

TRUSTEES' OPEN MEETING MINUTES

PLACE: Claims Conference Room/Okemos, MI

DATE: February 18, 2016

TIME CALLED TO ORDER: 9:03 a.m
OPEN SESSION ADJOURNED: 10:30 a.m.

MEMBERS PRESENT:

Trustees: Douglas A. Green, Mark C. Long

Assistant Attorney General: Brian Galin

Funds Staff: Richard Smith, Janice Remer, Allison Kelly & Beth VanElls

Additional Attendee: Lee Anne Fontaine

PRESIDING PERSON:

John W. Schrock, Funds Administrator

RESPECTFULLY SUBMITTED:

Beth VanElls, Executive Secretary

#	TOPIC	MOTIONS/SECOND/AMENDMENTS MEMORANDUMS/LETTERS	SUMMARY/RESULT
1.	Introduction of Lee Anne Fontaine as the new trustee	None	Lee Anne Fontaine was appointed the new trustee for the Funds Administration, replacing Mike Reid, but hasn't taken her oath of office yet and therefore cannot participate in the closed session or vote.
2.	Open Minutes from December 14, 2015 Trustee Meeting	December 14, 2015 Open Meeting Minutes Motion by Mark Long to approve the open minutes of December 14, 2015 as written. Doug Green supported.	Unanimous approval. Minutes approved.
3.	Financial Statements	Revised year-end September 2015 and October 2015 Financial Statements, including Delphi FY 2015 and FY 2016	John Schrock explained that excess reimbursements are now being recorded as expenditure credits for SISF which changes the presentation of the statement. Rick Smith explained this needed to be accomplished before the end of fiscal year 2015 and

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3.	Financial Statements		now reflects as negative. Doug Green questioned whether the SISF audit is conducted on a fiscal year basis. Mark Long responded audit is on a calendar year however, the plan is to seek approval of the Legislature to change the SISF audit from calendar year to fiscal year to align with the state's accounting system. He further explained the assessments are assessed on a calendar year basis. The Office of Auditor General and LARA Finance also agree this change should be made. This would allow the audit to begin earlier and not have such a limited timeframe for calling the assessments.
4.	AAG/SAAG Litigation and Billing Reports	December 2015 and January 2016 General Litigation Reports and SAAG Billing Reports	Brian Galin explained the case counts are similar as compared to the same time last year and are being closed in an appropriate manner. He reiterated they continue to handle more cases in-house versus externally and would like to continue to see that number increase. Brian also explained a new attorney was added: Jason Welch, who took over Bill Denner's docket. This is the first time in several years this division is fully staffed to handle the Funds Administration cases. The SAAG's will only handle cases in geographical areas where there isn't an AAG presence to handle a particular case.
5.	High Profile Litigation Report	Report	Brian Galin explained the only high profile case is <i>Florian</i> (SDDF), which was tried before Magistrate Moher and given an open award and subsequently overturned by MCAC. The plaintiff was granted application for leave by the Court of Appeals. Brian indicated they just filed their brief to the Court of Appeals. One issue is the employer filed a late brief at MCAC and wasn't accepted. The plaintiff argues the employer can't take credit for the Funds' prevailing at MCAC and should still be responsible to pay. The employer requested an extension to file their brief. Brian doesn't expect oral argument until this fall.
6.	2016 BOM & MCAC Outcomes	Report	Nothing to report.

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7.	Redemption Activity: December 10, 2015 – February 12, 2016		John Schrock explained that Delphi cases continue to be steadily resolved. Doug Green questioned whether we need to reassess John Schrock's authority now that he is Funds Administrator. Mark Long explained that he was given the same authority as acting administrator that Mark had as administrator.
8.	FAIS Rewrite	None	<p>Rick Smith provided an update on the FAIS system project. The CRS portion is basically complete. The team is beginning the eighth sprint, encompassing two weeks each. The team identifies at the beginning of each sprint what needs to be completed and a demonstration is provided at the end of the sprint. At that point, any issues are identified with an attempt to resolve, otherwise the team moves on to the next sprint. Rick is pleased with the agile process as the team is able to view the results as the project progresses. The team is relying on FAIS system written specifications from 16 years ago to develop this project. Le Anne Fontaine was provided an overview of the FAIS and CRS systems and the need to update this system since its inception in the mid-1990's. Lee Anne questioned the target completion date and Rick Smith responded with August 2017. Rick further explained the timing would be ideal to coincide with the introduction of the State of Michigan's new accounting/purchasing system: SIGMA.</p> <p>In the midst of the CRS development and based on the Auditor General recommendation, the check receipt process was changed so that checks are received and handled downtown at LARA Revenue Services or electronically. A new P.O. box was created where all assessment and excess reimbursement checks are to be sent. It is anticipated there will be an increase in the number of checks received electronically. Revenue Services will verify payments received and send to the Funds' office a verification of checks received, along with copies of</p>

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8.	FAIS Rewrite	None	the checks. There hasn't been an issue in receiving checks at the Funds' office in the past; however, this practice deviates from the state standard of receiving checks. The CRS development portion of the system had to be tweaked to accommodate this new procedure.
9.	Delphi update	None	Brian Galin explained Delphi cases were inherited in four categories: open award, which have been mostly resolved; voluntary pay, which over half have resolved the indemnity with the medical left open; disputed and GM/Saginaw Steering that GM agreed to take on liability. They are currently working mostly on voluntary pay and disputed claims. The issue with the voluntary pay cases involves six years of accrued benefits at the maximum rate which resulted in a large liability. A portion of the cases classified as disputed weren't actually that; they were Delphi payments cases being paid by Delphi Holdings. They were in the disputed category even though they were being paid at one point. The voluntary pay are being resolved at approximately two to three a week. The number pending reflects higher as many are awaiting settlement of the MSA. Lee Anne Fontaine questioned who is handling the MSA's and Brian confirmed they are working with a vendor in Grand Rapids on these. Mark Long further explained that ACE and Pacific were taken off hearing notices as a result of the final Supreme Court case, which required Magistrate action to accomplish this.
10.	Auditor General	None	Rick Smith explained that we are currently in the midst of the second annual review by the Auditor General review for the SIFS. Thus far it has been a different process as compared to last year with a target completion date of March 31, 2016 and hopefully done sooner. The auditors met with the assessment coordinator. There hasn't been many questions yet at this point. Mark Long explained the two different types of audits: performance and financial. Last year's audit

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10.	Auditor General		<p>was a performance audit and this year is a financial audit. Rick further explained that the audit last year took a good deal of time to determine reporting needs to be completed as an enterprise fund. An enterprise fund requires prior year statements and more compilation. Since the determination has already been made this year, it will expedite the process. It was explained the SISF assessment can't be called until the audit is complete and the assessments were called separately last year for that reason. The plan is to avoid that this year and call all assessments together as it simplifies the process for all parties.</p>
11.	2015 Actuary Report/Audit Report update	None	<p>John Schrock explained the actuary report from Merlinos was completed last week and given to the auditors. John pointed out Exhibit 1 shows net reserves reported last year were significantly higher as compared to this year, which is a reflection by the actuaries of the continuing resolution of Delphi claims. Prior to the actuary review, the Funds' staff did considerable preparation work such as inputting updated reserves and rates for individual cases. The actuaries being more familiar with the numbers this time also assisted with finalizing the report. Doug Green questioned whether this report is a public record and Mark Long confirmed that it is even though it isn't published. John also explained the MDA information has been provided to Finance, in addition a rough draft of the SISF report has been completed as to not delay completion of the audit process.</p>
12.	Status of Assessment Collections		<p>Allison Kelly indicated that the assessments are almost complete as there is only a minimal amount outstanding. The requested 2015 indemnity amounts from insurers and self-insured companies for determination of this year assessment is being received at an expected rate. An overview was provided to Lee Anne Fontaine to give her background on the assessment process. Pending timely outcome of the Auditor General report, all assessments will be called late-spring.</p>

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13.	Moved into Closed Session	Motion made by Mark Long to move into closed session to discuss issues of trial or settlement strategy with Council and attorney-client privileged documents. Doug Green supported.	Unanimous approval. Moved into closed session at 9:59 a.m.
14.	Closed Minutes from December 14, 2015	Motion by Mark Long to approve the closed minutes from December 14, 2015 as presented in closed session. Doug Green supported.	Unanimous approval
15.	Bordeau, Michael v Delphi Corporation & SISF	Motion by Mark Long for settlement authority as agreed upon in the closed session for Michael Bordeau v Delphi Corporation & SISF case. Doug Green supported.	Unanimous approval.
16.	SIF/DEP Layoff Status of Employees Engaged in Dual Employment	Motion by Mak Long to establish a policy allowing Funds Administrator discretion on dual employment cases where the employee is currently on-call, seasonal or layoff status from the non-injury employer to determine liability. Doug Green supported.	Unanimous approval.
17.	Voluntary MSA's on SIF/DEP Redemptions	Motion by Mark Long to allow discretion on percentage paid on voluntary MSA for dual employment cases. Doug Green supported.	Unanimous approval.
18.	Adjourn Session	Motion by Mark Long to adjourn the meeting. Doug Green supported.	Unanimous approval. Session adjourned at 10:30 a.m.

Douglas A. Green, Trustee Chair

Date

John W. Schrock, Funds Administrator

Date