



SAIF CORPORATION

BOARD OF DIRECTORS MEETING

**Wednesday
March 14, 2018
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 9:02 a.m.

Roll call:

Jenny Ulum, Chair
Jeff Stone, 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 and Chief Technology Officer
Chris Vrontakis, Vice President of Policyholder Services
Bruce Hoffman, Vice President of Underwriting Services
Jennifer Webster, 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
Chuck Easterly, Safe and Healthy Workplace Center Director
Mike Watters, Communication and Design Manager
Marsha Malonson, Administrative Services Division Director
David Barenberg, Government Relations Director
Todd Graneto, Controller
Allison Olson, Budget Supervisor
Olivia Keefer, Interim Chief Actuary Officer
Cathy Pollino, Chief Internal Auditor
Rick Haynes, Total Rewards Manager
Kelly Miller, Assistant to the Board

Other attendees:

John Mohlis, prospective board member

The meeting was webcast internally at SAIF.

REGULAR BUSINESS MEETING

Approval of Board Minutes

Upon motion duly made and seconded, minutes from the December 13, 2017, meeting were unanimously approved.

EXECUTIVE SESSION

Review and Evaluate the Performance of the CEO

At 9:04 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 10:58 a.m., the regular business meeting resumed.

CEO Performance Evaluation and Compensation

Ms. Ulum introduced John Mohlis as a prospective board member.

Mr. Balasubramani reported on the board's evaluation of the CEO's performance. He expressed the overall theme that Mr. Barnett's performance was exceptional. SAIF's financials, internal projects, and external work are all A+ level. 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 7% and that his incentive pay for 2017 be set at 35%.

Chair Ulum expressed her appreciation for Mr. Barnett's leadership of SAIF. Mr. Rahming concurred and thanked Mr. Barnett for being receptive to the board which in turn, helps them be successful under his leadership. Mr. Stone commented that the excellence of the entire executive team is reflective of the CEO. SAIF is on better footing than it was several years ago and the board's faith in how SAIF is run is absolute. Ms. Ulum thanked the executive leadership team and human resources for their feedback and for the information received.

Upon motion duly made and seconded, an increase to the CEO's base pay of 7% effective March 1, and an incentive payment of 35%, was unanimously approved.

Appointment of Audit Committee Chair

Mr. Rahming was appointed chair of the audit committee.

2017 Financial Report

Ms. Manley reported on the 2017 financial results. Surplus increased to \$1.89 billion from \$1.64 billion at the beginning of the year. Net income was \$145.8 million compared to \$176.1 million the previous year. SAIF saw a 2% increase in premiums, a claims reserve reduction of \$283 million, unrealized investment gains of \$116.7 million, and paid a policyholder dividend of \$160.1 million.

Total investment income was \$172.0 million, a 6% decrease over the prior year. The value of SAIF's investment portfolio was up 7.9% for the year and outperformed the benchmark. The portfolio is in compliance with the approved policy.

Regarding SAIF's operating budget, Ms. Manley reported expenditures at 96% of the 2017 operating budget. Key drivers of the variance include self-funded medical insurance being under budget by \$2.0 million, FTE cost savings, and unspent funds for consulting services for projects, initiatives, and safety advancement and innovation. We underspent the 2017 capital budget by \$2.3 million largely due to timing of billings and unspent contingency funds.

Ms. Ulum expressed her thanks to the finance team for a comprehensive, easy to understand presentation with positive results.

Statement of Actuarial Opinion

Mr. Kevin Wick and Mr. Craig Scukus from PricewaterhouseCoopers, presented the 2017 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.

PERS Side Accounts

Mr. Barnett presented a brief overview of PERS side accounts. Both he and Ms. Manley answered several questions from the Directors on specifics regarding the potential benefits and risks of establishing a side account. The Directors requested further research and examination to better understand the options and risks.

Operations Report

Mr. Barr reported on several key administrative and operational projects. Staff begin moving back into the High Street building on April 13. The new document management system went live Monday morning for the policy, agency, and group files. This project continues to go well. Policy and billing testing is also going well. The teams are closely watching some emerging pressures around schedule. The self-service business intelligence project has been extended by four weeks to allow for data verification. We are in the process of developing reports to be used in the safety analytics project.

Referring to the scorecard, Mr. Barr addressed final 2017 metric scores and identified changes for the 2018 scorecard. For the 2018 company incentive the following measures were recommended: loss ratio (paid claims to standard premium), percent of injured workers with 60 days or less of temporary total disability, internal safety engagement, timely first benefit payment, and the project portfolio. To achieve the 1% company incentive, SAIF needs to meet goals for four of the five measures.

Mr. Barr and other members of the executive team responded to questions from the Directors regarding the selected measures.

Motion by Ms. Ulum, second by Mr. Rahming, to approve the five measures recommended for the 2018, 1% company incentive. The vote was unanimous and the motion carried.

President's Report

Mr. Barnett reported there was no legislation regarding the Governor's PERS Task force. The Governor's team continues to actively pursue issues and ideas.

The annual performance management cycle has been completed. SAIF's new Oregon Restaurant and Lodging Association group has 265 policyholders. The learning management system is set to go-live on April 2. SAIF's agriculture seminar series ends today and included 28 sessions in 16 cities and had 2300 participants. April 4 is the Workers Compensation Seminar at the Salem Convention Center.

New Advertising Campaign

Mr. Watters discussed SAIF's new advertising campaign with the board, which launches in May. This campaign is designed to strengthen the brand over the long run and keep SAIF visible in the marketplace. Our goal is to build brand awareness and remind customers of the value SAIF brings to Oregon.

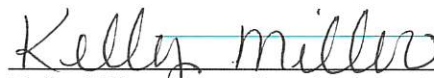
Mr. Watters responded to questions and comments from the Directors regarding advertising topics and distribution avenues.

Board Audit Committee Report

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

Adjournment

There being no further business, the meeting was adjourned at 12:38 p.m.

A handwritten signature in cursive script that reads "Kelly Miller". The signature is written in dark ink and is positioned above a horizontal line.

Kelly Miller, Executive Assistant to the Board