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**MONTANA STATE FUND
HUMAN RESOURCES AND COMPENSATION COMMITTEE
December 9, 2021**

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

Directors Attending

Richard Miltenberger, Clancy – via Zoom
John Maxness, Helena

Jan VanRiper, Missoula – via Zoom

Board Members Attending

Michael March, Billings - via Zoom

Karen Fagg, Billings

MSF Staff Attending

Laurence Hubbard, President/CEO
Verna Boucher, Spec Asst to Pres/CEO
Julie Jenkinson, Executive VP
Mark Burzynski, Corporate Support VP
Al Parisian, Chief Information Officer
Will Anderson, Interim Operations VP

Kevin Braun, General Counsel
Rene Martello, Controller
Patti Grosfield, Internal Auditor
Rick Duane, Human Resources VP
Matt Mandell, Interim Operations Support VP

Others Attending

Ryan Callan, Associated Employers

Scot Dickerson, Capstone Search Group

I. Meeting Preliminaries

A. Call to Order

Chair Miltenberger called the meeting to order at 12:01 p.m. He said he hoped to utilize the committees as much as possible which would enable the Board members to develop some degree of expertise in those areas, allow the Board members to get to know the staff a little better and hopefully, perform their duties as a Board better. He mentioned that the Finance and Audit Committee had met in the morning, the Human Resources and Compensation Committee was meeting then and the Operational Excellence Committee would meet later in the afternoon. He noted that the Human Resource and Compensation has been around for at least a decade and has been called into service from time to time to under the old name of CEO Compensation Committee. He said this Committee is a continuation with a new committee Charter.

II. Committee Chair's Items of Discussion – Chair Miltenberger

A. Introduction of Scot Dickerson, Capstone

Chair Miltenberger noted that President Hubbard, after 33 years of service to MSF with almost 20 of that as the President/CEO, was intending to retire sometime in the summer of 2022. He said a formal announcement will be forthcoming in the weeks to come. The Board thought it was prudent to begin the process of searching for a candidate to fill that position. He thanked President Hubbard for giving the Board plenty of time to make a judicious and prudent process of it. He noted that the Board has retained two organizations, Ryan Callan from Associated Employers which has a human resource advisement component and often serves as a high-level human resources function for smaller organizations. The other organization is Scot Dickerson with Capstone Search Group. He asked Mr. Dickerson to introduce himself and his organization.

Mr. Dickerson said he appreciate the opportunity to provide this service to the Board and it will be a challenge in finding a replacement for someone who has had such an impact for an

Montana's insurance carrier of choice and industry leader in service

organization, like President Hubbard, for that long. He noted this does create an exciting opportunity for someone else to come in and make their mark.

He said he began his career in the mid-80s working for an insurance company for about nine years and then joined a recruiting firm. He enjoys the time he spends recruiting and finds it more than just helping people achieve their goals – it's also about helping organizations achieve their goals. He said this has been an evolution for him – he has always done recruiting in insurance, nationally in scope and across various disciplines and it's been technical to executive. Years ago, he worked predominately with larger organizations; however, over the last 15-20 year, he has focused more on the small to medium sized organizations because it is more of a partnership. He said he really enjoys helping those groups find their best candidates. He added that he was looking forward to working with Mr. Callan and they have already begun a conversation on how best to proceed.

Chair Miltenberger called for questions or discussions for Mr. Dickerson. There were none.

Ms. VanRiper indicated that she did not have any questions. Mr. Maxness thanked Mr. Dickerson for joining this group and said he looked forward to working with him on this project.

Chair Miltenberger noted that MSF was an organization with a 100-year history behind and a great pedigree and a track record of 20 years of building success.

B. Introduction of Ryan Callan, Associate Employers

Chair Miltenberger said Mr. Callan was with Associate Employers and welcomed him to the meeting. He said he is a native of Canada and has a long history in the industry and a real track record of good success.

Mr. Callan said he was happy to be part of the committee and said he would be acting as the liaison to help streamline some things under the HR umbrella. He said he would be writing interview questions and those types of screening materials. He will be working with Mr. Dickerson on the front end so the committee is not having to look at everyone who may be minimally qualified and get the top candidates in front of the Committee Members. He welcomed questions from the Committee and said he was here to support it and make a smooth process.

Chair Miltenberger thanked Mr. Callan and said he appreciated the work that had been done so far in preparation. He clarified that the Committee does not want to move too fast and would like to be deliberate.

C. CEO Search Process

Chair Miltenberger said the CEO search process will be trying to ascertain what it is that Board members and President Hubbard view as a priority. He said there are some candidates that may have a high degree of technical expertise yet may lack experience in leadership or may have a higher education level but less industry experience. He added that Mr. Callan and Mr. Dickerson have helped shepherd that process and as the Committee moves forward, it gives them a clear idea of what kind of criteria to go on. He said as we move into January, and the search effort amps up, we anticipate that the word will get out within Montana and nationally. Mr. Dickerson and Mr. Callan will cull the candidates and offer the top choices to the Committee to review resumes and conduct formal interviews.

He added that as the process continues, the determination regarding the number of finalists will be made then. The finalists will be based on the candidates that meet the qualification factors. As the process progresses, and finalists are being review, references will be checked and

background information reviewed. He said at some point the entire Board will actively participate in this process to determine the final candidates for the Board to review and select. He added that this is perhaps the most important thing that this organizations' Board can do. He said he liked to think that the Board has one employee, the President. He said there are a lot of folks that are part of the team; however, it is poor, poor practice for the Board to reach too far into the organizations oversight. That goes from governance to management and the Board does not want to go there. As a governing Board, they should put their sights on the CEO position and if done correctly, as was done the last time, the winning candidate will stay with MSF for many years to come. He added that if the Board ends up stymied, President Hubbard has indicated he would remain longer so the Board had an opportunity to finish the process properly.

Mr. Callan noted there is a loose drafted timeline that is being utilized that is pending some revisions and it is important that the timeline not define the process, find the correct candidate does. He said he would be culling the candidates and providing notes to the Committee as to the whys of Helena, why Montana, why this position. He said he would begin having conversations with candidates, start submitting responses to the Committee members for review and then provide the Committee members feedback to Mr. Dickerson. He said he would be approaching this with the utmost customer service to all parties in mind. He said he would be sending the timeline to the Committee once completed and approved by Chair Miltenberger and then Committee Members can be looking at ballpark dates for interviews.

Chair Miltenberger noted that he has established a connection between Mr. Callan and Mr. Duane, MSF Vice President, Human Resources, because at some point in this process, there will be a necessary on-boarding element and potential reimbursements for travel that will need to be coordinated internally.

Mr. Callan said as a non-voting member of this Committee he will be supporting this process with notes and his documentation.

Ms. VanRiper asked how the Committee could guard against any unconscious bias in favor of gender, race or other factor. She asked how Mr. Callan achieves that and for any thoughts he had with respect to the Committee.

Mr. Callan said that comes with him holding the Committee accountable. Decisions are being made about how to narrow the candidate pool and why. He said he will be working to focus the Committee on the criteria and the qualifications of being able to successfully perform the role. He said if the criteria is not job related, he would speak up and indicate that the candidates must meet the job related qualifications before they are ever offered an interview or consideration. He noted that qualification input from the Committee Members has been gathered and will be folded into the revised job description. Those qualifications will be the criteria bases for selecting a candidate and it is important to determine how that will be assessed. He noted they will build some interview questions around that and, in addition, he will be documenting and gathering feedback following interviews on the candidate's ability to handle redirection and problem solving. He said they can capture how well the candidate handles themselves in the interview and how well they handle a room and demonstrate leadership skills or did they address everyone in the room. He said those observations are very valuable.

Ms. VanRiper said all of those considerations will come to bear if there is lack of diversity in candidates. She said unconscious bias is just that, unconscious and she asked if Mr. Callan had any thoughts and training regarding that?

Mr. Callan said he has had a lot of diversity training in this background and being consciously aware of those biases. He said that is where he will boil it down to – it is about performing a job and he will be mindful of policing that throughout the process. He said he expected to be a partner with the Committee Members in this process. He added that within selection it is about the job performance component. He stated that if any of the criteria were leaning against a minority he would weed that out. He said currently, he does not see any of that; however, he and Committee will talk through things that are more covert and flush out what those ideas are. He stressed that those difficult discussions must be had to flush that out.

Chair Miltenberger called for additional questions for Mr. Callan.

Mr. Maxness asked for clarification on the process that will be used to reduce or determine the number of applications that the Committee Members will get to see. He expressed interest in seeing more rather than less applications to be prepared to respond should he receive any inquiries later.

Chair Miltenberger said he does look at every application which does take time partly for the rationale that when others do it, you do not know who has been excluded. He said he did not know if the Committee would have, or if all Committee members wanted to take, the opportunity to review every application. He mentioned that with the internet submissions the possibility of non-qualified candidates applying is high. He assured the Committee Members that if there are some qualifications that they feel are worth reviewing at a deeper level, the Committee can request to view every application if they wish for a safety check to assure they do not eliminate someone who the Committee feels has qualifications that meet their needs.

Mr. Maxness said sometimes the gem is not identified and he would like the opportunity to review more than just the final candidates chosen by Mr. Callan and Mr. Dickerson.

Mr. Callan said the process is completely transparent and if the Committee Members want to review every candidate they are welcomed to do so. He added that there will be some that are unqualified and he does not believe that Mr. Dickerson will present those as possible candidates; however, if the Member wish to see those, they can. He further explained that if he determines a candidate should not be presented to the Committee, he will provide a review of those candidates to the Committee as well so they are given an opportunity to see those as well.

President Hubbard added that the only statutory requirements for the Board in appointment of the Executive Director is contained in MCA§ 39.71.2317 which states the Executive Director must have executive level experience with knowledge of the insurance industry. That is the minimum screening by law and if that does not appear on the application, it would be appropriate for the Committee to screen those out automatically.

Chair Miltenberger said he was not aware there was prequalification in the law and thanked him for the update. He asked Ms. VanRiper if this discussion had adequately covered her point regarding unconscious bias. He said he felt this approach would give the Committee adequate opportunity to question the culling process if so desired.

Ms. VanRiper said she liked Mr. Maxness' recommendation that if there are a ton of applicants, the Committee does not need to review everyone; however, she would like to take a quick glance at the ones that did not make it into the recommendation. She clarified that this was not to second guess anyone, clearly they trust these partners; however, everyone has unconscious bias and it takes a lot of people to assure that does not happen or gets overlooked.

President Hubbard thanked Mr. Callan for sharing his approach and then asked if there were a tool that he is using that the Board will have access to? An electronic format that collects the applications and manages them so the Board can review as they wish?

Mr. Callan said yes the applications will be captured electronically and share electronic packets with each Committee Member and when necessary the Board to review.

Chair Miltenberger called on the two non-committee Board members, Mr. Marsh and Ms. Fagg, to share their questions, comments or thoughts.

Mr. Marsh indicated he had none and commended the Committee thus far.

Ms. Fagg indicated she had none.

III. President/CEO Position Compensation

A. Introduction – Notice of Closure of Meeting – Richard Miltenberger, Committee Chair

Chair Miltenberger said he was unsure the meeting needed to be closed; however, if Committee Members, Board members or President Hubbard had a suggestion, the meeting could be closed.

The Committee Members indicated they were good with not closing the meeting for any further discussion.

IV. Other Business

Chair Miltenberger said this was the introductory meeting for the whole process and the Committee is moving closer and gaining steam. He added that he was able to participate in 50 percent of the Finance and Audit Committee, and felt it was terrific. He thanked Ms. Fagg for her leadership on that Committee.

V. Old Business/New Business

Chair Miltenberger called for old or new business.

VI. Public Comment

Chair Miltenberger called for public comment.

The meeting adjourned at 12:46 pm. 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 and via Zoom. A Human Resources and Compensation Committee meeting will be announced closer to the Board meeting date.

Respectfully submitted,

Verna Boucher

Special Assistant to the President/CEO