



Background Brief

for the
Economic Affairs Interim Committee

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Regulatory Options for Montana State Fund

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As part of the House Joint Resolution No. 25 study of workers' compensation, the Economic Affairs Interim Committee is analyzing whether regulatory changes are appropriate to improve the ability of Montana State Fund to operate similarly to a private mutual insurance carrier (39-71-2315) but within the confines of being a nonprofit, independent public corporation (39-71-2313) established by the Legislature "for the purpose of allowing an option for employers to insure their liability for workers' compensation and occupational disease" and providing a guaranteed market. A guaranteed market means that one insurer will cover all those employers requesting coverage (as long as they pay their premiums). That insurer is sometimes called the insurer of last resort. A guaranteed market is one of two options usually used when state law requires almost all employers to have workers' compensation coverage for their employees. The other option is an assigned risk pool in which all insurers offering workers' compensation coverage are assigned the hard-to-cover employers on a random basis.¹

At a December 18 meeting of stakeholders interested in restructuring Montana State Fund, information was requested for regulatory options that the Legislature might consider. Currently, all workers' compensation insurers in Montana must follow the benefit and administrative requirements outlined in Title 39, chapter 71, as they provide workers' compensation benefits to workers who have experienced on-the-job injuries or occupational diseases. The regulation being discussed here is from an insurance company perspective. Montana State Fund currently operates under statutory requirements that are at times more specific than those for private insurers and at times less restrictive.

The overall options that may be considered by the Legislature in 2015 or beyond are:

- maintain the status quo where Montana State Fund functions under statutory requirements, with overall control under the Board of Directors appointed by the Governor and statutory parameters for its operation as both a state entity and a provider of a guaranteed market of workers' compensation coverage.
- revise the regulatory authority to put Montana State Fund under the authority of the State Auditor, also known as the Commissioner of Securities and Insurance. This option could retain Montana State Fund's status as a state entity and provider of a guaranteed market.
- authorize privatization of Montana State Fund. This might entail analysis of how to maintain fairness in the system if a privatized Montana State Fund were to continue to provide a guaranteed market. The flip side--of not

requiring a guaranteed market under a privatization option--would require an analysis of the impact on Montana's workers' compensation market if all insurers had to participate in a risk insurance pool and no single insurer were assigned responsibility for a guaranteed market.

This background paper looks at the middle option and outlines the following subject areas:

- what is necessary to retain a federal tax exemption allowed to providers of a guaranteed market. Among the considerations are a retention of at least a majority of political appointments to the Board of Directors and either a prohibition against dissolution or a requirement that assets revert to the state upon dissolution.
- handling of Montana State Fund as an insurer under Title 33. This would include:
 - rate reviews;
 - market conduct exams;
 - risk-based capital analysis and what to do about supervisory takeover if Montana State Fund became less than fiscally strong;
 - whether to require full participation in the rating organization's filed loss costs, rules, forms, classification systems, and experience rating plan used by other workers' compensation insurers (NCCI, the National Council on Compensation Insurance);
 - whether Montana State Fund must participate in the guaranty fund (used to guarantee work comp payments if a company goes bankrupt); and
 - creation issues, such as an automatic certificate of authority.
- whether to provide flexibility to just Montana State Fund or to all workers' compensation insurers regarding special code classifications and whether to use a higher premium base (for example \$5,000 instead of \$2,500) for experience rating;
- how to deal with fraud investigation and prosecution vis-a-vis the State Auditor's Office and Montana State Fund's current use of its own investigators who turn over potential criminal investigations to the Department of Justice for further investigation and prosecution;
- whether Montana State Fund should pay a premium tax and whether that premium tax, if levied, would be phased in gradually;
- whether to allow Montana State Fund to write more lines of insurance than it currently does to help cushion the effects tied to being reliant on one market;
- whether a change in regulatory authority and any other major changes might best include the ability for the Board of Directors to also adopt an assumed business name to be registered with the Secretary of State;
- whether a regulatory structure change should impact Montana State Fund being immune, as a state entity, from punitive damages;

- whether Montana State Fund employees should remain state employees and whether they should be subject to state pay classification plans instead of exempt and under a market-based pay plan as they are now;
- what state services would have to be changed and the accompanying impacts on state agencies from Montana State Fund's changes in payment for services if Montana State Fund were more independent;
- what state requirements would have to be changed if Montana State Fund were more independent; and
- whether statute should specify that the full faith and credit of the state is--or is not--on the hook if Montana State Fund were unable to fulfill its obligations to pay outstanding claims.

Retaining federal tax exemption

To retain a federal tax exemption offered to providers of a guaranteed market, the following conditions must be met:

- at least a majority of the board members must be political appointees; and
- there must be either a prohibition against dissolution or a requirement that assets revert to the state upon dissolution.

Some insurers have suggested that Montana State Fund have a combination of politically appointed board members and board members elected from among its policyholders, as occurs with a private mutual insurance company. However, appointment of all board members could continue as under current law even with other regulatory changes. Some questions have been raised about the strength and independence of a board that meets roughly five times a year and is not a professional board, although one board member is required to have executive management experience in an insurance company or executive level experience in insurance financial accounting.

Being regulated for rate reviews

If Montana State Fund is put under the State Auditor's regulatory authority, the State Auditor would be expected to handle rate reviews for MSF. The following aspects are germane:

Sole Authority -- Currently the MSF Board of Directors has sole authority over rates, with review by the Legislative Audit Division to determine if the rates are excessive, inadequate, or unfairly discriminatory (39-71-2362).

Timing (in terms of reviews) -- The Board of Directors typically sets rates in May for the year beginning July 1. The Legislative Audit Division's review typically is conducted by an external actuary (paid for by Montana State Fund) and available for the public in January of the following year. If the State Auditor conducts a rate review, the normal process is for an insurer to submit proposed rates in March. Montana uses a "file and use" process under which the filed rates can be used unless the loss cost multiplier in the filed rates is less than 1 or the filed rates are less than the NCCI-filed loss costs, according to a review of Montana's rate review process by Ann Clayton for the Labor-Management Advisory Council and the Economic Affairs Interim Committee in 2010.

http://leg.mt.gov/content/Committees/Interim/2009_2010/Economic_Affairs/Meeting_Documents/10-Jan-Clayton-pricing-overview.pdf

Uniformity - A report in 2010 by Laurence Hubbard, President and CEO of Montana State Fund, noted that there were pros and cons if the State Auditor conducted a review of rates. One concern about MSF being treated the same as all other work comp insurers was that standardization might result in MSF not being able to appropriately apply its own judgments based on MSF trends.
http://leg.mt.gov/content/Committees/Interim/2009_2010/Economic_Affairs/Meeting_Documents/State%20Auditors%20reveiw%20of%20rates.pdf

Being regulated by undergoing market conduct exams

Market conduct exams, which review a company's practices in advertising and marketing, policyholder services, underwriting, rating, and claims handling, tend to be expensive and must be paid for by the entity that is the subject of the market conduct exam. An insurance expert carrying out a market conduct exam compares the examined entity with conduct standards developed by the National Association of Insurance Commissioners. While expensive, a market conduct exam happens roughly every 5 years and provides potential benefits, including useful information. They can be risk-focused to be cost-effective.

Currently reviews in these areas might be carried out independently by Montana State Fund, sometimes at the request of its Board of Directors. Or there might be similar reviews that are the subject of a performance audit conducted by the Legislative Audit Division. A performance audit, however, uses audit standards in analyzing operations not the NAIC standards

The State Auditor's Office conducts relatively few market conduct exams in Montana because market conduct exams typically are done only for companies headquartered in Montana. The largest market conduct exam done by the State Auditor's Office was for Blue Cross Blue Shield of Montana in 2006. That report and a list of other market conduct exams conducted by the State Auditor's Office is online at: http://www.csi.mt.gov/industry/market_conduct_exams.asp.

Mr. Hubbard has asked that duplicate oversight be avoided so that, if regulatory authority is provided to the State Auditor, including financial and market conduct exams, there is not the need for oversight as well from the Legislative Auditor. The Legislative Audit Division annually does a financial audit of Montana State Fund and also is required under 39-71-2361 either directly or through an outside entity to evaluate the claims reservation process and the amounts reserved. Under 39-71-2362 the Legislative Auditor is to review Montana State Fund rates to determine if they are excessive, inadequate, or unfairly discriminatory. While these statutes may be amended to remove some legislative audit duties, there is a question of whether Montana State Fund could be exempted from the Legislative Audit requirements of Title 5, chapter 13, or whether, in fact, Montana State Fund currently meets the 5-13-102 requirement of being a "state agency... that spends or encumbers public moneys by virtue of an appropriation from the legislature or that handles money on behalf of the state or that holds any trust or agency moneys from any source". If the answer to the state agency definition applying to Montana State Fund is "no" then the Legislative Audit review ability most likely would end if 39-71-2361 or 39-71-2362 were repealed.

Another aspect of market conduct exams in contrast to audits performed by the Legislative Audit Division is that the State Auditor has the ability to levy fines if an

exam shows a problem. The Legislative Audit Division makes recommendations that may or may not be implemented.

Being regulated through oversight of risk-based capital conditions

If Montana State Fund were to remain an entity much as it is now but be regulated by the State Auditor's Office, the State Auditor would have the ability to review MSF's financial soundness--a job also conducted for other insurers. The National Association of Insurance Commissioners sets risk-based capital standards that warn a regulator when an insurer is in potentially unsafe financial waters.

At the December 18 stakeholders' discussion regarding restructuring Montana State Fund, Mr. Hubbard suggested that Montana State Fund, by statute, might be held to a higher risk-based capital threshold than other insurers. That would allow the State Auditor to intervene early to work with MSF on developing an action plan to regain stronger financials. A higher threshold also would provide legislators with advance knowledge of whether problems existed with MSF financials.

Determining whether the State Auditor should be allowed supervisory control if Montana State Fund becomes less than fiscally strong

This option is related to the option based on risk-based capital conditions and may need to specify supervisory control but not the authority to dissolve MSF. Liquidation is a power given to the State Auditor's Office along with authority to move a company into rehabilitation. A balancing act may be necessary between what the State Auditor's Office can do and what the Legislature and Executive Branch see as solutions.

Determining whether to require full participation in the rating organization used by other workers' compensation insurers

All private workers' compensation insurers are required to adopt the loss cost used by the National Council on Compensation Insurance in setting their rates. Montana State Fund is a member of NCCI and adopts and uses NCCI-filed loss costs except where MSF has unique classification codes or has significantly different experience and has adopted a loss cost that is either more or less than NCCI's loss cost (limited to a few class codes). The unique class codes include codes for agriculture and state agencies. For more background see a 2010 report to the EAIC:
http://leg.mt.gov/content/Committees/Interim/2009_2010/Economic_Affairs/Meeting_Documents/MSF-ratemaking.pdf.

Determining whether Montana State Fund should participate in the Guaranty Association

Private insurers must belong to a Guaranty Association, which can assess fees on its members to provide funding to serve as the final backstop for workers' compensation claimants whose claims were filed with an insurer that goes bankrupt.

A court must find that an insurer is insolvent before the Guaranty Fund can be accessed, but an order of insolvency is incompatible with the operation of Montana State Fund as the guaranteed market. Plus, only the Legislature can dissolve through repeal an entity that it creates, so Montana State Fund suggested at the December 18 meeting of stakeholders that, in lieu of Guaranty Association membership, the State Auditor exercise additional financial solvency standards, such

as higher risk-based capital assurances and additional reinsurance or adverse development cover, in insurance-speak.

From the private insurers' perspective, they might not want Montana State Fund in the Guaranty Association because that would mean the insurance pool would have to accept the liabilities of the guaranteed market provider.

Also, participation in the Guaranty Association would be moot if the state considers itself finally liable for the debts of a state entity like Montana State Fund. However, if not fully liable, the state would have assurances through the earlier triggers under which the State Auditor would start looking at Montana State Fund's fiscal soundness as proposed at the December 18 meeting.²

The 1989 legislation that created the Montana State Fund as a mutual insurer excluded participation in the Guaranty Association.

Creation issues

Senate Bill No. 428, enrolled as Chapter No. 613 of the Laws of 1989, specifically stated in Section 10 (since repealed): "The state fund is a domestic mutual insurer controlled by the laws relating to the regulation of domestic mutual insurers in this state. However, the formation, incorporation, bylaws, and bonding requirements set forth in Title 33, chapter 3, do not apply to the state fund". Because Montana State Fund already exists, the exemption from bonding and other "creation issues" would be addressed simply by requiring the State Auditor to issue a certificate of authority for Montana State Fund to operate as an insurer in Montana.

Determining how to handle special code classifications

Montana State Fund currently has a special code classification, 0006, which allows farmers and ranchers to do various tasks under one code, thus cutting paper work. MSF uses it, but other insurers do not. Similarly, MSF has special codes for some state agencies. A loss of the special classifications for state agencies would require reassessing state employee classifications to fit NCCI codes. Or perhaps more simply, all insurers might be offered the use of the special code classification if the state portfolio is opened to other insurers rather than being the sole business of Montana State Fund. Generally the state portfolio is seen as a factor in stabilizing MSF rates for Montana's small businesses.

There is a possibility that a code classification committee that meets through the State Auditor's Office could allow all insurers to use the codes that MSF currently uses.

Determining whether to use a higher premium base (for example \$5,000 instead of \$2,500) for experience rating

Montana State Fund has used a higher premium base, which means that some smaller businesses are not experience-rated. This can be both good and bad for small businesses: good because small employers can still buy insurance but bad because good experience does not necessarily yield discounts that are available to experience-rated employers. There could be a statutory threshold, or the Legislature might ask NCCI to allow all Montana insurers to have a higher threshold.

Determining how to deal with fraud investigation and prosecution

Currently Montana State Fund pays for both its own investigators to detect employer fraud (for example, under-reported payroll) and employee fraud (claiming a work-related injury for an injury that occurred during the employee's leisure hours). If MSF investigators find an indication of fraud, they can refer the case to a specially assigned investigator in the Department of Justice. A special prosecutor then develops a court case based on the enhanced investigation and makes the determination on whether to prosecute.

One suggestion has been that Montana State Fund could save money by no longer having the arrangement with the Department of Justice but instead allowing the State Auditor's Office investigators and prosecutors to step in. A concern is whether the State Auditor would have to expand its capacity to address workers' compensation fraud by providers, employers, and injured workers. The question is whether the current arrangement with the Department of Justice could be retained or whether the arrangement is unnecessary.

Determining whether Montana State Fund should pay a premium tax and whether that premium tax, if levied, would be phased in gradually

Past discussions in the Legislature have involved "leveling the playing field" between Montana State Fund and other private providers of workers' compensation coverage. One of the unlevel areas has been that private insurers pay a 2.75% tax on all written premiums but Montana State Fund does not. One suggestion made at the October 2013 Economic Affairs Interim Committee meeting was that a premium tax might be used to help fund benefits for Old Fund claimants whose claims currently are paid out of the general fund.

A related issue is that the premium tax might be phased in gradually because the main opposition in years past has come from policyholders who do not want their premiums escalating to pay the premium tax, particularly when Montana State Fund is acting as the insurer of last resort for some small firms that are stretching their budgets to cover workers' compensation now.

Determining whether to allow Montana State Fund to write more lines of insurance than it currently does or retain its current tier-based structure

Providing more lines of insurance offers more stability to private insurers who see cycles of demand in the insurance industry. But by providing only the workers' compensation line of insurance, Montana State Fund experiences drops when that market is down and has no cushion from other lines of insurance that may be in a growth cycle. If Montana State Fund remains a state entity, the question is why would the state authorize more competition in the private market from a state-based entity, and if the decision is to do so, then what lines of insurance ought to be included.

Another aspect of stability achieved through mimicking private insurers' practices is the right to use a tier-based system for rating MSF policyholders. Montana State Fund began using a tier-based structure in 2001 as a way of allowing variations in rates to recognize employers with good safety records. Private insurers may currently use rating tiers or may move clients to different insurance entities within the same corporate structure so that the least risky employer gets insurance from one

entity and a riskier employer gets insurance from another entity. MSF's tiers were set up to mimic that flexibility. For about a decade the tiers were unchanged, which meant that many small companies without experience rating were in the tiers with higher rates. After revising the tiering methodology about 3 years ago, Montana State Fund has been able to offer more favorable rates for many smaller companies.

One question is whether all insurers should explicitly be allowed under Title 33 to use tiered-rating as is currently the case for Montana State Fund under Title 39.

Is a change in MSF's business name appropriate?

Currently Montana State Fund is known in statute as the "State Compensation Insurance Fund" or "State Fund" or "Plan No. 3". See the definitions in 39-71-2312. Prior to creation of the nonprofit independent public corporation, in other words prior to 1989, the "state fund" was a bureau within the Department of Labor and Industry's Division of Workers' Compensation.

Should Montana State Fund remain immune, as a state entity, from punitive damages?

One of the issues raised by private insurers regarding Montana State Fund and an "even" playing field is that, as a state entity, Montana State Fund is immune from punitive damages that private insurers must pay if found guilty of intentional malfeasance. This immunity prevents the state from paying for damages imposed as a punishment beyond the damages necessary to cover proven losses. An alternative to leveling the playing field is to allow private insurers to be immune from punitive damages. The immunity is also considered a benefit to a guaranteed market.

Should Montana State Fund employees remain state employees and, if so, should they be subject to state pay classification plans instead of being exempt as they are now?

Salaries -- One of the issues raised during the December 18 meeting was that Montana State Fund's Board of Directors had approved raises for management employees and other MSF employees that surpassed what the Legislature considered prudent pay raises for state employees. During the Senate Business, Labor, and Economic Affairs Committee hearing on SB 173 (not passed by the 2013 Legislature) the sponsor submitted as an exhibit a document showing that salaries for the Chief Executive Officer had increased 23% between 2009 and 2013. While not the specific subject of SB 173, which was to transfer the cost of the Old Fund benefits from the general fund to Montana State Fund, the salary example was cited as an indication that money currently being used for increasing salaries above the level of other state employees might instead be available for Old Fund claims.

The flip side of payroll discussions is that Montana State Fund, operating as a nonprofit independent public corporation and exempt from the state of Montana pay and classification system, ought to be allowed to set salaries at market rates, which is what they do now. (MSF's average merit compensation in FY 2014 was 2.8% compared to the 3% given by the Legislature for base and merit increases in FY 2014. There was no base increase in average MSF employees' pay for FY2014. However, an *Independent Record* article from Nov. 20, 2013, noted that the 2013 incentive payments to State Fund employees averaged 6.3 percent of an employee's eligible income and ranged from \$600 to \$9,500 for nonexecutive workers".³⁾

A 2009 performance audit by the Legislative Audit Division reviewed MSF employee compensation and incentive plans and noted that Montana State Fund had preceded other state agencies in moving toward market-based pay. The audit also included a review of other state agencies' market rates and found that the Banking and Finance Division, the Board of Investments, and many other agencies surpassed Montana State Fund's salaries on average. Only public defenders fell short, while the Public Service Commission salaries were about the same as MSF's. See: <http://leg.mt.gov/content/Publications/Audit/Report/08P-08.pdf>.

PERS participation -- MSF employees are covered by the Public Employees' Retirement System, a cost-sharing plan for both the employer and employees. The policy question is whether Montana State Fund, to become more independent from the state of Montana, should consider continued participation in PERS. As a governmental entity that is legislatively created in statute for a public purpose (guaranteed market for employers to purchase workers' compensation coverage), MSF may remain eligible for PERS participation. However, as part of a look toward further independence, MSF's continued participation in PERS is a question. According to information from Montana State Fund, other state funds, in becoming more independent of their respective state's government services, are placing new hires as of dates certain into a new retirement plan (for example, a defined contribution plan similar to a 401k) while leaving all current employees in the public retirement programs (see changes in Oklahoma and Maryland). This avoids adverse impact on employees and potential legal issues. Of interest is the fact that other state funds, which also operate more independently, have continued to have all state fund employees participate in their public retirement systems (Utah and Idaho). In Montana PERS officials have indicated concerns about an Internal Revenue Service rule that says that nongovernmental employees cannot be covered under PERS-types of systems. If the Economic Affairs Interim Committee suggests pursuing a change in MSF's government status, the PERS tax attorneys may need to be consulted to determine whether existing PERS members who are MSF employees can remain in the system while new members are in a different system. Montana State Fund has agreed to pay the cost of PERS actuaries looking into the costs to PERS if new Montana State Fund employees are no longer PERS members even if Montana State Fund retained its governmental entity status. Legislation might be required to provide an exemption to PERS for new employees. Similarly, a careful examination of the other state approaches would be needed to determine whether differences in state constitutions affect the respective outcomes. At one extreme is that if Montana State Fund were no longer a governmental entity, then all of its PERS-covered employees would have to terminate active membership in PERS and all nonvested employees would get a refund of their employee contributions. In this situation, vested employees could keep their contributions in the plan until they are eligible for retirement benefits or they could withdraw only their employee contributions. MSF retirees in the system would be unaffected. The other extreme is that no changes may be necessary.

What state services would have to be changed if Montana State Fund were more independent?

The following services are those for which Montana State Fund foots the overall bill, but the services are provided elsewhere in state government, mostly through the Department of Administration.

State insurance -- The Department of Administration includes coverage for property and casualty as well as liability for Montana State Fund. Health insurance and pension benefits also are handled through the Department of Administration.

Accounting and warrant writing infrastructure -- The Department of Administration provides the SABHRS system, the state bank warrant writing functions, payroll checks, and related accounting functions for Montana State Fund.

Information technology services - While Montana State Fund has its own data center, the state provides Internet access, e-mail, and access to equipment and software procurement.

Investment services -- The Board of Investments, as provided in the Montana Constitution and state law, handles all investment of Montana State Fund assets under a memorandum of understanding with Montana State Fund.

What state requirements would have to be changed if Montana State Fund were more independent?

Calendar -- Most insurers operate on a calendar-year basis rather than on a fiscal-year basis of July 1 through June 30 as the state does. So if Montana State Fund is regulated under the State Auditor's Office, operating on a calendar-year basis makes more sense than operating on a fiscal-year basis. For accounting purposes, changes also would need to occur regarding whether Montana State Fund is listed as a component unit under the Comprehensive Annual Financial Report (CAFR). One option may be to mimic what Idaho does, which is to designate their state workers' compensation provider as a "related organization" for accounting purposes.⁴

Accounting mechanisms -- Insurers use statutory accounting, while governmental entities follow GASB-GAAP (Governmental Accounting Standards Board - Generally Accepted Accounting Principles). For Montana State Fund to be more independent but remain a state entity, some policy decisions may necessary to choose one form or another in order to minimize duplication.

Is the state of Montana on the hook for paying Montana State Fund claims that accrued on and after July 1, 1990? In other words, should statute specify that the full faith and credit of the state backs (or does not back) outstanding claims?

The first question has had different answers. Some feel that the state is not liable for Montana State Fund's claims accrued on and after July 1, 1990. Others say that as a state entity, Montana State Fund's liabilities ultimately may be liabilities of the state. Other states that have privatized their state compensation insurance funds have made blanket statements that the claims due are the responsibility of the privatized funds and not a responsibility of the state. Whether those statements would hold up in a court challenge is debatable.

ENDNOTES

1. SB 428, Chapter 613, Session Laws of 1989, which created the nonprofit public corporation now known as Montana State Fund also created an assigned risk plan that could have been put into effect by the Commissioner of Labor and Industry no later than Dec. 31, 1990, but the Commissioner at the time decided against that change.

2. Nancy Butler, Montana State Fund's General Counsel, provided MSF's proposals that Title 39, chapter 71, part 23, could include new language to provide details on financial assurances in lieu

of participation in the Guaranty Association and express language that states the state is not financially liable for MSF obligations. MSF's proposed language, slightly edited, is as follows:

NEW SECTION. Section 1. Financial assurances of state fund. (1) *State fund shall maintain a reinsurance program to protect against the potential for additional development of losses. The protection will be for an amount that is 7% above the loss and loss adjustment expense reserves approved by the board of directors each year.*

(2) *In addition to the provisions of subsection (1), the provisions of 33-2-1904 apply to the state fund when the level of the risk-based capital is the product of 4 and its authorized control level for risk-based capital.*

NEW SECTION. Section 2. State not financially responsible for state fund -- state fund assets not to be used by state. (1) *Effective January 1, 2017, the state of Montana will not have financial liability or responsibility for the state fund.*

(2) *All revenues, money, assets, and investment earnings of the state fund as of January 1, 2017, are the sole property of the state fund and may not be considered as any financial responsibility or liability of the state of Montana.*

3. Mike Dennison, IR State Bureau, "State Fund incentive plan pays \$1 million", *Independent Record*, Nov. 20, 2013. Incentive amounts paid to executive employees ranged from \$12,300 to \$29,800 and were based on meeting specific goals set by the management team.

4. Information from Nancy Butler, Montana State Fund's General Counsel, notes that the Idaho Fund, created in state law, does not have statements included in the state's Comprehensive Annual Financial Report. The footnote describing "related organization" says: "The State Insurance Fund, created by Idaho Code, Section 72-901, and the Idaho Health Facilities Authority, created by Idaho Code, Section 39-1444, are related organizations for which the State is not financially accountable although the State appoints a voting majority of the organizations' boards. The financial reports of these organizations are excluded from the State's financial statements."

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