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MONTANA STATE FUND
FINANCE AND AUDIT COMMITTEE
December 9, 2021

The Montana State Fund (MSF) Finance and Audit Committee meeting was held December 9, 2021 in MSF's Board Room at 855 Front Street, Helena, Montana 59601 and via Zoom.

Directors Attending
Karen Fagg, Billings
Jack Owens, Missoula - via Zoom
John Maxness, Helena

Board Members Attending
Richard Miltenberger, Helena – via Zoom

MSF Staff Attending
Laurence Hubbard, President/CEO
Kevin Braun, General Counsel
Verna Boucher, Spec Asst to Pres/CEO
Mark Burzynski, Corporate Support VP
Julie Jenkinson, Insurance Operations VP
Will Anderson, Interim Operations VP
Matt Mandell, Interim Operations Support VP
Al Parisian, Chief Information Officer – via Zoom
Rene Martello, Controller
Darcie Dunlap, Internal Actuary
Kurstin Adamson, ERM Risk Specialist
Patti Grosfield, Internal Auditor
Kent Schlosser, Financial Analyst
John Wilkins, Financial Analyst
Rick Duane, Human Resources VP

Others Attending
Russell Greig, Willis Towers Watson
Alex Turrell, Willis Towers Watson

Meeting Preliminaries

A. *Call to Order*
Chair Fagg called the meeting to order at 8:30 a.m. and she welcomed the attendees.

I. Committee Chair's Items of Interest – Karen Fagg

A. *Welcome and Introductions*
Chair Fagg noted that this meeting will offer ample opportunity for public involvement and input. She added that any action the Committee would take today would be referred to the full Board for final approval. She noted that since this was the inaugural meeting, this was a work in progress and much that would be covered today would be covered in the Board meeting. As the Committee structures develop, she anticipates a better balance of not duplicating information presented in the Committee and the full Board meeting. She encouraged a robust discussion at the Committee meeting, particularly regarding MSF's proposed budget.

B. *Internal Audit Report – Patti Grosfield, Internal Auditor*
Ms. Grosfield provided a report about on-going external and internal audit activity.

Ms. Grosfield said the recent Legislative Audit was completed for Calendar Year 2020 by the Legislative Audit Division (LAD) and she noted this audit is required by law. The report was sent to the Board members directly by LAD. She said the audit was presented to the Legislative Audit Committee (LAC) on October 20, 2021 and though there were a few questions from the Committee, the audit report was clean with no recommendations and the presentation was brief and successful. She noted that the Notes to the Financial Statements in the report contained a wealth of information and serves as a good MSF primer for understanding MSF and how it operated.

President Hubbard asked Ms. Grosfield to explain why MSF has two financial statement basis audits, statutory and governmental.

Ms. Grosfield replied that MSF has been mandated by statute from creation to have a Legislative Audit performed. MSF is a component unit of the State of Montana and its results feed into the Comprehensive Annual Financial Report (CAFR) through the Generally Accepted Accounting Principles (GAAP) governmental audit basis. She said MSF elected to also have a statutory set of financial statements completed and audited in order for MSF to have a good comparison against other insurance companies. When MSF moved under CSI regulation in 2016, preparation of statutory basis financial statements and the corresponding audit of the became a mandatory requirement.

Ms. Fagg asked if the two independent audits were shared between the two auditing groups?

Ms. Grosfield assured her the information was shared and per audit standards if either auditor ever identified an issue, MSF would be required to assure the other auditor knows about it.

Ms. Fagg complemented Ms. Grosfield and the team for the clean audit report which she felt was very impressive and noted that she found the audit very informative.

Ms. Grosfield moved on to the current Calendar Year 2021 statements and noted the Eide Bailly auditors will be performing the statutory audit/insurance basis audit over the next week remotely. They will return the end of January and complete their audit. The report is scheduled per contract to be completed by April and the Board will receive a copy when it is ready. She noted the Legislative Auditors will be back in the spring 2022 to begin the 2021 governmental audit.

She provided a report on the internal audit activity performed during the fourth quarter of 2021:

- Dividends, once declared, testing adherence to MSF dividend policy, Board-approved parameters and statute. She noted 22,376 accounts received $40,002,906 and the state agency account received $1,499,821.
- Multiple Public Employment Disclosures which are required of Board members as well as employees are due by December 15, 2021 to the Commissioner of Political Practices and can be returned by mail, fax or email.
- Continued support of the external auditors with CY202 audits.

Ms. Grosfield presented the 2021 Internal Audit plan and noted that throughout the year she provides a report on the items in the plan.

Ms. Fagg encouraged the Committee members to review the internal audit plan and pay particular attention to any areas that they are interested in. She added that the Committee and the Board can also request some form of internal audit at any time.

Ms. Grosfield explained that best practices indicate that the Audit Committee approval of the CY 2022 Internal Audit Plan is optimal because she reports functionally and administratively to the President/CEO and reports functionally to the Board of Directors. The Board has approved the internal audit plan since CY2017. She presented the proposed Internal Audit Plan and explained a number of the items. She requested the Committee's approval.

President Hubbard added that MSF was fully expecting the announcement by the Commissioner of Securities and Insurance (CSI) that MSF will be going through a Market Conduct Exam and noted that is a significant budget item that will require Ms. Grosfield's support for the Compliance Officer, the legal department and the entire company during that examination.

Ms. Fagg thanked President Hubbard for mentioning the Market Conduct Exam and noted that these exams are not yearly but occur every three to five years. She stated this will be MSF's first exam.

Ms. Fagg asked for clarification from Kevin Braun, General Counsel, on how to proceed.

Mr. Braun clarified that approval of the CY2022 Internal Audit Plan should be a part of Chair Fagg's entire recommendation to the full Board.

President Hubbard said during this transition phase that would be the best approach because the formal audit charter calls for the full Board to be the Audit Committee and this approval is on the Board agenda for action at the Board meeting.

Chair Fagg thanked Ms. Grosfield for the presentation and called for questions; there were none.

She announced that the meeting would be closed so that Ms. Grosfield could provide the committee information on two very minor confidential audit communication memos from LAD.

Upon completion of the report, Chair Fagg reopened the meeting at 9:10 a.m.

II. MSF CY2022 Budget - Mark Burzynski, VP Corporate Support

Mr. Burzynski introduced the finance team that is responsible for the financial statements and the actuarial work - Rene Martello, Controller; Darcie Dunlap, Internal Actuary; Kurstin Adamson, Enterprise Risk Management Officer; Kent Schlosser, Financial Analyst; John Wilkins, Financial Analyst and Jackie Ashby, Accountant.

A. Budget Process Review – Rene Martello, Controller

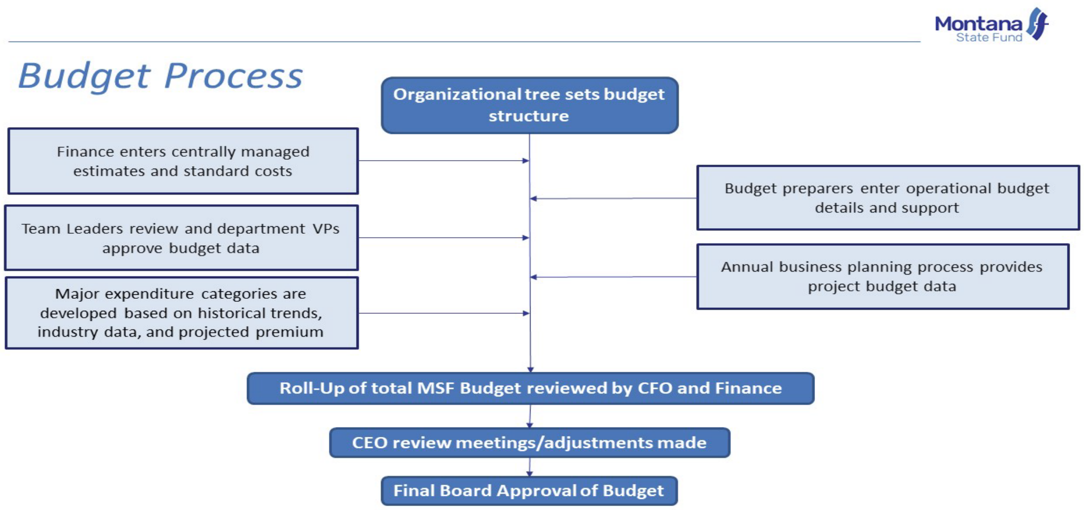
Ms. Martello explained that the budget authority is set in law MCA §39-71-2363(2)(a) and said it requires the CEO to submit a budget to the Board for approval of the estimated expenditures of administering MSF for the next year. The approved budget must be sent to the Governor and the Legislature. The CEO has discretion to reallocate funds within the budget assuming the total approved amount is not exceeded. If needed, the Board may be asked to approve a budget amendment for unanticipated levels of expenditures. She noted the most recent occurrence of this was in 2020 when benefit payments were higher than planned due to settlement activity and the Board approved a $10 million budget amendment. She said amendments are not common, perhaps once every five years. The approved budget is loaded by the Budget Office and establishes the spending authority in the State's budget and general ledger system, SABHRS. She added that MSF's budget is based on a Calendar Year, while all other state agencies and offices are on a Fiscal Year.

Ms. Fagg clarified that the Old Fund, which the Board also reviews, is on the state fiscal year basis. She sought clarification on any limitations for the CEO to reallocate funds. She provided an extreme example of MSF deciding to add 20 FTEs and take the money from elsewhere – would that be something that would be brought before the Board?

President Hubbard said he has never had to do something like that – the Board has given the President the authority to reallocate all resources as deemed appropriate for MSF. He said the example would be a significant event, unheard of in his 33 years and that would obviously be brought to the Board of Directors.

Chair Fagg asked the Committee members if they had comments or questions; there were none.

Ms. Martello continued and provided a high-level review of the budget process tree.



She noted the budget process takes about six months and during that time, the Annual Business Plan and projects are being developed for the next year. She noted that the CEO/President conducts review meetings of each department's proposed budget, adjustments are made and once finalized, the budget is presented to the Board for final approval.

Ms. Martello explained there are two primary expenditure areas, one of which is claim benefit payments which accounts for 60 percent of the total budget. She said operational expenditures are 40 percent of the overall budget and encompass:

- Personal services – salaries, employee benefits
- Operating Expenditures – consulting, agent commissions, supplies maintenance, travel
- Capital Expenditures – equipment, software, vehicles, capital improvements
- Allocated loss adjustment expenses – medical bill processing, pharmacy benefit processing fees, claim investigation
- Transfers – to Department of Justice and CSI

She provided information on the budget expenditure levels and examples of the budget structure hierarchy. She explained the budget monitoring and reporting and noted that a year-end variance report is provided at the March meeting to explain variances between actual expenditures and the original budget. She added that quarterly budget variance reports are also provided to the Board and monthly "Quicklook Reports" are provided to staff to show line-item detail for expenditures and year-to-date variances. She said throughout the year, Mr. Wilkins and Ms. Ashby monitor the major expenditure areas and provide regular follow ups with management. She said leaders review payment requests in relation to the budget and if the budget for an item is exceeded, higher-level approval is required and budget offsets must be identified before the bill is paid. She noted that executive level approvals are required to make changes to project budgets.

Ms. Martello provided a review of budget versus financial reporting. She said the budget focuses on expenditures, whereas the financial statements are on an expense-basis.

Chair Fagg called for questions from the Committee members; there were none. She asked about the approval process for claim settlements which she believed are a good tool for injured employees as well for MSF. She asked what the process was and if the amount set in the budget for settlements is higher than projected is there some hesitation to move forward on the settlements?

Ms. Martello said finance works closely with the Operations Department to determine the best level to budget for settlements. She noted that the times where amendments have been requested were to cover the unanticipated settlement opportunities that arose in that year. She said Operations manages the process to determine what should be approved and depending on the amount, that can be escalated up to the CEO level.

Ms. Jenkinson said MSF's settlement philosophy has established a set of authorities that are based on the experience of the Claims Examiner with oversight by the Claims Manager and then to the Claims Operations Director. Higher settlement amounts rise to Ms. Jenkinson's and President Hubbard's levels. She said the levels are established based on experience and training to assure that a claim can be adequately priced. She said every claim is evaluated for the possibility of a settlement so that every injured worker has the opportunity, if interested, to settle their claim. The average cost of settlements and number of settlements each year are reviewed to determine the settlement projections for the next year. She noted that larger claims take a longer period of time to reach the settlement phase and there are a number of large claims that have now reached that point. She said a rigorous process has been established to set the correct budget projections for each year.

President Hubbard added that claims benefits are statutorily driven which means MSF has no control on how much will be paid, such as for a wage loss claim or from the medical fee schedule. The settlements are discretionary or judgmental expenditures, and until 2011 undisputed medical claims could not be settled. House Bill 334 changed that which opened up an opportunity for injured workers and insurance carriers to resolve the entire claim upon mutual agreement. One party cannot force the other to settle.

Chair Fagg thanked the presenters.

B. *2022 Budget Presentation – Mark Burzynski, VP Corporate Support*

Mr. Burzynski said the budget review process at MSF is the most rigorous process he has ever experienced in his professional experience. He noted that since 2007, MSF has reduced rates by 53 percent while compounded inflation has been 33 percent which illustrates the challenges that exist for MSF when preparing an accurate budget for the upcoming year.

He said net earned premium is projected to be $159.1 million for 2022 and investment income is projected to be $50.5 million to generate total income in 2022 of $209.6 million. He said those projections were based on payroll growth and expected new business growth. He noted that new business projections for 2021 were exceeded by $2 million based on the strong efforts of MSF's marketing team. He added that MSF's policyholder retention rate is at 91.1 percent. He suggested that the Committee explore, over the next few meetings, the possibility of increasing the 15 percent cap on equity investments to a higher level to offer the Board of Investments (BOI) the opportunity for some flexibility to hold equities until a better selling point comes around rather than having to sell to stay within the cap limit.

President Hubbard clarified that under the Montana Constitution BOI manages MSF's assets and BOI cannot invest more than 25 percent of MSF's investments in equities. BOI's current investment policy for MSF has capped the equities investments at 15 percent which could be increased so that BOI is not forced to liquidate equities to keep the portfolio balanced. He noted that BOI and MSF work very closely to determine an investment policy that meets MSF's needs to assure there is liquidity to pay claims and maintain a very strong and conservative balance sheet as an insurance entity.

Mr. Burzynski walked the Committee through the 2022 budget request depicted below.

Montana State Fund

2022 Budget Request

Claim Benefit Payments	2022 Budget	2021 Budget	2021 Proj - 3Q	2022 Budget change from 2021 Proj - 3Q
Indemnity	$39,413,434	$38,334,390	$37,082,607	6.3%
Medical	72,336,129	69,934,675	68,228,465	6.0%
Total Claim Benefit Payments	**$111,749,563**	**$108,269,065**	**$105,311,072**	**6.1%**
FTEs	**293.50**	**306.00**	**306.00**	**-4.1%**
Operational Expenditures				
Personal Services	$32,836,844	$32,802,250	$31,512,843	4.2%
Commissions	11,808,285	10,696,141	10,517,198	12.3%
All Projects - excludes personal services	2,101,981	6,624,614	6,851,100	-69.3%
All Other Operational Expenditures	18,776,791	17,323,917	15,830,646	18.6%
Total Operational Expenditures	**$65,523,901**	**$67,446,922**	**$64,711,786**	**1.3%**
Total MSF Expenditures	**$177,273,464**	**$175,715,987**	**$170,022,858**	**4.3%**

He noted that claim benefits payments were expected to increase slightly in 2022 due to the new business growth and because post COVID-19, provider access has improved and there are some large settlements anticipated in 2022. Settlements in 2022 are projected to be at $34 million. He stated that 12.5 FTEs had been eliminated which equates to $1.5 million or one expense ratio point. He said the position eliminations were not due to layoffs but rather positions that have been vacant and difficult to fill for a long period of time. He noted there was a four percent merit increase built into the budget which was consistent based on an analysis completed by Korn Ferry.

Chair Fagg asked if the four percent budgeted for merit was typical from year to year?

Mr. Burzynski said merit was budgeted at 3.2 for 2021 and 2020 was three percent.

Mr. Duane explained that market data is used to assess the merit budget level for MSF each year.

Mr. Burzynski said four percent is as high as it has ever been but based on current trends that is consistent with what is in the marketplace. He mentioned that the budget contains $500,000 for a Market Conduct Exam which will be completed by CSI during 2022. He noted that allocated loss adjustments expenses are budgeted to be $3.63 million, which is a slight increase over the 2021 budget. He said the Annual Business Plan has been established and budgeted at $2.1 million for completion of the policy and billing replacement initiative (PBRI) portal development, Growing a Safer Montana project, WorkSafe Champions project and the producer portal accelerator.

He noted that based on MSF's proposed 2022 budget, the expense ratio was projected to be 42.7 percent which is higher than in past years due to the PBRI project not being launched timely, and amortization of those expenses will occur in 2022. He said those amortized costs increase the expense ratio by four points. He also noted that MSF will be discontinuing the Aggregate Stop

Loss program in 2022 which also adds three points to the expense ratio. He said MSF's expense ratio compared to its competitors is well within market range. He asked the Committee to recommend the Board approve the proposed 2022 budget at the Board Meeting on December 10, 2021.

Mr. Maxness thanked Mr. Burzynski for explaining that the loss of FTEs was due to eliminating vacant positions rather than employee elimination. He noted the rates that MSF pays providers from the fee schedule are established by the Department of Labor and Industry (DOLI) and asked if the increased medical inflation that is being projected will cause increases in workers' compensation costs as well?

President Hubbard said medical costs have two components – the pure inflation comes from the fee schedule or per-service cost – there is also a frequency or utilization component that also adds to MSF's medical inflation. The number of claims that have treatments and the per-procedure costs. He asked Mr. Braun to explain how DOLI sets the fee schedule and then asked for Ms. Jenkinson to add her perspective if she wished.

Mr. Braun said DOLI publishes its fee schedule on an annual basis. Statutorily, the fee schedule cannot be set more than 10 percent higher than the average conversion factor used by the top five insurers and third-party administrators. It is tied to survey data they obtain from the large health insurers in the State and they use that to create and publish the fee schedule, which then has a rule-making component.

Ms. Jenkinson addressed whether MSF was seeing an increase in the utilization of these charges. The charges are set and loaded into the system through Rising Medical in a formulaic approach to what gets paid for each service. The examiner on each claim determines if the utilization is appropriate and to determine that, the examiner uses medical consultants, peer reviewers and medical support staff. She said inflation is not necessarily reflected in increased severity; however, there is always that situation where utilization increases when the costs to the providers increase and they do not realize it in their actual per service fee in the fee schedule.

Mr. Maxness asked when the fee scheduled is prepared?

Mr. Braun reported that it is usually done in July.

Mr. Maxness asked if that would allow time to adjust the budget if a large increase were proposed?

President Hubbard explained that due to the rates being set in March, one point of un-estimated medical inflation can have a substantial effect on MSF's costs and on current liabilities. He said if the budget were to be strained from medical inflation, management would bring that to the Board to address with a budget amendment.

Ms. Jenkinson explained that was compounded for this year due to the wage inflation. She said every year there is a cost-of-living increase adjustment for the injured employees, which has been typically three percent or less - this year it will be eight percent.

Chair Fagg congratulated management on the FTE reduction and doing so without eliminating employees. She also clarified that there were certain positions that MSF struggled to hire in the IT area which resulted in the FTE reduction; however, those have now been budgeted for in consulting expenditures. She also noted that the change in policy on the agent commissions added one point to the expense ratio and she said that she would hope that once MSF is through this transition that will level out and decrease costs.

C. *Recommendation for Budget Approval*
Chair Fagg called for a motion to recommend approval of the proposed budget to the Board.

Mr. Maxness moved the committee recommend approval of the proposed MSF budget for Calendar Year 2022 totaling $177,273,464 as follows.

- *Total operational expenditures of $64,523,901, including the cost that are reimbursed to Montana State Fund for Old Fund administration; and*
- *Montana State Fund Benefit Payments of $111,749,563*

The President is to retain and may utilize the prior direction from the Board to adjust expenditures among first level expenditure categories, and may increase staffing, as long as the total approved budget amount is not exceeded. Mr. Owens seconded the motion. Chair Fagg called for discussion from the Board; there was none. Chair Fagg called for public comment; there was none. She called for the vote and the motion passed unanimously.

III. Reinsurance Program Change Update - Mark Burzynski

A. *Reinsurance Program Review – Mark Burzynski and Kent Schlosser*
Mr. Burzynski introduced Kent Schlosser to explain reinsurance.

Mr. Schlosser explained that reinsurance is insurance on insurance. He said for a variety of reasons, an insurance company may want to share some of the risks it is writing with another insurance company. He offered the more complicated definition “A contract whereby one insurer (reinsurer, or assuming insurer) agrees to indemnify another insurer (primary insurer, or ceding insurer) against all or a portion of losses which may be incurred on risks originally insured by the ceding company.” He noted the important thing is there must be an insurance interest to get the favorable financial statement treatment that reinsurance allows. He clarified that MSF cannot take out insurance on an employee’s automobile because MSF does not write the policy for that employee’s auto insurance. MSF can only take out reinsurance on its contracts with its policyholders. He stressed that the policyholder cannot go directly to the reinsurer for their money, they must get the money from MSF, which underscores the importance of MSF writing its reinsurance with reputable companies that are going to be around to pay out when the time comes.

He explained that companies use reinsurance to enhance the underwriting capacity, provide catastrophe protection, stabilize operating results, provide surplus financing and withdraw from a market or line of insurance.

Mr. Schlosser said MSF has three reinsurance programs: per occurrence excess of loss (EOL), aggregate stop loss (ASL) and other states coverage (OSC). He said technically OSC is also reinsurance; however, in that case MSF is the reinsurer. He further explained that MSF cannot write coverage outside of Montana yet does have customers that operate outside of Montana. MSF uses Zurich to write the policies for those customers and then MSF reinsures them. He said it does not function exactly like a normal reinsurance contract because it is 100 percent share. Zurich writes the policies, MSF receives the premium and then pays all of the losses. He said Guy Carpenter is MSF’s reinsurance intermediary for its ceded business.

He explained that the per occurrence excess of loss program protects against catastrophes up to $100 million. This program costs 1.198 percent of MSF's premium, which means for every $100 collected in premium, MSF sends $1.20 to the reinsurer for this coverage. He said there are active contracts that go back to 1992 and MSF has had this coverage since the inception of the New Fund. The terms have evolved over time - as MSF has grown the coverage needs have changed.

Ms. Fagg asked, since MSF has had this coverage since 1990, if the coverage is discontinued going forward, what claims will be covered that have already been paid for? She asked if it was a "claims made" policy?

Mr. Schlosser said it is not a "claims made" policy, it is accident year based. He said one of the big recoveries on this contract was in 2007 so the dollar value of those claims will keep changing over the years, but MSF still has the coverage from 2007.

President Hubbard clarified that the excess of loss program was not being changed, the aggregate stop loss program is the one that will discontinue.

Mr. Schlosser said the current contract version has two layers MSF retains the first $10 million – the next layer is $20 million in excess of $10 million and then $70 million in excess of $30 million. The layers are a marketing tool to allow reinsurers to participate at different levels of the reinsurance industry. He said the maximum any one life (MAOL) limits the amount of loss for any one person to $10 million. He provided examples that illustrated to the committee members how the program works.

B. *Aggregate Stop Loss Program*

Mr. Schlosser reminded the Committee that MSF will be exiting this program at the end of 2021. He said the motivation for a contract such as this is to stabilize underwriting results. He said it is difficult for MSF to get a dollar back from the reinsurer for this contract; however, MSF does get income statement effects before that happens. He said the cost of this contract is 4.5 percent of premium, so for every $100 of premium collected, $4.50 is paid to the reinsurer except this contract has a "funds withheld" clause which means MSF only pays 20 percent of the 4.5 percent to the reinsurers. He said the rest is set aside in funds withheld until the results of the contract's performance have been determined. He said if the contract performs well, MSF can keep the set aside, if the contract performs poorly, MSF would have to give some or all of the money that has been set aside.

He said this contract has a retention based on loss ratio which is losses incurred divided by net earned premium. When losses reach 75 percent that is when the reinsurance kicks in. The limit is 20 percent of premium and then MSF would cover any additional losses. He said the ASL program has been in effect since 1999; however, a number of those contracts have been commuted and there are currently only contracts effective from 2014 forward. He noted there was only one reinsurer on this contract, Hannover Re.

Ms. Fagg thanked Mr. Schlosser for his presentation and for making it understandable.

President Hubbard added that these programs are accounted for on the income statement. He added that the net earned premium is what is actually left after paying for the excess of loss reinsurance. He added that the contingent commission line is the funds withheld in the aggregate stop loss program.

Mr. Burzynski said the need for ASL was born out of the Old Fund crisis and the inadequate capital to protect against volatile results and potential insolvency. He said claim losses were much more volatile based on claim management challenges and prior year unfavorable development adjustments. He said the NCCI loss cost recommendations also created uncertainty and later there were potential challenges related to the passage of House Bill 334 and its constitutionality. He said the reserve-to-equity ratios and equity itself were marginal and MSF needed to protect adequate levels of capital to support safety dividends to policyholders. He said unfavorable ultimate loss development from prior years was quite common; however, it improved with better claims management, including the ability to settle claims.

He provided further clarification that for the coverage that is being purchased the actual ratio has seldom been as high as the attachment point and MSF has lowered the attachment point which is indicative of MSF's evolving ability to manage claims. He added that MSF's reserve-to-equity ratio has strengthened since the New Fund's inception which has stabilized MSF at the 1.5 ratio.

He said the value of ASL does not exist for MSF, an assessment that Guy Carpenter agrees with, and that is why the ASL coverage will not be renewed for 2022.

Chair Fagg called for questions.

Mr. Marsh asked staff to please quantify the utilization of the Aggregate Stop Loss agreements.

Mr. Schlosser said though MSF has never recovered anything from the reinsurers' pockets, MSF has received $21.3 million of income statement effect which is four different years of recoverables. He explained how the recoverables were reflected in the income statements even with the complication that many of the contracts are multi-year.

Mr. Marsh asked if in consideration of stopping the ASL, will MSF be considering commuting the existing agreements/treaties?

Mr. Schlosser said the ASL contracts carry a financial penalty for not commuting, typically seven years from when the contract is signed, so eventually those will be commuted; however, probably not in the immediate future.

President Hubbard noted MSF has a reinsurance committee consisting of the President/CEO, General Counsel, Executive Vice President and the Operations Vice President. When given the opportunity to commute, there is a considerable assessment of expected losses and extensive analysis of the likelihood of being able to cover under the program before the decision is made. He said there is a maintenance cost to keep the reinsurance contract open after a certain period of time so often times it makes sense to commute under those conditions.

Ms. Fagg called for additional questions. There were none.

IV. Calendar of Committee Responsibilities

Chair Fagg explained that she had requested the development of a calendar of committee responsibilities in order to assist in setting the agendas for the Committee meetings going forward. She provided that to the committee members and encouraged the members and the management team to complete a detailed review to determine if there are items that have been missed. She noted that items can be added as well at the Committee's pleasure.

She said there is some overlap with the Finance and Audit Committee charter and the Board's charter and she said it was not the Committee's intent to duplicate efforts. She said the elimination of duplicate areas will add or subtract from the current calendar.

V. Old Business/New Business

Chair Fagg called for old or new business; there was none.

VI. Public Comment

Chair Fagg called for public comment.

The meeting adjourned at 11:30 am. The next scheduled Board meeting will be held on Friday, March 11, 2022 at Montana State Fund, 855 Front Street, Helena, Montana in the first floor Board Room.

Respectfully submitted,

Verna Boucher
Special Assistant to the President/CEO