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**MONTANA STATE FUND
BOARD OF DIRECTORS MEETING
October 15, 2021**

The Montana State Fund (MSF) Board of Directors meeting was held October 15, 2021 via Zoom.

Directors Attending

Richard Miltenberger, Clancy
Jack Owens, Missoula
Karen Fagg, Billings
Dexter Thiel, Sidney

Jan VanRiper, Missoula
John Maxness, Helena
Michael Marsh, Billings

State Fund Staff

Laurence Hubbard, President/CEO
Verna Boucher, Special Asst to Pres/CEO
Julie Jenkinson, Executive Vice President
Mark Burzynski, CFO
Matt Mandell, Interim Operations Support VP
Ethan Heverly, Director, Gov. & Community Relations

Kevin Braun, General Counsel
Melissa Iverson, Graphic Artist/Web Specialist
Al Parisian, CIO
Rick Duane, Human Resources VP
Will Anderson, Interim Operations VP

Others Attending

Ryan Callan, Associated Employers

I. Meeting Preliminaries

A. Call to Order

Chair Richard Miltenberger called the meeting to order at 11:01 a.m.

II. Committee Development and Discussion - Chairman

A. Committee Discussion

Chair Miltenberger welcomed members of the public who may be joining via the live stream. He asked Ms. Boucher if there was a mechanism for the public to ask questions and communicate?

Ms. Boucher clarified that there was a mechanism. Questions could be submitted on YouTube and Ms. Iverson will convey that to the Chair and the Board.

Chair Miltenberger thanked Ms. Iverson for her work and everyone else who makes these meetings happen. He thanked the Board for gathering and noted the agenda was fairly limited. He added that this meeting would not have a reading of the minutes as this meeting was not the normally scheduled meeting that is typically on the calendar a year in advance.

He opened the discussion regarding committee development and stated that if the Board so desires, they would be creating two new committees at this meeting and renaming a committee that has existed for a decade - the Compensation Committee - as well as adopting a new charter. He said the goal was to allow a great depth of review and understanding for Board members regarding our business as a company. He said by dividing and conquering various committees can go deeper into matters without extending either the number of meetings for the whole Board or the length of the meetings. Secondly, it enables the committee members to hopefully dedicate their time to their committee and go a little deeper in knowledge regarding this very complex workers' compensation organization. He noted there are a lot of details and newer Board members are experiencing that now. Those who

have been on the Board are already aware of that; however, by going deeper, the Board will build greater expertise and be able to ask better questions and be a more responsive and responsible Board. The goal is to avoid crossing that governance/management divide. We do not want the committees to begin to dictate or oversee operations or that sort of thing. The Board should use this as a mechanism as the old saying goes, to have “noses in, fingers out.” He clarified that this is to find out what is going on and ask the tough questions if they are there to be asked but not to manage the company. It is very well managed and in very capable hands and the Board does not need to confuse the lives of employees by having the Board become the management.

Chair Miltenberger stressed if the Board did move forward with the committees, it would take a certain amount of discipline which meant the Board members would have to trust one another. He noted if the committees do all of the work they are supposed to do and then rehash it all at the Board level, then the members are not trusting one another and are wasting each others time. He added that it is the responsibility of the Board to review the organization as a whole and his directions are not to create an environment that discourages members from asking questions in the Board meetings. He encouraged Board members who serve on one committee, yet have questions regarding the issues being looked at by another committee to attend all the committee meetings they have interest in. He said all Board members have a fiduciary responsibility and he, as Chair, would not shut down the questions of a Board member while they seek clarity on an issue.

He opened the meeting to general discussion from the Board. There was no input from Board members.

B. Committee Charters

He opened the discussion to the proposed change to the Compensation Committee for the name and the charter. He said the proposal is to change the name and the charter, yet to have some continuity to it. He said the benefit of having the legacy of that committee is that a motion is not required to eliminate that committee; this is just a name and charter change.

Chair Miltenberger noted that Kevin Braun, General Counsel had supplied draft motions for the Board to use for this meeting; however, he had not provided approval for them to be sent to the Board nor had he forwarded them. He apologized to the Board.

Ms. Boucher noted that she was emailing the drafted motions to the Board at that time.

Chair Miltenberger explained that there were two motions: one to change the name of the committee and one to adopt the changes in the charter. He opened the floor to general discussion; there was none.

Chair Miltenberger made a motion the existing Compensation Committee of the Board of Directors name be changed to the Human Resources and Compensation Committee and that the existing Compensation Committee charter be repealed. Ms. Fagg seconded the motion. Chair Miltenberger called for discussion and public input; there was none.

Chair Miltenberger asked how many people were tuned in. Ms. Iverson replied there were three. He welcomed the members of the public.

Chair Miltenberger called for the vote and the motion passed unanimously.

Mr. Maxness made a motion the draft Human Resources and Compensation Committee Charter be adopted. Ms. VanRiper seconded the motion. He called for discussion; there was none. He called for public input, there was none.

President Hubbard said this proposal raises a question regarding the unique nature of these committees and the President/CEO's position at MSF. He said that all of the committee charters propose a three-person committee and a later provision in the structure notes that the committee may invite staff as it deems appropriate. He raised the question as to the role of the CEO in terms of supporting the committees. He noted that the CEO is an ex-officio member of the Board of Directors and he asked the Board to consider the wisdom of inclusion of the non-voting ex-officio CEO on each of the committees. He noted that his position is a Board position as well and for the compensation committee, there is already a provision that the CEO would not be included in any matters regarding the compensation for the performance of the CEO which provides internal integrity within the charter itself. He added that in terms of the composition of the audit and the finance committees, he believed that it would be very efficient and expeditious for the charters to include the Chief Executive Officer as a member of the committee. He added that if not that, there be language in the structure of the charter that states that the President/CEO should attend and be included in committee meetings. He said he proposed this in order to be able to support the Board's work effectively and efficiently and make it very clear that it is an expectation that the President/CEO be included in the meetings.

Chair Miltenberger thanked President Hubbard and noted that was a very valid observation. He said he thought the Board would agree that the committees should always, unless there is a non-public element for whatever reason, should always include President Hubbard in every element for that. He said President Hubbard is the conduit between the committees and the Board and the staff. He said the Board essentially has one employee and that is the CEO. He said President Hubbard has raised a good point and called for thoughts or discussion.

Ms. Van Riper said she totally agreed that President Hubbard should attend the committee meetings and did not believe that it mattered that much since ex-officio members do not have a vote regardless.

Ms. Fagg said she agreed and thought President Hubbard should participate and that there will be staff who need to participate depending on the committee as well. She noted with the CEO transition that will be occurring, it should be made clear in the committee charters that the CEO will participate as an ex-officio member.

Mr. Marsh said he agreed with Ms. Fagg.

Mr. Maxness said he generally agreed; however, any Board member can attend these committee meetings which would include the CEO. He asked if the charter should be rewritten to include that language or should the committees just move forward with the understanding that this would be how they would operate?

President Hubbard recommended adding the language to the membership composition portion of the charter and then adopt the charter as amended.

Chair Miltenberger called for additional input before the motion to amend was made.

Mr. Marsh noted that he did not follow the distinction between having the document the way it is and saying that the ex-officio non-voting CEO can and should attend these meetings. He said he did not understand what the realistic difference was?

Mr. Hubbard said he thought it was important regarding these brand-new committees, to have clarity particularly, as Ms. Fagg mentioned, during this year of transition. The least ambiguity included in the charters from the beginning is important for the Board to consider. He said this is the best opportunity to do so rather than waiting. He said it could be addressed very simply under committee membership with modified language that could read “The Committee shall consist of three board members and the President/CEO serving an ex-officio capacity.”

Mr. Braun said the language could be amended in by Mr. Maxness who made the original motion to insert the inclusion of language to include the President/CEO in an ex-officio position on the committee in the draft charter.

Mr. Maxness amended his previous motion to include the draft Human Resources and Compensation Committee Charter be adopted with the amendment to read under Committee Membership “The Committee shall consist of three board members and the President/CEO serving an ex-officio capacity.” Ms. VanRiper seconded the motion.

Chair Miltenberger called for further discussion.

Mr. Marsh said that the way the sentence was constructed “The Committee shall consist of three Board Members and the President/CEO serving in an ex-officio capacity” could be looked at as possibly ambiguous because by ending the sentence with ex-officio capacity, it could be read that all of the members serve in an ex-officio capacity. A clearer approach would be to say “and, serving in an ex-officio capacity, the President/CEO.”

Chair Miltenberger said he thought that would alleviate any ambiguity and requested Mr. Maxness amend the language to include this. Before asking Mr. Maxness to provide the amendment he asked Mr. Braun if that change was acceptable?

Mr. Braun said it was.

Mr. Maxness amended the motion to read under Committee Membership “The Committee shall consist of three board members and, serving in an ex-officio capacity, the President/CEO.” Ms. VanRiper seconded the motion. Chair Miltenberger called for further discussion and public input; there was none. He called for the vote and the motion passed unanimously.

Chair Miltenberger requested that Mr. Braun email the language adopted for this charter to all the Board members since this new language will apply to all three committee charters being addressed at this meeting.

Ms. VanRiper suggested that the Board vote on the revised amendment and then move on to the next two committee charters with the new language.

Ms. Fagg asked that the other charter motions include language that says “the draft charter as amended.”

President Hubbard suggested that with each additional charter language be added into the motion that calls for the application of the newly adopted language for the Human Resource and Compensation Committee?

Mr. Braun said he was drafting the motion and it will read, for instance in the Finance and Audit committee charter “I move the Board form the Finance and Audit Committee and adopt the draft

Finance and Audit Committee Charter with the committee membership to read “The Committee membership shall consist of three Board Members and, serving in an ex-officio capacity, the President/CEO.”

Chair Miltenberger apologized for the delay; however, said he thought it was worthwhile. He commended Mr. Marsh for his command of the English language and felt this correction was necessary and appropriate.

While waiting for the updated motions to be emailed to the Board members, Chair Miltenberger took a moment to comment that the Board and MSF have received criticism for utilizing prepared motions and that it is less spontaneous; however, though it is, prepared motions really help to keep the Board on track as an organization. Though the Board should feel free to make amendments as is happening now; however, he said he believed there is a better result from the process of using draft motions.

Ms. Van Riper made a motion the Board form the Finance and Audit Committee and adopt the draft Finance and Audit Committee Charter with the committee membership amended to read: “The Committee shall consist of three Board Members and, serving in an ex officio capacity, the President and CEO.” Ms. Fagg seconded the motion. Chair Miltenberger called for discussion and public input; there was none. He called for the vote and the motion passed unanimously.

Chair Miltenberger called for action on the Operational Excellence Committee. He noted this is a broad committee given the breadth of this charter.

Ms. Fagg made a motion the Board form the Operational Excellence Committee and adopt the draft Operational Excellence Committee Charter with the committee membership amended to read: “The Committee shall consist of three Board Members and, serving in an ex officio capacity, the President and CEO.” The motion was seconded by Mr. Marsh. Chair Miltenberger called for discussion and public input; there was none. He called for the vote and the motion carried unanimously.

III. President/CEO Goals and Succession – Chairman

A. CEO Goals

Chair Miltenberger began the discussion regarding President Hubbard’s goals which he explained tie into the plan for the coming year. He noted this was an unusual year although every year was rather unusual in that the goals are completed in March or April after the first quarter of the year has been completed. He said this year is especially late and these are the goals for 2021. He said historically this element of the meeting is closed to the public and asked Mr. Braun for guidance on closing the meeting.

Mr. Braun said the proper way to deal with the meeting closure it for the Chair to ask President Hubbard if he wishes to keep his right of privacy since there are performance matters that will be discussed and if the President says no or has a limited waiver, then the Chair can take action accordingly.

Chair Miltenberger thanked Mr. Braun and added, for members of the public, all action taken by the Board will be taken in public. The closed session will be a discussion and the compensation consultant from Associated Employers, Ryan Callan, will be in that session. He asked President Hubbard if he had any objection to closing the meeting to the public at this time.

President Hubbard said he did not wish to waive his right to privacy; however, he would make an limited exception for the HR Vice President, Rick Duane and General Counsel, Kevin Braun and Mr. Callan.

Chair Miltenberger closed the meeting at 11:45 a.m. The meeting was reconvened at 12:34 p.m.

B. Executive Recruiter/Search Firm Results

Chair Miltenberger explained that the Board will need to engage an executive recruiter and search firm. He said he is also serving as Chair, though was unsure if that would continue, of the old Compensation Committee which is now the Human Resources and Compensation Committee. He said there are some interested parties that are exclusive to the insurance industry that are engaged in this type of activity and received proposals from three different organizations which have been reviewed, and the committee has recommended Capstone Search Group. Capstone is a company out of Iowa with decades of experience and a good reputation. He called for the motion to begin the discussion.

Ms. VanRiper moved the Board approve the selection of Capstone Search Group as the executive search firm to be retained to assist the Board of Directors in filling the President/CEO position that will be vacated following the retirement of Mr. Hubbard. Mr. Maxness seconded the motion. Chair Miltenberger called for discussion and input from the public; there was none. He called for the vote and the motion passed unanimously.

Mr. Braun noted now that since Capstone Search Group has been selected, he would finalize the contract and get that issued for approval.

C. Contract Approval, HR Professional

Chair Miltenberger noted the Board has been using Associated Employers as a helper to the Compensation Committee and they have provided a separate contract to assist with interacting with the search firm. He said his thinking is that this becomes very burdensome on a Board and the committee to maintain all the interactions with a search firm. He said an additional component is that two heads are better than one and an hourly-based human resource consulting firm is going to have as its primary goal listening to the Board's needs and occasionally the search firms will get too caught up in getting the deal done. He said he feels this balances things from the Board's perspective. While it is fairly inexpensive, it eliminates placing Mr. Duane and his team in the middle of possibly having to hire their next boss.

Ms. Fagg moved the Board approve the proposed addendum to the contract previously entered into by the Board with Associated Employers, to provide human resource support to the Board as needed in completing the search for the President/CEO position. The motion was seconded by Mr. Marsh. Chair Miltenberger called for discussion from the Board.

Mr. Thiel asked how the communication with the search firm will be handled with Board members beyond Board meetings?

Chair Miltenberger said he had a preliminary discussion with Ryan Callan on this topic and there are two mistakes that can be made. He said the entire Board can be involved and engaged with every element of this search which he said he believed could get cumbersome and almost off-putting to have that much engagement by so many people. He said he is hoping to put the heavy lifting to the HR Compensation Committee. He said the HR Committee cannot chose the next CEO, it is being used to keep the process moving forward. He said part of Mr. Callan's role is to assure there is good information regarding meetings and all Board members who wish to join can. That contact may

include personal conversations with Mr. Callan and members of the Board. He said that is a big lift over the next 30 days and he would suggest that the Board look at Mr. Callan as integral in this process.

Mr. Braun clarified the contact addendum specifies that the human resource recruitment selection guidance is to be provided on an hourly basis and the work to be performed is at the request of the Chairman of the Board. He said all the work will be funneled through the Chair to the human resource consultant so that we know what is going on and how all of that is happening because the addendum also has a cap on the total amount that can be paid as this is a contract that together with the prior Associated Employers contract cannot exceed \$5,000. That is how the contract is set up.

Mr. Thiel said wanted clarification of the process because he was not going to be on that Committee and does not want to be involved with the all of those details; however, when the day comes to make a decision, he would like to know all of the steps that have gone into the process. He does not expect to provide input, he would just like to understand what the stream of information is going to look like.

Chair Miltenberger said his thinking on next steps is that in the near term he would have a meeting with the committee and Mr. Callan and work out the processes. He said Mr. Theil's suggestion needs to be taken into account during that meeting to take the information back to the Board to explain the process more clearly for the Board. He said they have not yet developed what that process will look like yet; this is just the beginning stage. He said it will not be one-way communication - the committee will want feedback from the Board. He added that he does not want to see a situation where the committee is bringing forth a single candidate. He said the committee might help refine it down to several candidates and those candidates will be auditioning before the entire Board. He said the goal of the committee is not to select the next CEO - it is to guide the process.

Chair Miltenberger called for additional discussion and input from the public; there was none. He called for the question and the motion passed unanimously.

D. Contract Approval, Attorney

Chair Miltenberger said it was also necessary to select an attorney for this process. He said Mr. Callan made it clear that there is a point at which the human resource consultant simply stops and that it will be necessary for the Board to have a Montana-based attorney to complete the process. He said there is a highly recommended employment attorney named Cindy Walker from Poor, Roth and Robinson that the Board could contract with. He said she does all of the employment matters for Town Pump as well as other large firms and also has experience with some state employee matters. He said this is the attorney recommended and asked the Board to consider approving retaining Ms. Walker.

Mr. Maxness made a motion the Board approve the proposed contract with Cindy Walker of the firm Poore, Roth and Robinson, to provide advice and counsel to the Board of Directors regarding all aspects of the employment relationship with a new President/CEO. Ms. Thiel seconded the motion. Chair Miltenberger called for discussion.

He added that his discussions with Ms. Walker included clarification that she would be in touch with Mr. Braun for the cooperation.

Ms. VanRiper said she was concerned with the language that said "regarding all aspects of the employment relationship" and said she would rather see it say "regarding employment relationship." She said the reason is that there are some aspects that the Board will be discussing with Mr. Braun and who knows what will come up? She said she believes Ms. Walker is qualified, we have spoken with her before and she has some state employment experience; however, she does not have deep

experience with it. She clarified that she would prefer the committee not have to run every single thing by her.

Chair Miltenberger said he agreed that was good advice and asked Mr. Maxness to amend his motion.

Mr. Maxness made a motion the Board approve the proposed contract with Cindy Walker of the firm Poore, Roth and Robinson, to provide advice and counsel to the Board of Directors regarding the employment relationship with a new President/CEO. Ms. Thiel seconded the motion. Chair Miltenberger called for discussion.

Mr. Marsh asked if the contract should contain an end date. He said he had not seen the contract; however, he may have missed an email. He said he did not know about this until this moment. He asked if there is a contract provision that lays out the effective date for the contract and when it will terminate. He added that as it is written now this could be viewed as a perpetual, very long term, 25-year agreement with that particular law firm. He said he would hesitate to go that broad with it but as the motion is now, he said he would vote no.

Chair Miltenberger thanked Mr. Marsh and noted that he believed Mr. Braun has taken a look at the contract. He addressed Mr. Marsh and said with all due respect, he did not share the same concern as the attorney would be working at the pleasure of the Board. He said he did not believe anyone wanted to have any scope creep here and asked Mr. Braun for further clarification.

Mr. Braun said the contract term expires one year from the date of execution and there is also a 30-day termination clause without cause upon notice which offers two different escape pieces. He added that first of course, it expires by its very terms at the end of August 2022 and the other piece is the termination clause can be executed at any time with 30-day notice.

Mr. Marsh said with that information he is much better and thanked Mr. Braun.

Chair Miltenberger called for further discussion and public input; there was none. He called for the vote and the motion passed unanimously.

Chair Miltenberger called for any further business to come before this body.

Ms. Fagg said she just wanted to compliment President Hubbard and his team on the audit report the Board just received. She said she thought it was excellent to get a clean audit report and the information included in the report beyond the financial information was very informative. She encouraged other Board members to read it as well and noted the summary of what MSF does in providing workers' compensation provides valuable insight into what MSF does for Montana.

IV. Old Business/New Business

Chair Miltenberger called for Old or New Business.

V. Public Comment

Chair Miltenberger called for public comment; there was none.

Ms. VanRiper made a motion to adjourn the meeting. Chair Miltenberger said the motion to adjourn does not need to be seconded or voted on.

Montana State Fund
Board Meeting Minutes
October 15, 2021

The meeting was adjourned at 12:55 p.m. The next scheduled Board Meeting will be held on Friday, December 10, 2021 at 8:30 a.m. in the Board Room at Montana State Fund, 855 Front Street, Helena, Montana.

Respectfully submitted,

Verna M. Boucher
Special Assistant to the President/CEO