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MONTANA STATE FUND
FINANCE AND AUDIT COMMITTEE

June 13, 2024

The Montana State Fund (MSF) Finance and Audit Committee meeting was held June 13, 2024 in MSF's Boardroom at 855 Front Street, Helena, Montana 59601.

Committee Members Attending

Karen Fagg, Billings
Wylie Galt, Martinsdale – via Zoom

John Maxness, Helena

Board Members Attending

Michael Marsh, Billings

Nancy Butler, Helena

MSF Staff Attending

Holly O'Dell, President/CEO
Verna Boucher, President's Assistant
Rene Martello, Director, Finance and Actuary
Patti Grosfield, Internal Auditor

Bruce Johnsen, Chief Strategy Officer
Nick Mazanec, VP, Legal Services
Kent Schlosser, Controller

Others Attending

Dan Villa, BOI
Ellie Page, BOI
Madeline Moran, Eide Bailly – via Zoom

John Romasko, BOI
Peter Strauss, MSIA
Jason Lindstrom, Eide Bailly – via Zoom

I. Meeting Preliminaries

- A. *Call to Order*
The meeting was called to order at 10:00 a.m.
- B. *Approval of March 7, 2024 Finance and Audit Committee Meeting Minutes*
The Committee took action to approve the minutes as presented; Mr. Maxness made the motion, Mr. Galt seconded, the motion passed unanimously.

II. Financial and Investment Reports - Rene Martello, Director, Finance & Actuary

- A. *Board of Investments, John Romasko, Director of Fixed Income*
Mr. Romasko provided an update on MSF's investment holdings as well as a review of current market conditions. He noted that the portfolio continues to perform well relative to the benchmark and that portfolio allocations are aligned with policy standards.
- B. *First Quarter 2024 Financial Report and Budget Variance Report – Kent Schlosser, Controller*
Staff summarized year-end financial projections based on results as of March 31, 2024. Premium is projected to be \$170.9 million about \$5 Million less than last year due to ongoing rate decreases (-5% eff. 7/1/23 and -10% effective 7/1/24). Claim losses and expenses are higher than last year, though MSF is still anticipating favorable development to benefit year-end results. Investment income is better than last year with higher yields on bonds and gains from selling equities and projected Net Income of \$31.4M before any consideration for dividend.

A review of the premium and policyholder retention was provided to review the steps staff is adopting to increase policyholder counts as well as adopting practices that will help MSF retain the policyholders that we currently have.

Staff shared the 2024 projected budget variance which reflected claim benefit payments at almost \$11 million under budget while operational expenditures are trending close to plan.

Staff explained that large claim settlement activity has slowed for the year. The Claim Center upgrade project was reviewed to determine a cloud-based solution will be selected delaying the consulting spend until the important project initiation analysis is completed.

Committee members encourage staff to continue to address the ease of doing business factors to enhance the policyholder's experience.

- C. *Old Fund – State Fiscal Year 2024 Variance and Fiscal Year 2025 Funding Estimate – Rene Martello, Director of Finance and Actuary*
Staff provided an overview of the Old Fund financials and reported the 2025 funding estimate for the Old Fund is approximately \$4.7 million which will include costs of administering the 350 Old Fund active claims.

III. Internal Audit Report – Patti Grosfield, Internal Auditor

- A. *2023 Statutory Financial State Audit Report - Jason Lindstrom, Partner and Madeline Moran, Audit Manager, Eide Bailly, LLP*
Eide Bailly provided a recap of the audit process, reminded the Committee about the statutory requirements and shared the audit opinion that found an unmodified or clean audit on statutory principles basis of accounting.
- B. *Overview of MSF Audits, Examinations and Reviews*
Staff provided an overview of the various audit processes and practices that are required and employed by MSF and various agencies to review and audit MSF's financial transactions.
- C. *Internal Auditor Report*
External audits being completed by Eide Bailly:
- CY23 Statutory-basis financial audit report completed and presented today.
 - Legislative Audit Division – Calendar Year 2023 GASB/GAAP (governmental) financial audit is in final review and will be heard at the Economic Affairs Interim Committee meeting in the fall.
- Internal Audits:**
- Employee Merit Based Pay adjustments audit was completed and applied to staff pay checks in March 2024.
 - Review and follow up of Code of Conduct employee disclosures forms.
 - Retention of Records is ongoing and is in the investigation phase.

The third quarter audit plan includes the continuation of the retention of records, follow up on prior audits, and a tiered rating review.

VIII. Old Business/New Business

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

IX. Public Comment

The Chair called for public comment; there was none.

The meeting adjourned at 11:51 a.m. The next scheduled Finance and Audit Committee meeting will be held on Friday, September 13, 2024 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