



SAIF CORPORATION

BOARD OF DIRECTORS MEETING

**Wednesday
March 13, 2019
9:00 a.m.**

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

After determining a quorum was present, the regular business meeting was called to order at 9:07 a.m.

Roll call:

Jeff Stone, Chair
Krishna Balasubramani, Vice Chair
Jenny Ulum
Maurice Rahming
John Mohlis

SAIF Corporation personnel present:

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
Tami Mack, Interim Vice President of Human Resources
Christy Witzke, Vice President of Marketing, Sales, and Communications
Gina Manley, Vice President of Finance and Chief Financial Officer
Holly O'Dell, Vice President of Legal and Strategic Services
Kathy Gehring, Vice President of Claims
Bridgett Matthews, Assistant Vice President of Claims
Marsha Malonson, Administrative Services Division Director
David Barenberg, Government Relations Director
Todd Graneto, Controller
Allison Olson, Budget Supervisor
Cathy Pollino, Chief Internal Auditor
Rick Haynes, Total Rewards Manager
Kelly Carriger, Assistant to the Board

Other attendees:

Craig Scukas, PricewaterhouseCoopers
Greg Kantor, RVK
Beau Burggraff, RVK
Mike Taft, RVK
Garrett Cudahey, Oregon State Treasury

The meeting was webcast internally at SAIF.

EXECUTIVE SESSION

Review and Evaluate the Performance of the CEO

At 9:08 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 9:50 a.m., the Chair announced the conclusion of Executive Session.

RECESS FOR COMMITTEE MEETINGS

At 9:51 a.m., the regular business meeting was recessed for committee meetings.

REGULAR BUSINESS MEETING

At 11:08 a.m., the regular business meeting resumed.

Approval of Board Minutes

Upon motion duly made and seconded, minutes from the December 12, 2018, meeting were unanimously approved.

CEO Performance Evaluation and Compensation

Mr. Balasubramani reported on the board's evaluation of the CEO's performance. The board sought feedback from internal and external stakeholders and the responses were uniformly positive. He offered the board's thanks for all the hard work and effort Mr. Barnett puts into leading SAIF. The board is happy with the direction of SAIF, its internal inclusive environment, and external facing communications and relationships with stakeholders. Ms. Ulum concurred with these positive comments. The committee reviewed data from other state funds and from the broader P&C market to assess market compensation. The compensation committee recommended that Mr. Barnett's base compensation be increased by 6.5 percent and that his incentive pay for 2018 be set at 33 percent. Mr. Stone will follow up with additional feedback for Mr. Barnett.

Upon motion duly made and seconded, an increase to the CEO's base pay of 6.5 percent effective March 1, and an incentive payment of 33 percent, was unanimously approved.

2018 Financial Report

Ms. Manley reported strong financial results for 2018 with just over \$2 billion in surplus. Net income increased to \$185 million compared to \$146 million last year. SAIF recognized \$311 million in claim reserves takedown, saw a 0.5 percent decrease in premiums, unrealized investment loss of \$66 million, and paid a policyholder dividend of \$160 million.

Total investment income was \$158.7 million, a 7.8 percent decrease over the prior year. The value of SAIF's investment portfolio was down 2.25 percent for the year and under the benchmark by 0.35 percentage points. As of February, we are now outperforming the benchmark. The portfolio is in compliance with the approved policy.

Ms. Manley responded to questions from the Directors regarding medical escalation and our bond investments.

Regarding the operating budget, Ms. Manley reported expenditures at 97.1 percent of the 2018 operating budget. Key drivers include employee cost savings of \$2.5 million, consulting services and contract help savings of \$1.6 million, reinsurance expense savings of \$1.3 million, and a reduction of expected Guidewire depreciation of \$917,000. We underspent the capital budget by \$5.8 million primarily due to the Salem Campus Renovation and timing of bills.

Reserve Adequacy Report

Mr. Craig Scukus from PricewaterhouseCoopers, presented the 2018 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.

Mr. Scukus responded to questions from the Directors regarding comparative findings, reserves, and the factors that contribute to the favorable development.

Asset Allocation Study

Greg Kantor, Beau Burggraff, and Mike Taft from RVK, presented project findings that included an asset allocation review, peer group comparison, investment guidelines, and a benchmark review. RVK recommends a revised target asset allocation to 77 percent fixed income, 10 percent global equity securities, a 5 percent real estate fund, and a combined 8 percent for bank loans and private credit. This recommendation includes implementing a previously approved but unfunded real estate funds allocation and two new asset classes in bank loans and private credit in a combined allocation.

RVK and SAIF staff responded to several questions from the Directors regarding fees, timing, fluctuations in CAL RBC, and whether other entities similar to SAIF are taking this approach.

Garrett Cudahey, Fixed Income Investment Portfolio Manager for the Oregon State Treasury, concurs with RVK's findings.

Upon motion duly made and seconded, the board approved SAIF's request to bring this recommendation to the Oregon Investment Council on April 24, 2019. The motion passed unanimously.

President's Report

Due to a shortness of time and Mr. Barnett's absence due to illness, Mr. Barr presented an abbreviated president's report. Regarding the recent PERS developments, he emphasized that the Governor is not looking to sell SAIF. SAIF has been asked to participate in discussions with the Governor's staff. We will continue to be highly engaged in this process.

Mr. Collins reported SAIF has implemented a multi-factor authentication process. To access the SAIF system from a non-SAIF device, staff will need to provide two pieces of identifying information.

Mr. Hoffman is retiring after 16 years of service. Ms. Robison will be the new Vice President of Underwriting and the Chief Actuarial Officer.

In January, Ms. Ulum was chosen as the 2018 First Citizen by the Eugene Area Chamber of Commerce. At the recent Governor's Occupational Safety & Health Conference, Mr. Easterly received the Safety & Health Professional Award and Ms. Croft received the Safety/Health/Wellness Advocate Award.

Board Audit Committee Report

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

Mr. Stone reminded the board that the June 5 meeting will be held at the new Portland office in Lake Oswego and the September board meeting date has been moved to September 4.

Adjournment

There being no further business, the meeting was adjourned at 12:52 p.m.



Kelly Carriger, Executive Assistant to the Board