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**MONTANA STATE FUND
BOARD MEETING
December 9, 2022**

The Montana State Fund (MSF) Board meeting was held December 9, 2022 in MSF's Board Room at 855 Front Street, Helena, Montana 59601 and 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

MSF Staff Attending

Holly O'Dell, President/CEO
Verna Boucher, Special Assistant to the President
Kevin Braun, General Counsel
Ethan Heverly, Government Relations Director

Patti Grosfield, Internal Auditor
Rene Martello, Controller
Darcie Dunlap, Senior Actuarial Analyst
Mark Burzynski, CFO

Others Attending

Russell Greig, Willis Towers Watson
Erin Snyder, CSI

Alex Turrell, Willis Towers Watson

I. Meeting Preliminaries

A. Call to Order

The meeting was called to order at 9:00 a.m.

B. September 9, 2022 Board Meeting Minutes

The Board took action to approve the minutes as presented. Mr. Owens made the motion, Ms. Fagg seconded the motion, the motion passed unanimously.

C. Board Acknowledgements of MSF Employees – Dexter Thiel

Mr. Thiel introduced several MSF staff members from the Document Processing and Finance departments and thanked them, on behalf of the Board, for their service to MSF.

II. Kid's Chance Motion

At the September 8, 2022 Finance and Audit Committee meeting, Board member Michael Marsh proposed an endowment donation to the Kids Chance of Montana scholarship program. The Committee approved a recommended donation to the full Board; however, the Board agenda did not include public notification of this item on the September published agenda therefore the Board deferred action until the December 2022 Board meeting.

The Board took action to approve an annual matching donation to Kid's Chance of Montana under the following terms:

- *The amount of the matching donation is conditioned upon proof that Kid's Chance of Montana is in receipt of donations at a claimed amount during the donation calendar year.*
- *The maximum amount for the matching donation is \$30,000 per calendar year.*

- *The duration for the matching donation is for 5 consecutive years beginning in calendar year 2023.*
- *The maximum total matching donation to Kid's Chance of Montana for the 5-year period is \$150,000.*
- *The matching donation is void if Kid's Chance of Montana ceases to provide financial support for the children of catastrophically injured Montana Workers, or otherwise ceases to be active or exist.*

Mr. Marsh made the motion, Mr. Thiel seconded the motion, the motion passed unanimously.

IV. President's Report – Holly O'Dell, President/CEO

President O'Dell reported:

- The new budget process has a two-tier approach and asks the “why” before the “how much”.
- The new dividend process, used by the Board at the September meeting to declare the \$30 million dividend, represents strong work and a quick pivot across the organization, and is designed to pick up more policyholders and provide a simpler approach.
- Changes to MSF's Government relations approach to be more responsive to changing market conditions and customer expectations to improve MSF's agility to proposed work for Sandbox regulations and improved IT and procurement processes.
- The October 2022 Injured Employee results indicating improvements over past surveys:
 - 81 percent of injured employees had a Good to Excellent overall experience,
 - 89% stated they had received benefits in a timely manner,
 - 84% stated that they were informed, cared after, and listened to throughout the process.
- Changes made to internal business processes that enhance speed of decision making and the claims examiner experience.
- Report on building flood and progress on repairs and solutions implemented.
- Staff is evaluating space objectives and needs, comparing current space to space needs and exploring leasing options for better utilization and revenue.
- The Q12 action plan has been designed to measure our employee engagement and leaders are developing a team-specific action plan to support employee engagement on every level. Planned follow-up evaluations and measures will provide insight into success and next steps.
- Report on employee-led community fundraisers and support that MSF employees engage in every year.
- The hiring plan for new positions such as organizational health rather than Human Resources (HR) – focus extending HR beyond traditional work.

III. By-law Changes

The Board took action to approve amendment of the Board Governance provisions of the Board Handbook to reflect the authority of the Presiding Officer to appoint a vice chair to preside over meetings when the Presiding Officer is unable or unwilling to carry out those duties.

Mr. Owens made the motion, Ms. Van Riper seconded the motion, the motion passed unanimously.

V. Committee Reports

A. Finance and Audit Committee – Karen Fagg, Committee Chair

Board of Investments (BOI) presented policy changes that will be proposed to the BOI Board in February. The Policy Changes were to:

- Add “Real Assets” to the approved Asset Classes with a range of 0-6%.

- Add Convertible Bonds to the portfolio as part of the Non-Core Fixed Income Asset Class.
- Change the Investment Grade Fixed Income Benchmark to the Bloomberg Aggregate Bond Index.

BOI indicated that the changes will improve the diversification/risk and the expected return of the portfolio over the long-term. Board discussion indicated the Board's overall support of the work and approach BOI is taking to develop, grow and address the proper investment approaches on behalf of MSF.

i. Calendar Year 2023 Internal Audit Plan

The Board took action to approve the Calendar Year 2023 Internal Audit Plan. Ms. Fagg made the motion and Mr. Maxness seconded the motion; the motion passed unanimously.

ii. CY2022 Unpaid Loss and Loss Adjustment Expense Reserve Estimate

Staff provided a brief recap of the proposed reserve report recommendation provided by WTW, the Board's consulting actuary firm and management's CY2022 reserve recommendation, based on the WTW central estimate with additional consideration regarding reserve sufficiency, other states coverage and excess loss for a recommendation of \$927 million.

Based on the actuary's best estimate of unpaid losses and loss adjustment expenses, adjusted for projected reinsurance recoverables, and for management's recommendation for loss reserves for Other States Coverage, Employers' Liability, and reserve strengthening, on an undiscounted basis as of December 31, 2022, the Board took action to adopt \$810,079,224 as the unpaid loss reserve and \$125,103,387 as the loss adjustment expense reserve estimates for the Montana State Fund financial statements for the year ending on December 31, 2022, to be adjusted for changes based on the actual benefits paid at end of the year. Ms. Fagg made the motion and Mr. Marsh seconded the motion. Chair Miltenberger called for public input; there was none. The motion passed unanimously.

iii. CY2023 Annual Business Plan

Staff provided a brief recap of the strategy adopted and being utilized to empower staff to make the right level decisions and processes designed specifically to increase employee satisfaction, thus improving customer service.

The Board took action to adopt the proposed Calendar Year 2023 Annual Business Plan. Ms. Fagg made the motion and Ms. Van Riper seconded the motion. Chair Miltenberger called for public input; there was none. The motion passed unanimously.

iv. CY2023 Budget Approval

Staff provided a brief recap of the 2023 budget request for fiscal period January 1, 2023 – December 31, 2023, with a total of \$191,050,885, which includes 294.50 FTE distributed among 297 positions. The request provided the President the authority to reallocate expenditures within the aggregate amount of budget approved by the Board.

The Board took action to approve the proposed Montana State Fund budget for Calendar Year 2023 totaling \$191,050,885, as follows:

- *Total Operational Expenditures of \$65,658,004, including the costs that are reimbursed to Montana State Fund for Old Fund administration; and*
- *Montana State Fund Benefit Payments of \$125,392,881.*

The President is to retain and may utilize the prior direction from the Board to adjust expenditures among expenditure categories, and may increase staffing, as long as the total approved budget amount is not exceeded. Ms. Fagg made the motion, Mr. Marsh seconded the motion.

Ms. VanRiper amended the motion to read “the President is to retain and may adjust expenditures among expenditure categories and may adjust staffing as long as the total approved budget amount is not exceeded.” Mr. Marsh seconded the amendment. Chair Miltenberger called the vote and the motion as amended passed unanimously.

v. Construction Industry Premium Credit Program

Staff provided a brief recap on the value of the construction industry premium credit program for construction employers who pay higher hourly wages for the same type of work. The table is adjusted each year as the state’s average weekly wage increases to be effective the following July 1 and is validated by MSF’s internal actuarial team.

The Board took action to adopt the plan of credit percentages for Montana State Fund’s Construction Industry Premium Credit Program, for new or renewal policies, with effective dates of July 1, 2023, to July 1, 2024, as proposed by Montana State Fund management. Ms. Fagg made the motion, Mr. Owens seconded the motion. Chair Miltenberger called for public input; there was none. The motion passed unanimously.

A brief informational review of the 2023 Old Fund report was provided and highlighted that Old Fund claims are down to 399 open claims.

B. Operational Excellence Committee – Dexter Thiel, Committee Chair

Mr. Thiel complemented staff for the changes that have been implemented to the audio/visual system, the reporting processes and the President’s approach to the Board member’s requests.

C. Human Resources and Compensation Committee – John Maxness, Committee Chair

A closed session review and discussion regarding the performance and retention of Holly O’Dell in the position of President/CEO at Montana State Fund resulted in the committee recommending:

- The CEO 6-month onboarding review was successfully completed.
- President/CEO Holly O’Dell be awarded a one-time on-boarding incentive payment of \$15,000.

i. President/CEO O’Dell’s On-Boarding Employment Review/Compensation, Employment Contract

The Board took action to approve the recommendation from the Human Resources and Compensation Committee that the President and CEO, Holly O’Dell has successfully completed her 6-month onboarding employment review and receive a one-time \$15,000 incentive payment in accordance with her employment contract, to be paid before the end of the calendar year. Mr. Maxness made the motion. Ms. VanRiper seconded the motion. Chair Miltenberger called for public input; there was none. The motion passed unanimously.

The Board took action to approve a contract with Associated Employers to provide contract advice for retention of the CEO provided the total amount to be expended is less than \$5,000. Mr. Maxness made the motion. Ms. VanRiper seconded the motion. Chair Miltenberger called for public input; there was none. Mr. Marsh is a Board member of the Associated Employers and recused himself from the vote. The motion passed unanimously by the members voting.

VI. Old Business/New Business

The Chair called for any Old or New Business; there was none.

VII. Public Comment

The Chair called for public comment; there was none.

The meeting was adjourned at 11:30 a.m. The next scheduled board meeting will be held on Friday, March 10, 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