

**MONTANA STATE FUND
BOARD MEETING
September 13, 2024**

The Montana State Fund (MSF) Board meeting was held September 13, 2024, in the MSF Boardroom at 855 Front Street, Helena, Montana 59601.

Directors Attending

Richard Miltenberger, Clancy
John Maxness, Helena via Zoom
Nancy Butler, Helena
Michael Marsh, Billings, via Zoom

Karen Fagg, Billings
Dexter Thiel, Sidney
Wylie Galt, Martinsdale

MSF Staff Attending

Holly O'Dell, President/CEO
Verna Boucher, President's Assistant

Nick Mazanec, VP, Legal Services

Others Attending

Representative Brandon Ler, Savage

Representative Jonathan Karlen, Missoula

I. Meeting Preliminaries

A. Call to Order

The meeting was called to order at 11:20 a.m.

B. June 14, 2024 Board Meeting Minutes

The Board took action to approve the minutes as presented. Mr. Galt made the motion, Ms. Butler seconded it. The Chair called for discussion; there was none. The Chair called for the vote and the motion passed.

C. Board Acknowledgements of MSF Employees – Dexter Thiel

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

D. Safety Minute – Kurstin Adamson, ERM Risk Officer

Staff reviewed with the Board and attendees the steps to be taken should a need to evacuate the building arise in the case of an emergency event while in a meeting in the Boardroom.

III. Committee Report and Board Action

A. Operational Excellence Committee – Chair Dexter Thiel

Chair Thiel provided the Operational Excellence Committee Report from the August 19, 2024, virtual meeting.

- Staff provided a review of the Enterprise Scorecard and the internal financial, customer and learning and growth metrics.
- Chair Thiel and staff discussed the various events and services MSF offers and plans to offer to enhance the policyholder's safety understanding and experience.
- Staff shared the injured employee survey results which indicated that MSF has a very strong claims management function and received positive feedback.
- Staff updated the Committee on the Claim Center work and explained the decision points that MSF is currently facing which have resulted in significant planning to be completed.

- Staff provided a review of the invoice revamp that has been implemented to create an ease of doing business environment for MSF's policyholders.
- Committee members chose their discussion items for the next Operational Excellence Committee meeting in December. Asked other Board members for any agenda items they may wish to see on the OEC agenda.

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

i. Second Quarter 2024 Financial and Budget Variance Report

Staff summarized year-end financial projections based on results as of June 30, 2024.

Investment income is better than last year due to higher yields on bonds. Net income is projected to be \$50 million before any consideration of a dividend. Staff then shared the 2024 projected budget variance.

ii. Policyholder Equity and Dividend

WTW shared their analysis of policyholder equity, which advises management and the Board regarding risks and considerations in how current equity levels support MSF's long term strategic plans. It also informs whether the current financial situation supports a dividend. WTW concluded that MSF has a strong level of policyholder equity relative to its risk, and that a dividend in line with past dividend levels is warranted at this time.

Management provided an overview of MSF's dividend strategy and the amount of dividends that management considered. Staff explained dividend eligibility and distribution parameters.

The Finance Committee discussed and approved a \$40 million dividend, which allows MSF to determine the flat rate percentage that is used to determine the dividend amount for eligible policyholders.

The Board took action to declare a percentage of premium dividend of approximately \$40 million dollars, with a minimum dividend amount of \$100.00 payable to eligible policyholders not to exceed 2% above or below the declared dividend. Dividend eligibility applies to policies with either coverage expiration dates between January 1, 2023 and December 31, 2023 or coverage that was both effective and expired in 2022. Ms. Fagg made the motion and Ms. Butler seconded it.

Mr. Thiel made a substitute motion to declare a \$45 million dividend which Mr. Marsh seconded. The Chair called for discussion and then for public comment.

Legislative Liaison Representative Brandon Ler, HD35, commented that he agreed there is volatility in the market and noted that MSF's policyholders are also concerned. He said the additional \$5 million will mean something to them.

Following further Board discussion, Mr. Thiel rescinded his motion to declare a dividend of \$45 million and Mr. Marsh seconded that. Ms. Fagg made a substitute motion to make the total amount \$43 million. Mr. Thiel seconded it. There was no further discussion and the Chair called for public comment. The Chair called for the vote and the substitute motion for \$43 million passed.

ii. Old Fund Reserve Estimate Report

Staff provided an overview of the Old Fund payment activity through June 20, 2024. For the fiscal year ending June 30, 2024, a total of \$4.4 million was needed to cover Old Fund

benefit and administrative costs. In 2025 the total is estimated to be \$4.7 million. Claim counts and benefit payments continue to trend downwards, most recently at 336 open claims.

The Board appointed actuary provided an updated analysis of the outstanding OF claim liability as of June 30, 2024, which is displayed as a range, with the updated central loss estimate reported to be \$32.8M.

v. Internal Audit Report

Staff provided a report of the internal and external audit activity that has occurred in the last quarter noting that a review of MSF's business processes surrounding its tired rating program was completed to determine compliance with regulatory requirements. The audit found no deviations or regulatory requirements noted and contained no recommendations. Staff provided a review of a number of past audits and the ongoing efforts to address or complete the recommendations.

IV. Old Business/New Business

The Chair called for old or new business items. There was none.

V. Public Comment

The Chair called for Public Comment. There was none.

The meeting was adjourned at 12:19 p.m. The next scheduled board meeting will be held on Friday, December 13, 2024, at Montana State Fund, 855 Front Street, Helena, Montana in the first floor Boardroom.

Respectfully submitted,

Verna Boucher
Special Assistant to the President/CEO