183.7 million, an 18% increase over the prior year. The value of SAIF's investment portfolio was up 6.4% for the year and outperformed the benchmark. The portfolio is in compliance with the approved policy.

Regarding SAIF's operating budget, Ms. Manley reported we spent 97.8% of the 2016 budget. Key drivers of the variance include self-funded medical insurance being under budget by \$2.8 million, FTE cost savings, and unspent funds for alternative services. We underspent our 2016 capital budget due primarily to delays in activities for multi-year projects. These projects are within the multi-year project budgets and on schedule.

Throughout the financial presentation, Ms. Manley and other staff members responded to questions from the Directors, further clarifying details of the report.

#### **Corporate Scorecard**

Mr. Barr reminded the board of our ongoing regular review of scorecard measures. Mr. Hoffman provided a detailed explanation on one key measure, paid claims to standard premium loss ratio. The thresholds were selected to reflect our greater tolerance for loss ratios at the lower end of the desired range.

Mr. Hoffman and other members of the executive team responded to questions from the Directors regarding the measure's projections and how it relates to the rest of the workers' compensation industry.

#### **Enterprise Portfolio Snapshot**

Mr. Barr reported the Salem campus renovation is on target for scope, schedule, and budget, despite challenging weather conditions. He is very pleased with the work of Ms. Malonson and her team. Responding to Mr. Balasubramani's question, Mr. Barr spoke of the importance of employee involvement as part of our change management efforts. We have provided webinars and furniture mock-ups so teams can see their new work space.

The policy and billing system replacement, claims BPI, and self-service business intelligence projects, are all on target for scope, schedule, and budget. The document management system replacement went live at the end of January. We are now focusing on closure and support activity issues so as to free up staff and progress to phase two.

Chair Ulum expressed her appreciation for this important reporting tool.

#### **Statement of Actuarial Opinion**

Mr. Kevin Wick from PricewaterhouseCoopers, presented the 2016 statement of actuarial opinion indicating that SAIF's reserves were deemed reasonable. SAIF shows favorable reserve runoff. The key driver is medical costs on permanent disability claims. SAIF and PwC both maintained trend assumptions consistent with the prior analysis.

#### **President's Report**

Mr. Barnett reminded the board of Ms. Graham's retirement on April 7. For almost 38 years, Ms. Graham has been an important pillar in this organization, always bringing her passion to the job, focusing on our customers and acting as a key sponsor for our diversity and inclusion initiatives. As part of Ms. Graham's retirement, we are in the process of some division realignments. Christy Witzke has been promoted to a new vice president of marketing, sales, and communications position. Chris Vrontakis has been promoted to vice president of policyholder services.

The semiannual leadership meeting is April 19 and 20. Topics will focus around the customer experience. SAIF's Safe & Healthy Workplace Center, OSHA, the Oregon Healthy Workforce Center and NIOSH, signed an agreement to work together to improve the safety, health, and

well-being of Oregon workers. This is an important step in helping SAIF be known as more than just an insurance company. The Governor's Occupational Safety and Health (GOSH) conference was last week. SAIF featured an interactive exhibitor booth and several staff members made presentations. In addition, Paula Jones was the GOSH conference chair.

Mr. Barr reported we have received a purchase offer on the Roseburg office, but at present, it does not appear to be leading to a sale. The Portland office lease ends April 1, 2019. We are researching other spaces in the Portland area.

Mr. Barnett reported the Plotkin litigation settlement has been executed. We recently completed an employee pulse survey with four key benchmarking questions. The results are once again strong. The next board meeting is June 7 at the Bend office.

**Board Audit Committee report**

Mr. Jensen reported on the board's audit committee meeting, which included the entrance meeting with Moss Adams, a review of internal audits completed, and a review of internal audits planned for 2017.

**Legislative Report**

Mr. Barenberg provided a brief legislative report. We have worked with labor and management to educate key stakeholders, build relationships, and establish SAIF as a trusted resource. Several workers' compensation bills were filed by the Department of Consumer and Business Services and the Workers Compensation Division and all are advancing. These bills had the support of MLAC. Mr. Barenberg responded to questions from Directors regarding specific bills and SAIF's position.

**Adjournment**

There being no further business, the meeting was adjourned at 12:39 p.m.

  
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Kelly Miller, Executive Assistant to the Board