



**SAIF CORPORATION**

**BOARD OF DIRECTORS MEETING**

**Wednesday  
June 3, 2015  
10 a.m.**

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

After determining a quorum was present, the meeting was called to order at 10:03 a.m.

**Roll call:**

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

**SAIF Corporation personnel present:**

Kerry Barnett, President and CEO  
Ken Collins, Chief Technology Officer  
John Gilkey, Former Interim President and CEO  
Michelle Graham, Vice President of Policyholder Services  
Jill Gragg, Managing Attorney  
Michael Hartman, Vice President of Policyholder Programs  
Bruce Hoffman, Vice President of Underwriting Services and Administrative Services  
Marsha Malonson, ASD Director  
Gina Manley, Chief Financial Officer  
Peter Merck, Research and Analysis Manager  
Pat Morrill, Agency and Group Program Coordinator  
Joe Nhem, Actuarial and Research Director  
Cathy Pollino, Chief Internal Auditor  
Shannon Rickard, Vice President of Legal Services and Human Resources  
Mike Watters, Communications and Design Manager  
Paul Weddle, Procurement Manager-Assistant Counsel  
Pam Woods, Vice President of Claims  
Lyn Zielinski-Mills, Marketing Manager  
Kellie Lute, Assistant to the Board

**Other attendees:**

Ricardo Becerril, Day CPM Consultant  
Brian A. Jones, PricewaterhouseCoopers  
Kevin Wick, PricewaterhouseCoopers  
Dana Winkler, Bickmore  
Mark Priven, Bickmore

The meeting was webcast internally at SAIF and some SAIF employees attended the meeting in person.

## **REGULAR BUSINESS MEETING**

### **Approval of board minutes**

Upon motion duly made and seconded, the minutes from the following meetings were unanimously approved:

March 11, 2015 (Regular board meeting)  
March 11, 2015 (CEO Recruitment Committee meeting)  
March 18, 2015 (CEO Recruitment Committee meeting)  
March 31, 2015 (Regular board meeting)  
April 8, 2015 (Regular board meeting)  
April 24, 2015 (Regular board meeting)  
May 8, 2015 (Regular board meeting)

### **Financial reports**

#### 2015 first-quarter financial report

Referring to materials provided in advance of the meeting, Ms. Manley reported strong financial results for the first quarter, which were driven by a premium growth of four percent and positive investment results. Ms. Manley further reported that at the end of the first quarter, policyholder surplus totaled \$1.33 billion, an increase of \$18.5 million.

#### First-quarter investments

Ms. Manley reported that SAIF's total portfolio return for the first quarter was two percent, which is two basis points below the portfolio benchmark. Portfolio performance has been well above the benchmark for all periods reported, except the current quarter. At the end of the first quarter, SAIF's investment portfolio was in compliance with the approved asset allocation policy.

#### Budget report

Ms. Manley reported that direct operating expenses were approximately \$1 million under budget as of March 31, 2015. Operating expenses are projected to be approximately \$500,000 under budget at year end. The majority of the first quarter savings comes from employee costs due to SAIF's self-funded medical insurance plan, equipment and facility expenses due to a delay in the purchase of information technology equipment and software, and services and supplies due to renegotiated pricing for underwriting reports.

Ms. Manley and other members of management responded to questions and comments from Board members.

### **Corporate Performance Report**

Referring to materials provided to the Board of Directors prior to the meeting, Ms. Manley highlighted the key financial performance indicators for the past year and the trends over the past five years. Mr. Barnett and Ms. Manley responded to questions and comments from Board members.

### **Board-appointed actuary report**

Brian Jones and Kevin Wick from PricewaterhouseCoopers (PwC) reported that SAIF's year-end 2014 reserves of \$2.98 billion for unpaid claims are within a reasonable range, from \$2.5 billion to \$3.4 billion.

### **Enterprise risk management**

Referring to materials provided to the Board members prior to the meeting, Mr. Hoffman reported that SAIF is in the process of developing an enterprise risk management (ERM) program. The National Association of Insurance Commissioners (NAIC) has created recommended rules for the development of an ERM program by insurers, and the Oregon Legislature is reviewing a bill, HB 2469, modeled after the NAIC recommendation. Mr. Barnett engaged in a discussion with the Board members about the fundamentals underlying the ERM process, where the Board needs to be engaged in that process, and how it all connects to surplus.

### **Analysis of Policyholder Surplus**

Referring to materials provided to the Board members prior to the meeting, Mr. Nhem provided an analysis of policyholder surplus, based on the probability of surplus falling below Company Action Level over the next five years, indicating that a minimum safe level, based on current risk levels would be \$1.14 billion. Mr. Barnett discussed matters related to capital levels and answered questions from the Board members. The Board agreed with Mr. Barnett's suggestion to continue the conversation around financial and capital issues at subsequent Board meetings.

### **Group contracts**

Referring to a memorandum provided to the Board members in advance of the meeting, Ms. Morrill proposed to renew three-year group insurance agreements with the Agri Business Council of Oregon, the Independent Electrical Contractors of Oregon, and the Oregon Home Builders Association.

Upon motion duly made and seconded, the three-year group insurance agreements were unanimously approved.

Ms. Morrill also proposed to renew a three-year association agreement with the Oregon Association of Nurseries (OAN).

Mr. Stone declared an actual conflict of interest in voting on approval of the OAN contract, outlined the nature of the conflict, and declared that he would abstain from the vote.

Upon motion duly made and seconded, four members voted to approve the OAN association agreement, and Mr. Stone abstained. The motion carried.

### **Portland legal office (new space)**

Referring to materials provided to the Board members prior to the meeting, Mr. Weddle reported that the current lease for the NE Portland building that houses SAIF's Portland legal staff will expire on December 31, 2015, and will not be extended due to pending destruction of

the building. Mr. Weddle requested board approval for a seven-year (84-month) lease for 5,384 square feet of office space at 4000 Kruse Way Place, Lake Oswego. The total rent for the full term of the lease is projected to be \$893,706.

After discussion and upon motion duly made and seconded, four members voted to approve the lease for the Portland legal office, and Mr. Rahming abstained. The motion carried.

### **Salem relocation space lease**

Referring to materials provided to the Board members prior to the meeting, Mr. Weddle reported that SAIF's Property Management task force worked with real estate brokers to locate suitable office space in Salem for approximately 330 employees that will need to be relocated during the Salem Campus Renovation (SCR) project. A location was identified at 2850 Broadway Street NE, which has 107,778 square feet. The SCR steering committee requested board approval for a two-year lease at a rental rate of \$11.00 per square foot, per year.

After discussion and upon motion duly made and seconded, the lease for the temporary office space in Salem was unanimously approved.

### **Legislative update**

Ms. Fraser reported that HB 2764 passed in the Oregon House of Representatives. Ms. Fraser indicated that the bill, with amendments proposed by the Management-Labor Advisory Committee (MLAC), is expected to pass in the Senate. The bill addresses attorney fees in litigated workers' compensation claims. It increases the types of situations where attorneys can collect fees and adds additional amounts in some areas.

### **Election of board officers**

After discussion and upon motion duly made and seconded, Ms. Ulum and Mr. Jensen were elected Board Chair and Vice Chair respectively, effective July 1, 2015, for a period of one year.

Immediately following the vote on board officers, Mr. Balasubramani excused himself from the board meeting and was not present for the remainder of the meeting.

### **President's report**

Mr. Barnett outlined his activities in his short time with SAIF and described his initial impressions.

Mr. Barnett asked the Board for approval of a resolution recognizing Mr. Gilkey's service to SAIF for 35 years.

Upon motion duly made and seconded, the Board Resolution was approved.

### **Audit Committee report**

Mr. Jensen updated the Board on the internal audit reports that were presented at the Audit Committee meeting.

**Adjournment**

There being no further business, the meeting was adjourned at 12:09 p.m.

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Kellie Lute, Executive Assistant to the Board