Draft Version - Minutes of Second Injury Fund Advisory Board
Wednesday, June 17, 2015 Meeting
Final Version of these minutes will be posted after approval by The Advisory Board at the next meeting to be held in November 2015

Office of the Treasurer
Second Injury Fund
Advisory Board
June 17, 2015

Present: Clifford G. Leach, The Hartford Financial Services Group, Inc.
Eric Gjede, Connecticut Business and Industry Association;
Dorothy Siniscalchi, International Union of Operating Engineers, Local 478 Benefits Funds;
Lori Pelletier, Connecticut AFL-CIO;
State Representative Peter Tercyak, Co-Chair Labor and Public Employees Committee

For the Fund: Maria M. Greenslade, Assistant Deputy Treasurer
Deborah D'Agostino, Collections
Hank Gaffney, Claims Manager
Gloria G. Williams, Controller
James Eatherton, Investigations
Amber Bassett, Executive Secretary
Breana Green, Intern
Jasmyn Holmes-Spruell, Intern

Meeting was called to order at 11:06AM and was held by teleconference.

1. Welcome/Roll Call: Ms. Greenslade introduced members of the Fund who were present on the call, including the Treasury's Second Injury Fund summer Interns and welcomed all members to the Advisory Board meeting. Ms. Pelletier introduced all Board members who were on the call and welcomed everyone.

2. Election of Chairperson: Ms. Pelletier opened discussion for nominations of a new Chairperson. Ms. Greenslade reminded Board members that all members were reappointed by the Treasurer for a 4 year term effective January 1, 2015. Board members elect a chair every 4 years. Last election was held in June 2011and Ms. Pelletier was elected Chair. Representative Tercyak nominated Ms. Pelletier to serve as Board Chair. There were no other nominations or objections. Ms. Pelletier was unanimously elected Board Chair. She thanked Board members for the nomination and election.

3. Adoption of Minutes: Ms. Pelletier invited adoption of the November 2014 meeting minutes which were included in the Agenda packet. Mr. Leach moved to adopt the minutes; Representative Tercyak seconded the motion. There was no discussion and the minutes were unanimously adopted.

4. Update on Operation of the Fund: Ms. Greenslade asked Ms. Williams to present an update on the Financial Operation of the Fund. Ms. Williams stated in summary The Statement of Revenues, Expenses and Changes in Net Position as of June 30, 2014 includes the Total Operating Revenues was $41.2 million, which is a 7.5% increase over Fiscal Year 2013 which was $38.3 million. Ms. Williams reported that the Total Operating Expenses of $39 million for the year also increased but at a smaller rate of 3.2% over Fiscal Year 2013 which was $37.9 million. The components were Injured Worker Benefits which are Settlements, Indemnity Claims and Medical claims totaling $31 million which was 1.6% higher than Fiscal Year 2013. Ms. Williams stated the Change in Net Position which is Revenues in excess of Expenses as of June 30, 2014 was $2.2 million compared to $502,000 for Fiscal Year 2013.

For the current year the financials as of 5/31/15 which is 11 months of Fiscal Year 2015 include Revenues of $41 million trailing the full Fiscal Year 2014 year by $271,000. The Expenses are $33.5 million which is below the full Fiscal Year 2014 year by $5.5 million. All components are below the prior year. The Change in Net Position is $7.4 million compared to $2.2 million for full Fiscal Year 2014. There were no questions regarding the financial operation of the Fund.

Ms. Greenslade asked Mr. Gaffney to update the Board on the Claims Unit. Mr. Gaffney reported current Fiscal Year claims payout through May 2015 is at $26.3 million, and indicated the eventual Fiscal Year-end payout might be less than $30 million, which would be an historic milestone for the Fund.

Mr. Gaffney reported the cost of Second Injury Fund's settlements for the current Fiscal Year-end would be in the area of $5 million, consistent with recent years. Current open claims inventory was reported to be 2,900, comprised of 40% of the claims being handled by Second Injury Fund staff (second injury and uninsured employer claims) while 60% of the open claims are limited to reimbursement payments (concurrent employment and COLA reimbursement claims). Current case estimates (the measure of future liability of claims reported to Second Injury Fund) were reported to be $384 million, which represents a fiscal year reduction of $12 million.

Mr. Gaffney noted a two tiered payout "plateau" over the past several years with Second Injury Funds's annual payout averaging $37.5 million from 2002 – 2010, followed by a 16% annual payout reduction averaging $31.5 million per year from 2010 through 2014. A discussion ensued about the causes of the recent downward payout trend, and Mr. Gaffney attributed it to the combination of decreased claim volume of the relatively costly second injury and COLA claims with simultaneous increased claim volume in the less costly concurrent employment claims. He also noted that the demographics of the "second injury" benefit recipients were no longer conducive to full & final settlements. There were no other questions regarding the Claims Unit of the Fund.

Ms. Greenslade stated the Treasurer's Assessment Letter dated May 1, 2015 was included in the packet. The Treasurer has maintained very stable assessment rates and has continued this trend over a 4 or 5 year period of time. The Fund is mindful of the Board's past recommendation of not significantly fluctuating the assessment rate. This is important because it allows stability for businesses in Connecticut. Ms. Greenslade also

stated the Fund has either decreased or maintained the assessment rate over the past 17 years which enables businesses to appropriately project expenses. There were no questions regarding the assessment rate.

Ms. Greenslade updated the Board on the Fund's Fund continued work of converting the old Claims system into a newly designed computer system which also includes the Accounting Department. The Fund is also moving its financial records onto the state's financial system called CORE-CT. In the near future, business will submit assessments online. The Fund will request some Board members who file assessments, to preview and test the system in the future. The Fund had targeted February 2015, as a go live date however there have been some unexpected delays so the Fund is about 4 months behind schedule. The Fund has been testing the new system on a daily basis to ensure it is working properly. The Fund will request the vendor to continue working until the system conversion is complete. The Fund has also completed a cost benefit analysis and projected savings of approximately $300,000 by 2017. However, to reach this goal an additional $300,000 must be spent to complete the project. Ms. Pelletier advised the Fund to continue moving forward with completion of the project especially since a saving will be realized shortly after implementation. There were no further questions or comments regarding this computer upgrade.

5. <u>Legislative Update</u>: Mr. Gaffney indicated that the 2015 legislative session involved no pending legislation having any significant financial impact to the Fund.

6. <u>Other Business</u>: Ms. Greenslade began with stating a draft of the Fund's Annual Report to the Governor has been sent to the Deputy Treasurer for review and submission to the Treasurer. Ms. Greenslade reminded the Board estimated numbers for the end of the Fiscal Year will be submitted in the Annual report since the letter must be delivered by July 1, 2015.

Ms. Greenslade noted the last 2015 meeting is scheduled for November 18, 2015 and at 11AM. Ms. Greenslade asked the Board members if in addition to emails sent by Ms. Bassett, if members were agreeable to receiving an Outlook meeting request to be placed on Members' calendars. Members were in agreement with this idea.

Ms. Pelletier asked members if there was any further business. Hearing none, Ms. Pelletier concluded by asking for a motion to adjourn the meeting. Mr. Leach moved to adjourn the meeting; Representative Tercyak seconded the motion. Motion passed unanimously.

Meeting adjourned at 11:27AM.