



SAIF CORPORATION

BOARD OF DIRECTORS

**Wednesday
November 8, 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 10:04 a.m.

Roll call:

Jennifer Ulum, Chair

Jeff Stone, Vice Chair

Krishna Balasubramani

Kevin Jensen

Maurice Rahming- joined the meeting by phone at 10:13 a.m. He left the call at 11:02 a.m.

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

Bridgett Matthews, Assistant Vice President of Claims

Chuck Easterly, Director, Safe and Healthy Workplace Center

Cathy Pollino, Chief Internal Auditor

Joe Nhem, Actuarial Research Director

Olivia Keefer, Actuarial Director

Todd Graneto, Controller

Alison Olson, Budget Supervisor

Josh Knotts, Corporate Strategist

Bruce Johnsen, Corporate Strategist

Kelly Miller, Assistant to the Board

Approval of Board minutes

Motion Mr. Stone, second Mr. Balasubramani to approve the minutes of the September 13, 2017 meeting. The vote was unanimous, and the motion was carried.

Meeting context

Mr. Barnett provided a brief outline of today's meeting to include the financial report, preliminary budget report, strategic plan, corporate scorecard, and a report from safety and health services.

Financial Reports

2017 third-quarter financial report

Referring to materials provided in advance of the meeting, Ms. Manley reported a year-to-date net loss of \$48.8 million after recording policyholder dividends of \$160 million. Policyholder surplus totaled \$1.67 billion, a 12.6 percent increase, year-to-date. Ms. Manley further reported a 3.0 percent increase in premium and new sales of \$15.8 million, as well as a high premium retention rate of 99.3 percent.

Ms. Manley and other members of management responded to questions from the board seeking clarification on the claims backlog and provider payments.

Third-quarter investments

Ms. Manley reported the market value of SAIF's investment portfolio is up 6.2 percent since December 31, 2016. Equity holdings are up 17.5 percent and bond holdings are up 5.0 percent. The portfolio is outperforming the benchmark and in compliance with the approved asset allocation policy.

Budget report

Budget results year-to-date through September 30 show we are under budget \$8.9 million. The main drivers are employee cost savings of \$3.6 million and we continue to see savings on self-funded medical benefits, consulting services, and reinsurance for the assigned risk pool and other states coverage. We are forecasting to be under budget \$5.4 million for the year.

Dividend update

Mr. Hoffman reported that the dividend of \$160 million was successfully paid. This included a primary dividend of approximately \$120 million and a loss sensitive dividend of approximately \$40 million. The loss sensitive dividend was received by 93.8 percent of our customers. Only 2,892 policyholders did not receive this portion. The dividend was used by several hundred policyholders to offset owed premium.

Mr. Hoffman and other members of management responded to questions from the Directors regarding the 60 percent loss ratio and feedback from policyholders who did not receive the loss sensitive dividend.

2018 strategic plan

Referring to materials provided in advance of the meeting, Ms. O'Dell reviewed the strategic plan's four areas of focus. The plan, which is reviewed annually, responds to changes in workers' compensation, helps set priorities, and provides direction. Some of the initiatives are multi-year and will roll over from one year to the next.

Ms. O'Dell responded to questions from the Directors on various initiatives. The Directors expressed their appreciation for the work that goes into this process.

2018 Budget overview

Ms. Manley provided a 2018 budget overview. Key budget components include employee costs, project costs, and commissions. The operating budget will likely increase 8 to 9 percent. Approximately 72 percent of this increase is due to the Salem Campus renovation, Guidewire commitments, and the PERS rate increase. The capital budget will likely decrease from \$65 million in 2017 to \$36 million in 2018. Budget work is continuing and we will have a full 2018 budget proposal for the board at the December meeting.

Ms. Manley responded to questions from the Directors regarding budget components and service levels.

Targeting safety resources

Mr. Easterly presented a report to the board on how we target safety and health services to policyholders. His report provided an overview of policyholders who did not receive the loss sensitive dividend and our efforts to help them.

Mr. Easterly and Mr. Barnett responded to questions from the Directors regarding policyholder outreach goals and analytics.

Governor's Task Force

Mr. Barnett presented an update to the board on the Governor's Task Force on the PERS Unfunded Actuarial Liability. The Task Force issued a 57-page report to the Governor on November 1 that includes options for achieving a potential savings of up to \$10.9 billion. Mr. Barnett reviewed the four options related to SAIF as well as two new options.

Throughout a lengthy discussion, Mr. Barnett responded to questions and comments from the Directors who expressed strong concerns about the options presented by the Task Force.

Referring to a document provided in advance of the meeting, Mr. Barnett and the board reviewed a list of principles to guide management and the board in responding to Task Force related proposals.

Motion Mr. Stone, second Mr. Balasubramani to adopt the list of principles after making one minor edit. The vote was unanimous, and the motion was carried.

President's report

Mr. Barnett reported that Mr. Nhem is retiring at the end of the year after 29 years with SAIF. He has made significant contributions to SAIF and has been a tremendous source of information and guidance. Chair Ulum expressed the board's appreciation for his years of service.

The 14 percent pure premium reduction rate filing has been approved. We are raising our expense tiers by four points.

Adjournment

Due to time limitations, the board asked to defer Mr. Barr's report to the next board meeting.

There being no further business, the meeting was adjourned at 12:32 p.m.



Kelly Miller, Assistant to the Board