



## **SAIF CORPORATION**

### **BOARD OF DIRECTORS**

**Wednesday  
November 13, 2019  
10:00 a.m.**

**SAIF Corporation  
400 SE High St.  
Salem, Oregon**

After determining a quorum was present, the meeting was called to order at 10:01 a.m.

#### **Roll call:**

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

#### **SAIF Corporation personnel present:**

Kerry Barnett, President and CEO  
Bill Barr, Chief Operating Officer  
Ken Collins, Vice President of Information Services and Chief Information Officer  
Chris Vrontakis, Vice President of Policyholder Services  
Laura Robison, Vice President of Actuarial, Audit, and 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  
Ian Williams, Vice President of Human Resources  
Chuck Easterly, Director, Safe and Healthy Workplace Center  
Cathy Pollino, Chief Internal Auditor  
David Barenberg, Government Relations Director  
Todd Graneto, Controller  
Alison Olson, Budget Supervisor  
Bruce Johnsen, Corporate Strategist  
Kelly Carriger, Assistant to the Board

The meeting was webcast internally at SAIF.

#### **Approval of Board minutes**

Upon motion made and seconded, the minutes of the September 4, 2019 meeting were unanimously approved.

#### **Executive session**

At 10:02 a.m., Holly O'Dell declared this portion of the meeting to be in executive session, pursuant to ORS 192.660(2)(f). During the executive session, the board

reviewed attorney/client privileged advice from the department of justice regarding PERS side accounts.

### **End of executive session**

At 10:35 a.m., the Chair announced the conclusion of executive session.

### **REGULAR BUSINESS MEETING**

At 10:38 a.m., the regular business meeting resumed.

### **Meeting context**

Mr. Barnett provided a brief outline of today's meeting to include the financial report, strategic plan, and preliminary budget report.

### **Financial reports**

#### **2019 third-quarter financial report**

Referring to materials provided in advance of the meeting, Ms. Manley reported a year-to-date net loss of \$74.5 million after recording dividends of \$160 million. Policyholder surplus totaled \$2.02 billion, an increase of \$16 million year-to-date. Ms. Manley further reported a 3.0 percent reduction in premiums at \$380.3 million. New sales are \$15.1 million and the premium retention rate stands at 99.4 percent.

Ms. Manley and other members of management responded to questions from the Directors regarding whether there are changes in the types of claims due to our safety efforts, how SAIF's claims compare to those in other states, and if the dividend process went smoothly.

#### **Third-quarter investments**

Ms. Manley reported the market value of SAIF's investment portfolio is up 11.6 percent for the first nine months of 2019. The portfolio outperformed the benchmark by 0.63 percentage points and is in compliance with the approved asset allocation policy.

#### **Budget report**

Year-to-date through September 30, we are under budget by \$6.9 million on the annual budget of \$222.1 million. The main drivers include employee costs savings of \$2.8 million, lower commissions, taxes, and fees for the Other States Coverage program of \$1.3 million, and lower consulting fees of \$1.1 million. We are forecasting to be under budget by \$6.0 million for the year.

Ms. Manley and other members of management answered the Director's questions about health insurance savings and independent medical examinations.

### **2020 Strategic plan**

Referring to materials provided in advance of the meeting, Ms. O'Dell reviewed the strategic plan's three areas of focus. This is a multi-year plan in which SAIF sets its strategy, an integrated set of choices to move forward in a particular area relevant to

our mission. The plan is in context of SAIF's other important work including our day-to-day functions and operational initiatives.

Ms. O'Dell and other members of management responded to questions from the Directors regarding a variety of topics, including the initiatives that did not make it onto the strategic plan and if the chosen metrics will be reflected on the company scorecard.

Motion Mr. Balasubramani, second Mr. Rahming to approve the 2020 strategic plan. The vote was unanimous from the Directors in attendance, and the motion was carried.

### **2020 Budget overview**

Ms. Manley provided a 2020 budget overview. The proposed operating budget will likely increase \$5.7 million or 2.6 percent. Key budget drivers include employee costs which account for 61 percent of the budget, and commissions which account for 14 percent. The capital budget will likely decrease from \$14.6 million in 2019 to \$3.6 million in 2020. Budget work is continuing, and we will have a full 2020 budget proposal for the board at the December meeting.

Ms. Manley and other members of management responded to questions from the Directors regarding changes in employee costs and compensation and the increase in commissions.

### **Reinsurance recommendation**

Referring to a memorandum provided in advance of the meeting, Ms. Robison reviewed the purpose of reinsurance and the factors considered when evaluating coverage options.

She recommended SAIF maintain the current level of reinsurance coverage at \$160 million in excess of a \$35 million retention. The estimated cost is approximately \$1.9 million for a 12-month treaty.

Motion Ms. Ulum, second Mr. Balasubramani, to approve the purchase of \$160 million of reinsurance coverage excess of \$35 million retention. The vote was unanimous, and the motion was carried.

Mr. Balasubramani exited the meeting at 11:51 a.m.

### **President's report**

Mr. Barnett reported on the dividend process; 94 percent of policyholders received some or all of the safety dividend. Engagement survey results remain positive and consistent with a composite score of 4.2 out of 5.0. Key decisions have been made regarding post-retirement full-time employment, employee award days, Salem parking fees, and rate tier adjustments.

A data reporting issue that arose with the February Guidewire implementation was recently discovered. This had no direct impact on policyholders' premium payments or experience mods. We are beginning a detailed review of financial and regulatory reporting.

The 2019 industry benchmark report has been included in the board packet. Mr. Easterly has announced his retirement for the end of March 2020. The final touches are being placed on SAIF's new advertising campaign and slogan.

**Project Portfolio update and the Company Scorecard**

Due to time constraints, Mr. Barr deferred the majority of his report until the December board meeting.

**An injured worker's journey**

Ms. Gehring told the story of Angel, a worker who was struck by a car four years ago while crossing a street between two of his employer's buildings. His lengthy recovery demonstrates the resources, communication, and teamwork needed to ensure a positive outcome.

**Adjournment**

There being no further business, the meeting was adjourned at 12:31

  
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Kelly Carriger, Assistant to the Board