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**MONTANA STATE FUND**  
**FINANCE AND AUDIT COMMITTEE**

**December 12, 2024**

The Montana State Fund (MSF) Finance and Audit Committee meeting was held December 12, 2024, in MSF's Boardroom at 855 Front Street, Helena, Montana 59601.

**Committee Members Attending**

Karen Fagg, Billings  
Wylie Galt, Martinsdale

John Maxness, Helena

**Board Members Attending**

Nancy Butler, Helena  
Richard Miltenberger, Helena

Michael Marsh, Billings

**MSF Staff Attending**

Holly O'Dell, President/CEO  
Verna Boucher, President's Assistant  
Darcie Dunlap, Internal Actuary

Nick Mazanec, VP, Legal Services  
Rene Martello, Director, Finance and Actuary  
Patti Grosfield, Internal Auditor

**Others Attending**

Alex Turrell, WTW

Keri Leonard, CSI

**I. Meeting Preliminaries**

*A. Call to Order*

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

*B. September 13, 2024, Finance and Audit Committee Meeting Minutes*

*The Committee took action to approve the minutes as presented; Mr. Galt made the motion, Mr. Maxness seconded, the motion passed unanimously.*

*C. Board Appointed Actuary*

*The Committee took action to recommend the Board approved the appointment of Alex Turrell from WTW as MSF's and the Board's consulting actuary. Mr. Maxness made the motion, Mr. Galt seconded the motion. The chair called for public comment and the motion passed.*

**II. Reserve Reports**

**A. Introduction – Holly O'Dell, President**

Staff summarized one of the Board's key functions of determining the reserve level for the year for MSF and discussed the importance of maintaining enough reserves to pay the claims of the injured Montanans we cover while not reserving more than is needed.

**B. Montana State Fund Calendar Year 2024 Reserve Report – Alex Turrell, Director, WTW**  
Alex explained that the reserve estimate is the aggregate amount of future unpaid benefits on claims occurring between July 1, 1990 and December 31, 2024. The goal is to estimate expenses supporting payment of those future benefits and it is the largest liability item on MSF's balance sheet. Countrywide, the workers' compensation industry is over reserved.

**C. Montana State Fund Calendar Year 2024 Reserve Recommendation – Darcie Dunlap, Internal Actuary**

Darcie reported that WTW provides the Board with a Central estimate of the needed reserves. The reserve savings needed have been declining over the years and has declined even steeper this year. Over the last eight years, loss reserves have declined \$120m, and we expect more over the next 3 years before MSF levels out. That steep decline is the result of less than expected medical inflation and claims frequency.

**D. Calendar Year 2024 Projected Financial Report and Reserve – Rene Martello, Director, Finance and Actuary**

1. CY2024 Unpaid Loss and Loss Adjustment Expense Reserve Estimate – Committee Action  
Rene provided the reserve estimate and noted that management recommends the Board approve the loss and LAE reserves totaling \$881.4 million to include in the 2024 year-end financial statements which will be adjusted at year end based on claims costs through 2024. An update on the final reserve amount will be provided at the March 2025 meeting.

*The Committee took action to recommend the Board approve the Calendar Year 2024 Unpaid Loss and Loss Adjustment Expense Reserve Estimate of \$881,380,638 as proposed by management. Mr. Galt made the motion; Mr. Maxness seconded it. The Chair called for public comment; there was none. The motion passed unanimously.*

**III. Calendar Year 2024 Budget Update - Rene Martello, Director, Finance and Actuary**

Rene provided a review of the budget status, noting that claim benefit payments were projected to be less than planned though operational expenditures were slightly over. The overall budget is projected as of September 30, 2024, to be 13.0% or \$26.5M under budget.

**IV. Core Systems Update 2025 – Matt Coy, CIO and Al Bowen, Assistant General Counsel – Procurement**

Matt Coy and Al Bowen briefly touched on what has been done so far and noted the remaining work effort that needs to be completed will be broken into two parts. They provided a review of the steps taken during inception and development and said the project team is focusing on a lift and shift model. While the lift and shift model sounds simpler, there is still a significant amount of work involved as migrations are expensive with many moving pieces.

Holly noted that staff has developed best practices from past experiences for assuring the Board is fully informed about the scope, the schedule and the overall budget for the development project and the move to the Cloud.

**V. 2025 Strategic Plan and Annual Business Plan – Bruce Johnsen, Chief Strategy Officer *Committee Action***

Bruce provided an overview of the multi-year strategic plan that was developed for 2024 and to carry MSF forward. He noted that MSF wants to be the favorite workers' compensation insurance company in Montana. To accomplish that goal, the strategic plan was developed to price more competitively, strengthen our customer's experience, do more to help our agents help employers and share our story. For 2025 the plan has two wings: increase our efforts to champion employer needs and elevate the MSF employee experience because highly engaged employees deliver a better experience.

*The Committee took action to recommend the Board adopt the Calendar Year 2025 Strategic Plan and Annual Business Plan as proposed by management. Mr. Galt made the motion; Mr. Maxness seconded it. The Chair called for public comment; there was none. The motion passed unanimously.*

**VI. 2025 Budget - Rene Martello, Director, Finance and Actuary (10:30 a.m.) - *Committee Action***

Rene provided the proposed Board reporting budget for 2025 that was set at \$183.7 million total. She provided the various key budget items and their estimated costs as well as the projected income for the upcoming year.

*The Committee took action to recommend the Board approve the proposed Montana State Fund budget for Calendar Year 2025 totaling \$191,714,936, as follows: Total Operational Expenditures of \$74,813,368; Montana State Fund Claim Benefit Payments of \$108,901,568, plus an \$8 million claim benefit budget contingency. The President is to retain and may utilize the prior direction from the Board to adjust expenditures among categories, and may adjust staffing, as long as the total approved budget amount is not exceeded. Mr. Galt made the motion; Mr. Maxness seconded the motion. The Chair called for public comment; there was none. The motion passed.*

**VII. Internal Auditor Report - Patti Grosfield, Internal Auditor (10:50 a.m.)**

1. 2024 Q4 Internal Audit Report  
External audits being completed by Eide Bailly include the 2024 Statutory-basis financial audit and the 2024 GASB/GAAP financial audit. Additionally, the Legislative Audit Division's IS audit recommendation follow-up on the Compliance and Integrity of PCBC (completed in 2023) has been implemented and will be heard before the Legislative Audit Committee in June 2025.

**Internal Auditor Report**

Patti provided a review of the audit work that she has been working on for the third quarter 2024 and reported on the items that she will be working on in fourth quarter. She also reported on the MSF Dividends Process review she completed and noted there were no recommendations related to MSF's dividend process.

2. 2025 Internal Audit Plan – ***Committee Action***

*The Committee took action to recommend the Board approve the Calendar Year 2025 Internal Audit Plan. Mr. Galt made the motion; Mr. Maxness seconded the motion. The Chair called for public comment; there was none. The motion passed.*

**VIII. Old Business/New Business**

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

**IX. Public Comment**

The Chair called for public comment; there was none.

The meeting adjourned at 11:27 a.m. The next scheduled Finance and Audit Committee meeting will be held on Thursday, March 6, 2025 at Montana State Fund, 855 Front Street, Helena, Montana in the first floor Boardroom.

Respectfully submitted,  
Verna Boucher  
Special Assistant to the President/CEO