

# MONTANA STATE FUND

## FISCAL YEAR 2012 ANNUAL BUDGET REQUEST

Montana’s economic situation and workers’ compensation environment continually evolve. HB-334 was enacted during the 2011 legislative session to significantly reduce workers’ compensation insurance costs while maintaining appropriate benefits for injured employees.

Montana State Fund’s future success is dependent upon our ability to adapt to the continual changes and to adjust operational strategies in an appropriate manner. We must continue to be responsive to the needs of the Montanans we serve and utilize the resources available to build upon past successes and maintain a strong, viable, and stable workers’ compensation market for Montana businesses.

The fiscal year 2012 (FY12) budget request provides the funding to enable Montana State Fund (MSF) to continue our role as leader in the Montana workers’ compensation industry, implement our business plan initiatives, and efficiently and effectively support business operations. The FY12 Budget (covering the period of July 1, 2011 to June 30, 2012) will provide the financial resources to support the FY12 Strategic Business Plan (SBP) and the initiatives identified in the plan.

### **I. Executive Summary – Statutory Operating Expense Ratio**

The Statutory Operating Expense ratio is a standard measurement in financial statements for insurance organizations to analyze the cost of operations in relation to net earned premium and allows MSF to compare operational management to competitors and the industry.

Based on the FY12 Annual Budget request, FY12 financial statement projections (see SBP), and estimated FY12 Net Earned Premium, the MSF statutory operating expense ratio is 32.3%, inclusive of an average 20% manual rate reduction. This is attained through responsible management of the needs of MSF policyholders, injured employees, and Montana stakeholders.

The following table displays net earned premiums, budget / projection / actuals, and the statutory operating expense ratios from the FY12 Budget estimate back to FY09 Actuals.

		FY12 Budget	FY11 Projection	FY11 Budget	FY10 Actuals	FY09 Actuals
1	Net Earned Premiums (000)	<b>\$132,869</b>	<b>\$167,761</b>	<b>\$153,941</b>	<b>\$166,265</b>	<b>\$203,976</b>
2	Operational Expenditures (000)	\$47,134	\$47,762	\$48,213	\$52,279	\$50,233
3	Benefit Payments (000)	\$118,642	\$120,125	\$136,715	\$131,855	\$133,295
4	Total Budget / Expenditures (000)	<b>\$165,775</b>	<b>\$167,887</b>	<b>\$184,928</b>	<b>\$184,134</b>	<b>\$183,528</b>
5	Statutory Operating Expense Ratio	<b>32.3%</b>	<b>32.8%</b>	<b>27.8%</b>	<b>25.1%</b>	<b>20.3%</b>

The FY12 total (MSF and Old Fund) benefit payments budget of \$118.6 million is a decrease of \$1.5 million or 1.2% from the FY11-3<sup>rd</sup> quarter projection of \$120.1 million. FY12 medical benefit payments are estimated to decrease by 0.76% and indemnity benefit payments will decrease by 2.1% from amounts projected for FY11.

Benefit cost savings from legislative changes are not expected to materially impact actual benefit payments in FY12 as various components of HB-334 are implemented. MSF may realize benefit payments increasing above estimated FY12 budget due to the potential for increased medical settlement activity. This increase is anticipated to be offset by potential savings through the application of utilization and treatment guidelines. The budget includes the addition of a new accident year's claim payments to the estimate of payment on existing claim liabilities. The benefit payments budget does not include contingency funds related to court decisions.

The FY12 operational expenditures budget is \$47.1 million and is a decrease of \$1.1 million or 2.2% from the FY11 Budget of \$48.2 million.

The FY12 proposed operational expenditures budget is a decrease of \$628,000 or 1.3% from the FY11-3<sup>rd</sup> quarter projection. The decrease is primarily driven by the reduced budget for agent commissions that will result from reduced premium revenue.

The *operational expenditures* of \$47,133,816, noted above, are for the fiscal year's budgeted expenditures and are different from the *MSF statutory operating expenses* of \$42,965,901 estimated in the FY12 financial statements for two reasons:

- 1) The operating expense used in the statutory operating expense ratio includes budgeted and non-budgeted MSF (New Fund only) operational expenditures.
  - ✓ The statutory operating expense excludes New Fund benefit payments and all expenditures of the Old Fund.
  - ✓ The statutory operating expense includes other non-budgeted expense items: Investment Allocation; LAE Reserve Changes; and, Reinsurance Program Contingent Commission.
- 2) The statutory operating expense ratio includes Generally Accepted Accounting Principals (GAAP) adjustments for full accrual accounting such as:
  - ✓ Building Imputed Rent
  - ✓ Capitalization of equipment and intangible assets
  - ✓ Depreciation and amortization expenses
  - ✓ Compensated absences
  - ✓ Other Post Employment Benefits (OPEB)

The statutory operating expense is \$42,965,901, and is based on:

- Total operational expenditures budget of \$47,133,816
  - ✓ less Old Fund operating and allocated loss adjustment expense of \$438,807
  - ✓ less capitalized MSF equipment and intangible assets of \$394,504
  - ✓ plus other statutory expenses of \$1,449,000
  - ✓ plus GAAP accounting adjustments of \$3,578,171
  - ✓ less contingent commission – reinsurance program of \$8,361,775

Statutory operating expense is then divided by the FY12 estimated net earned premium of \$132,868,786 to determine the FY12 estimated expense ratio of 32.3%.

The following table compares the MSF statutory operating expense ratio with the property and casualty insurance industry and other state funds based on 2009 data from 2010 A. M. Best's Aggregates & Averages.

A.M. Best's Total US PC Industry – (981 P&C Organizations)	A.M. Best's Work Comp Composite – (200 Organizations)	A.M. Best's Total US PC State Funds – (20 Organizations)	MSF FY09	MSF FY10	MSF Projected FY11	MSF Budget FY12
<b>40.1%</b>	<b>47.6%</b>	<b>39.9%</b>	<b>20.3%</b>	<b>25.1%</b>	<b>32.8%</b>	<b>32.3%</b>

Additional detail on the FY12 statutory operating expense ratio as well as historical data is shown in the attachments: 'FY12 MSF Statutory Operating Expense Ratio' (Attachment A); and, 'MSF Statutory Operating Expense Ratio History' (Attachment B).

**II. Revenue**

The premium revenue MSF generates in Montana's competitive workers' compensation insurance market, along with investment income, provides the funding for:

- Indemnity and medical claims MSF policyholders incur;
- Operational expenses; and,
- Contribution to equity.

For FY12, MSF is projecting net earned premium of \$132,868,786. The estimate includes:

- 26,463 policies written in FY12
- Average manual rate change for policy year 2012 of -20.00%
- Wage growth of 2.0%
- Premium retention rate at 89% offset by new business

MSF estimates FY12 investment income of \$41,045,021. This is based on a weighted average investment income return of 3.92%.

The following table displays the net earned premium estimated for FY12, FY11 projection, the FY11 Board approved premium estimate, and actual FY10 premium.

	FY12 Estimate	FY11 Projection	FY11 Initial Estimate	FY10 Actual
<b>Net Earned Premium</b>	\$132,868,786	\$167,761,458	\$153,940,603	\$166,265,384

**III. Total Expenditures**

The total budget request for FY12 expenditures is \$165,775,439. The FY12 budget is separated into five primary expenditure categories and displayed below with comparative expenditures from the year-end projection of FY11 and the approved FY11 budget.

Additional segregations of the FY12 Budget are displayed on 'FY12 Budget Request by Department' (Attachment C) and 'MSF FY12 Expenditures and Historical Comparison' (Attachment D).

<b>Categories</b>	<b>FY12 Budget</b>	<b>FY11 Year-End Projection</b>	<b>FY11 Budget</b>
MSF - Benefits and Claim Payments	\$109,874,820	\$111,328,196	\$127,037,055
Old Fund - Benefits and Claim Payments	8,766,803	8,797,204	9,678,409
Allocated Loss Adjustment Expenditures	4,767,749	4,437,110	4,606,552
Unallocated Loss Adjustment Expenditures	13,400,387	13,539,053	14,185,167
Underwriting Expenditures	28,965,680	29,785,917	29,421,248
<b>Total Expenditures</b>	<b>\$165,775,439</b>	<b>\$167,887,480</b>	<b>\$184,928,431</b>

**IV. Benefit Payments**

The FY12 total budget includes funding of \$118,641,623 for benefit payments to injured employees of the New Fund and the Old Fund. Benefit payments comprise 71.6% of the total FY12 budget.

FY12 benefit payments are separated by New Fund and Old Fund and compared to the FY11 projected and FY10 actual expenditure levels below.

<b>Benefit Payments (000s)</b>	<b>FY12 Budget</b>	<b>FY11 Projection</b>	<b>FY10 Actual</b>	<b>\$ Change FY12 from FY11 Proj.</b>	<b>% Change FY12 from FY11 Proj.</b>
New Fund	\$109,875	\$111,328	\$123,004	(\$1,453)	-1.3%
Old Fund	8,767	8,797	8,851	(30)	-0.3%
<b>Total</b>	<b>\$118,642</b>	<b>\$120,125</b>	<b>\$131,855</b>	<b>(\$1,483)</b>	<b>-1.2%</b>

**New Fund Benefit Payments**

\$109,874,820 is budgeted in the New Fund for payment of benefits to individuals in compliance with state laws governing claim payments. Based on payments activity, FY12 New Fund accident years benefit payments are:

- Indemnity - \$40.7 million or 37.0% of total medical and indemnity
- Medical - \$69.2 million or 63.0% of total medical and indemnity

Benefit payments are budgeted to be lower than the FY11 projection and the FY10 actuals due to a decrease in business volume since FY07 from loss of business.

- Premium decreased from \$238 M in FY07 to projected \$167 M in FY11, largely from a decrease in covered payroll.
- As a result of the decrease in covered payroll there has been a decrease in the

number of claims reported on which benefits are paid (FY11 projected 10,400 claims reported from FY07 15,097).

The following table reflects the budgeted FY12 New Fund benefit payments, projected FY11 benefit payments, and ten years of actual payments.

<b>Fiscal Year</b>	<b>Net Earned Premium</b>	<b>Benefit Payments</b>	<b>Percent Change in Benefit Payments from Prior Year</b>
FY12 Budget	\$132,868,786	\$109,874,820	-1.3%
FY11 Projection	\$167,761,458	\$111,328,196	-9.5%
FY10 Actual	\$166,265,384	\$123,003,870	0.4%
FY09 Actual	\$203,976,354	\$122,460,166	-1.4%
FY08 Actual	\$230,965,307	\$124,139,778	7.2%
FY07 Actual	\$238,202,708	\$115,849,169	5.1%
FY06 Actual	\$211,892,198	\$110,237,048	11.9%
FY05 Actual	\$189,378,858	\$98,479,963	-1.8%
FY04 Actual	\$139,360,612	\$100,271,014	20.3%
FY03 Actual	\$117,776,580	\$83,319,729	22.7%
FY02 Actual	\$92,971,868	\$67,899,056	9.4%
FY01 Actual	\$74,510,374	\$62,068,055	

- New Fund accident years 1991 – 2012 benefit payments to be expended in FY12 are budgeted to be \$108,855,587 (excluding Other States Coverage). This budget is based on:
  - ✓ Actual ‘Accident Year’ benefit payments for each fiscal year from 1991 through May 31, 2011.
  - ✓ FY10 and FY11 benefit payments for all ‘Accident Years’ are weighted most heavily in the determination of the FY12 benefit payments to be made on all ‘Accident Years’.
  
- Other States Coverage (OSC) program benefit payments are estimated to be \$1,019,233 and are included in the amounts above. There is \$321,863 for indemnity and \$697,370 for medical.

**Old Fund Benefit Payments**

\$8,766,803 is budgeted for benefits and claim payments in the Old Fund. The Old Fund is in a claim run-off situation. No new claims are impacting the Old Fund though there are claim file re-openings that do impact the Old Fund expenditures. The Old Fund is expected to be depleted of assets at the end of FY11. Once the Old Fund’s remaining assets are no longer adequate to fund claim payments and the administration of the Old Fund, the State of Montana must fund future claim payments.

When estimating FY12 Old Fund benefit payments, the level of payment is conservatively weighted to ensure adequate budget authority is available for payment of statutorily required benefits. The budget for Old Fund benefit payments was estimated as

follows:

- Benefit payments were estimated after analyzing prior year's benefits paid by month. FY10 actuals and FY11 projected benefits payments were the most heavily weighted data used for estimating the FY12 budget.
- As of May 31, 2011 year-to-date actuals, indemnity benefits are 24.6% of total benefits paid and medical is 75.4%. For FY12, it is estimated the ratios of indemnity and medical payments will be 25.0% and 75.0%, respectively.
- Old Fund benefit payments have been relatively stable for the past ten complete fiscal years as illustrated below.

<u>Fiscal Year</u>	<u>Benefit Payments</u>	<u>Percent Change from Prior Year</u>
FY12 Budget	\$8,766,803	-0.3%
FY11 Projection	8,797,204	-0.6%
FY10 Actual	8,851,271	-18.3%
FY09 Actual	10,834,481	-1.4%
FY08 Actual	10,984,485	5.7%
FY07 Actual	10,395,247	-3.0%
FY06 Actual	10,716,620	5.1%
FY05 Actual	10,196,607	-16.7%
FY04 Actual	12,246,978	-10.3%
FY03 Actual	13,657,862	7.9%
FY02 Actual	12,655,663	-7.4%
FY01 Actual	13,663,892	4.1%

### **V. Operational Expenditures**

Operational expenditures include personal services, operating expenses, equipment and intangible assets, and Allocated Loss Adjustment Expense (ALAE).

<b>Operational Expenditures</b>	<b>FY12 Budget</b>	<b>FY11 Projection</b>	<b>FY11 Budget</b>	<b>FY10</b>	<b>FY09</b>
<b>MSF</b>					
FTE	286.75	284.50	284.50	299.50	298.00
Personal Services	\$23,183,482	\$22,337,061	\$22,314,019	\$21,915,413	\$21,172,011
Operating Expense	18,569,810	20,428,999	20,916,209	21,449,205	22,625,843
Equip & Int Assets	394,504	234,221	136,202	4,352,911	1,614,586
ALAE	4,547,212	4,213,435	4,361,386	4,112,714	4,267,691
<b>Total MSF</b>	<b>\$46,695,009</b>	<b>\$47,213,716</b>	<b>\$47,727,817</b>	<b>\$51,830,244</b>	<b>\$49,680,131</b>
<b>Old Fund</b>					
Operating Expense	\$218,270	\$324,689	\$239,984	\$229,194	\$261,770
ALAE	220,537	223,675	245,166	219,792	290,973
<b>Total Old Fund</b>	<b>\$438,807</b>	<b>\$548,364</b>	<b>\$485,150</b>	<b>\$448,986</b>	<b>\$552,743</b>
<b>Total</b>	<b>\$47,133,816</b>	<b>\$47,762,080</b>	<b>\$48,212,967</b>	<b>\$52,279,230</b>	<b>\$50,232,874</b>

### MSF Staffing

The State Fund is requesting approval of 286.75 FTE (full time equivalent) for FY12. This is an increase of 2.25 FTE from the approved and current level of 284.50 FTE.

There are three proposed janitorial positions comprising 2.25 FTE to be added beginning October 1, 2011. These janitorial positions will become 1.00 FTE each in FY13 adding an additional 0.75 FTE in the following year. MSF continually evaluates and re-aligns our staff to meet the changing work processes. Through analysis, we have determined adding staff and managing janitorial functions in-house will enable us to terminate our contract for these contracted services and save an estimated \$74,200 in FY12 and \$118,243 in FY13.

The 286.25 FTE equate to 289 positions. In FY12, MSF will have 283 positions that are 1.00 FTE each, 3 new positions that are 0.75 FTE each as they will be filled 10/1/11, and 3 positions that are 0.50 FTE each.

The following table reflects MSF staffing by department for the FY12 Budget back to FY09. The 'State Fund Staffing Changes' (Attachment E) details the FTE changes by department back to FY 2001.

<b>MSF Department Staffing (FTE)</b>	<b>FY12 Budget</b>	<b>FY11</b>	<b>FY10</b>	<b>FY09</b>
Corporate Support	32.25	30.00	34.00	34.00
Executive Offices	6.00	6.00	5.00	5.00
General Counsel	16.00	16.00	16.00	16.00
Human Resources	6.00	6.00	6.50	6.00
Information Technology	52.00	52.00	52.75	52.00
Operations	137.00	138.00	145.00	146.00
Operations Support	37.50	36.5	40.25	39.00
<b>MSF Total</b>	<b>286.75</b>	<b>284.50</b>	<b>299.50</b>	<b>298.00</b>

### Personal Services

To support the necessary staff of 286.75 FTE, MSF requests funds of \$23,183,482 for the FY12 personal services budget. A vacancy savings factor of 2% was applied to the personal services estimates of Corporate Support, Information Technology, Operations, and Operations Support to reduce the budgeted amount.

	<b>FY12 Budget</b>	<b>FY11 Projection</b>	<b>Dollar Variance</b>	<b>Percentage Variance</b>
Salaries	\$17,848,281	\$17,205,910	\$642,371	3.7%
Employee Benefits	5,335,201	5,131,151	204,050	4.0%
<b>Total Personal Services</b>	<b>\$23,183,482</b>	<b>\$22,337,061</b>	<b>\$846,421</b>	<b>3.8%</b>

**Regular Salaries - \$17,626,873**

The Regular Salaries account includes base salaries, merit based salary adjustments, and an adjustment for vacancy savings:

- \$17,256,482 for base salaries is calculated on the hourly wage for all active employees as of January 17, 2011 with subsequent updates. Vacant positions were based on the compensation at 95.3% of mid-point for the position's expected pay band. FY12 will have 2,088 annual payroll hours for each FTE. Partial FTE salaries are prorated.
  
- \$370,391 for merit based salary adjustments. The merit salary adjustments for employees are paid after the final STAR (Skills, Talents and Results) process reviews are completed. For the FY12 budget an average merit adjustment of 2.8% was assumed. Merit salary adjustments have been budgeted to be effective September 10, 2011. No merit adjustment was budgeted for the President.

**Overtime - \$30,386** – Supports additional workload coverage during the policy renewal periods. Provides for on-call and call-out compensation to support computer systems and infrastructure.

**Personal Leave Program Payouts - \$114,831** – MSF's Personal Leave Program provides for the annual payment of unused personal leave balances to eligible participants. The FY12 budget estimate is based on FY11 payments and review of leave balances of participants.

**Retirement Payouts – \$76,191** - Includes funds for leave balance payouts for six expected retirements in FY12.

**Employee Taxes and Benefits - \$5,335,201**

Employee Taxes and Benefits are payments / contributions MSF makes on behalf of our employees as a tax or as worker's compensation premium. The following lists employee tax and benefit categories, and the dollars budgeted.

- FICA / Medicare – 7.65% - \$1,336,231
- Retirement (PERS) – 7.17% - \$1,277,633
- Workers' Compensation Premium – 1.1625% - \$206,287
- State Unemployment Tax (SUT) – 0.15% - \$26,878
- Group Insurance - \$2,488,172

The FY12 annual employer contribution for group insurance is \$8,796 per eligible employee, an increase of \$324 or 3.8% from FY11. In FY12, MSF will have a maximum of 289 employees eligible for the group insurance contribution. The estimated budget increase resulting from the group insurance contribution increase is \$90,437 including an adjustment for vacancy savings.

## Operating Expenses

The total budget for Operating Expenses is \$18,788,080 and includes funding for:

Category	FY12 Budget	FY11 Projection	Variance \$	Variance %
Other Services	\$13,368,036	\$15,089,778	(\$1,721,743)	-11.4%
Supplies & Materials	590,324	925,183	(334,860)	-36.2%
Communications	1,286,410	1,311,651	(25,241)	-1.9%
Travel	210,640	186,764	23,876	12.8%
Rent	313,378	320,664	(7,287)	-2.3%
Utilities	259,000	244,769	14,231	5.8%
Repairs & Maintenance	1,571,186	1,427,531	143,655	10.1%
Other Expenses	1,189,107	1,247,348	(58,240)	-4.7%
<b>Total Operating Expenses</b>	<b>\$18,788,080</b>	<b>\$20,753,688</b>	<b>(\$1,965,608)</b>	<b>-9.5%</b>

### Operating Expenses - Other Services

- **Consulting and Professional Services** - \$2,609,568 – This is an increase of \$85,923 or 3.4% from the FY11 projection of \$2,523,645. The following table compromises 85% of the total Consulting and Professional Services budget request. The expenditures are necessary to complete Strategic Business Plan initiatives and other operational aspects of MSF business.

#### Consulting and Professional Services

FY12 Budget	Department	Item / Description
\$1,014,700	Operations	NCCI Membership Fee Agreement and transaction based charges (membership required by law)
\$461,000	Various	Strategic Business Plan Initiative Projects
\$423,549	Operations	Other States Coverage
\$313,500	Executive / Old Fund	Actuarial services

- ✓ **National Council on Compensation Insurance (NCCI)** – \$1,014,700 – This is an increase of \$60,749 or 6.4% from the FY11 projection of \$953,951. The budget reflects the following:
  - The current contract with NCCI that became effective January 1, 2010.
  - The NCCI Membership Fee is primarily based on percentages, that vary by core service, of net direct written premiums from FY10. The net direct written premium used to calculate the membership fee was \$173,111,994. Total FY12 budget for the Membership Fee is \$504,264.
  - Other fees are associated with the services provided by NCCI, such as eMods, unit statistical reporting, proof of coverage, and additional data. MSF is charged a transaction fee when providing data to NCCI. These fees are budgeted to be \$510,436.

- ✓ **SBP Initiatives** - \$461,000 – Consulting and professional services portion of SBP Initiative project:
  - \$260,000 – Document Management – Information Technology
  - \$169,000 – Enterprise Risk Management (ERM) – Corporate Support
  - \$25,000 – Organizational Talent Management – Human Resources
  - \$7,000 – Tiered Rating Program – Corporate Support
  
- ✓ **Other States Coverage (OSC)** – \$423,549 - The budget is based on total OSC premium of \$1,950,686.
  - \$200,804 - Per OSC contracts MSF pays percentages, which vary by carrier, of the written premium as agent and fronting fees.
  - \$128,745 - Contracts provide for 12% of incurred losses as unallocated loss adjustment expense for expenses not attributable to a specific claim. This is the cost of providing claims adjusting and supervision services required to support the classes of business reinsured under our agreement.
  - \$94,000 - A letter of credit is required of MSF per contract.
  
- ✓ **Independent Actuary** - \$313,500 – This budget is for New Fund and Old Fund services related to rate levels, loss cost multipliers, loss reserves, equity and dividend analysis, and additional expenses associated with legislative session information requests. MSF is required by law to use the services of an independent actuary when estimating losses, dividends, and other areas of business. The budget breaks down as follows:
  - \$264,000 – New Fund - rate levels, loss cost multipliers, loss reserves, equity and dividend analysis
  - \$49,500 – Old Fund – loss reserves
  
- ✓ **Other Consulting and Professional Services Items** - \$396,819
  - \$116,045 – ISO Security analysis and audit; remote technical support; server based FAX project
  - \$100,000 - consulting services for business support deemed appropriate by the President
  - \$86,000 – Compensation consulting; incentive review and planning; succession planning; Skills, Talents, and Results – Performance Management Process (STAR) appeals; and flu shots
  - \$50,000 – WorkSafe Montana
  - \$40,200 – National Fraud Indexing service and asset searches
  - \$4,574 - Board member stipends and occupational therapist ergonomic reviews
  
- **Insurance and Bonds** - \$245,669 – this is a 1% decrease from the FY11 payment of \$248,076. All MSF insurance is provided through the State’s division of Risk Management and Tort Claims. The State is self-insured. This is a cost charged to MSF based on the Governor’s Office of Budget and Program Planning’s (OBPP) ‘Fixed Cost’ report.

- **Legal Fees and Court Costs** - \$81,000 - this is a decrease of \$38,600 or 32.3% from the FY11 projection of \$119,600. The budget will fund employers' liability coverage opinions, bankruptcies, human resource arbitrations, and other cases.
- **Warrant Writing** - \$60,093 – this is an increase of \$6,268 or 11.6% from the FY11 projection of \$53,825. MSF's medical bill processor issues checks for all medical related expenses but MSF relies on the State to issue all other warrants. The estimate is based on the OBPP Fixed Cost report.
- **Human Resources Information System (Payroll) Service Fee** - \$60,677 – this is an increase of \$4,844 or 8.7% from the FY11 projection of \$55,833. The budget is based on OBPP Fixed Cost and will be charged to MSF for services of the State's Central Payroll and SABHRS Human Resource module.
- **Policyholder Payroll Audits** - \$696,515 – this is an increase of \$47,119 or 7.25% from the FY11 projection of \$649,396. For FY12, MSF plans to perform an increased number of audits due to the changes in the renewal process and the split payroll periods driven by the passage of HB-334 in the 2011 Legislative Session. Payroll audits continue to be a significant means to verify payrolls and ensure appropriate classifications are used, as well as creating additional opportunities to educate policyholders on MSF processes for reporting payroll.
- **Financial and Legislative Audits** - \$114,026 – this is an increase of \$28,572 or 33.4% from the FY11 projection of \$85,454.
  - \$58,026 is for the Financial Compliance audit performed by the Legislative Audit Division (LAD) of the MSF governmental financial statements. This includes \$10,000 for an independent actuarial review (contracted by LAD) of MSF rates and reserves.
  - \$56,000 is for an independent accounting firm to audit our annual statutory financial statements.
- **Consultants – Training** - \$166,324 – this is a decrease of \$8,043 or 4.6% from the FY11 projection of \$174,367. The budget will enable MSF to bring trainers on-site and provide for a larger number of employees to participate in the training rather than sending a limited number of employees to external locations.
  - \$75,000 - training related to SBP Initiative: Document Management System – to train MSF staff on new system.
  - \$63,924 – Professional Development Center (PDC), Investment in Excellence, Mosaic & other specialized training needs
  - \$16,000 – Windows 7 on-site training
  - \$8,500 – SBP Initiative: WorkSafe Champions trainers
- **Commissions** - \$8,969,939 – this is a decrease of \$1,881,688 or 17.3% from the FY11 projection of \$10,851,627 which includes base, incentive, and Other States Coverage commissions.

Commissions are directly and proportionately related to gross premiums,

percentage of MSF policyholders represented by agents, and the commission rates paid on a policy. The payment of commissions supports service and distribution capabilities with our agent partners.

**Base Commissions:**

In aggregate, MSF estimates FY12 gross earned premiums to be \$144,278,619, with agents representing approximately 67% of this amount. The average base commission rate is 7.7%. The FY12 budget is \$7,419,995 for base commission.

**Incentive Commissions:**

Incentive commissions are determined after reviewing how an agency's overall book of MSF represented accounts develops. The average agent incentive commission rate is expected to be 1.5% though not all agents may qualify for the incentive commission. \$1,393,890 is budgeted for the FY12 agent incentive commission.

**Other States Coverage (OSC) Commissions:**

\$156,054 is budgeted for commissions associated with OSC policies. The total FY12 revenue estimated for OSC is \$1,950,686. The average commission is 8%.

- **SABHRS Administrative Costs** - \$210,173 – this is a decrease of \$64,685 or 23.5% from the FY11 projection of \$274,858. This is paid to the Department of Administration and is MSF's portion of the expense for maintaining the state's accounting system, SABHRS. This expense is based on OBPP's Fixed Cost report.
- **Computer Services provided by the State Information Technology Services Division (SITSD) of the Department of Administration** - \$466,530 – this is an increase of \$75,936 or 19.4% from the FY11 projection of \$390,594.

SITSD, in conjunction with OBPP, has determined the expenses to be charged to MSF for services in the FY12 and FY13 Biennium. MSF reviews processes and charges regularly and continually seeks the most efficient means to provide staff network support/services and to avoid the use of unnecessary or duplicative ITSD network services to minimize expense.

The budgets by category are as follows:

- ✓ \$151,554 – network services
- ✓ \$277,716 – enterprise services
- ✓ \$23,028 – e-mail
- ✓ \$6,516 – operations support
- ✓ \$3,744 – application hosting
- ✓ \$3,204 – server hosting
- ✓ \$768 – storage hosting

- **Temporary Services** - \$70,467 – this is a decrease of \$66,096 or 48.4% from the FY11 projection of \$136,563. MSF uses temporary staff to fill in for vacancies as business needs require. The FY12 temporary services budget is allocated as follows:
  - ✓ \$27,664 - Information Technology administrative support
  - ✓ \$25,000 – Operations Teams for payroll reporting to cover increased workload as a result of HB-334 and the need to split policy periods.
  - ✓ \$12,203 - Human Resource apprentice and administrative support
  - ✓ \$4,000 - General Counsel expert to assist with Mordja case
  - ✓ \$1,600 – Corporate Support to assist with State of Montana mandate to comply with ‘Single Vendor File’ and data record updates
  
- **Miscellaneous Information System Services - Non-DOA** - \$68,840 – this is an increase of \$612 or 0.9% from the FY11 projection of \$68,228. This is for disaster recovery services provided by SunGard.
  
- **Printing** - \$202,675 – this is a decrease of \$37,952 or 15.8% from the FY11 projection of \$240,627. This includes in-house forms; safety workshop materials; and a variety of small printing jobs for brochures, business cards, envelopes, and other informational materials.

#### **Operating Expenses - Supplies and Materials**

- **Gasoline** - \$63,442 – this is an increase of \$18,937 or 42.6% from the FY11 projection of \$44,505. The budget estimate was based on \$3.749 per gallon (MSF is exempt from gas tax) for gasoline, an estimate of 22.5 miles per gallon on average, and an estimate of 16,918 gallons of gasoline being purchased. In FY12 MSF vehicles are projected to log about 381,000 miles.
  
- **Computer Hardware** – \$24,618 – this is an increase of \$12,835 or 108.9% from the FY11 projection of \$11,783. The FY12 budget includes a phone system test environment, fiber cabling, and ergonomic computer equipment (keyboards).
  
- **Minor Software** - \$262,949 – this is a decrease of \$211,929 or 44.6% from the FY11 projection of \$474,878. Software to be purchased in FY12 includes:
  - ✓ \$227,093 – for Information Technology software such as:
    - \$110,999 – BMC Control-M licenses – software to run day and night batch processing
    - \$65,000 – Image Services Resource Adaptor (ISRA) – enables MSF’s web application to load images to Filenet, image repository
    - \$16,482 - Server based FAX software
    - \$14,662 – Office on shared computers
    - \$7,320 – Axway Secure Client – allows secure data transmissions between systems
    - \$5,000 – Update Forms Batch servers to Windows 2008
    - \$7,630 – All other Information Technology minor software
  - ✓ \$25,400 - Insurance industry database and annual statement preparation software
  - ✓ \$5,000 – audit software for internal audit function

- ✓ \$2,895 – Zix mail encryption software
  - ✓ \$2,561 – All other minor software – Adobe, Prezi
- **Supplies: Central Stores and Other Providers** - \$157,831 – this is an increase of \$17,383 or 12.4% from the FY11 projection of \$140,448. This budget includes paper, toner, and a wide variety of minor office supplies.
- **All Other Supplies and Materials Categories** - \$81,484 - includes budget for:
- ✓ \$25,000 – promotional aids to enhance safety and other program awareness
  - ✓ \$10,000 – Board member and executive photos, photography stocks
  - ✓ \$8,300 – educational materials: ‘Through the Customer’s Eyes’, executive and leadership materials, and materials used at safety workshops
  - ✓ \$12,366 – books & reference materials
  - ✓ \$17,132 – minor office equipment – primarily chairs and computer screens
  - ✓ \$5,566 – safety supplies and equipment
  - ✓ \$3,120 - diesel fuel for back-up generator

### **Operating Expenses - Communications**

- **Postage** - \$341,528 – this is a decrease of \$14,643 or 4.1% from the FY11 projection of \$356,171. The budget includes:
- ✓ \$216,000 - print mail service fees
  - ✓ \$98,000 - meter postage
  - ✓ \$27,528 – all other – meter scale updates, PO Box rental, field staff postage, postage due, and stamps
- **Advertising** (excluding recruitment/employment advertising) - \$612,671 – this is an increase of \$2,294 or 0.4% from the FY11 projection of \$610,377. This will provide funding for all advertising campaigns to occur in FY12: media placement, newspapers, billboards, brochures and inserts, web design, direct mail, and opportunity marketing. Television advertising is \$390,686 and all other media is \$221,986.
- **All Telephone Categories** - \$152,500 – this is an overall increase of \$36,381 or 31.3% from the FY11 projection of \$116,119. This expense covers cell phones, long-distance, and ‘800’ line services. A significant increase for a portion of this category is due to SITSD’s in-state long distance rate increasing from \$0.04 per minute in FY11 to \$0.0716 per minute in FY12. The estimated cost for this increase is \$21,784.

### **Operating Expenses - Travel**

- \$210,640 – this is an increase of \$23,876 or 12.8% from the FY11 projection of \$186,764. The FY12 travel budget is a reduction from the FY11 travel budget of \$245,033. The FY12 budget supports:
- ✓ Travel by safety management consultants, claim examiners, and underwriters to visit customers, and safety seminars.
  - ✓ MSF staff attending training at off-site locations
  - ✓ MSF staff associated with WorkSafe MT
  - ✓ Agency Advisory Committee.

### **Operating Expenses - Rent**

- \$313,378 – this is a decrease of \$7,287 or 2.3% from the FY11 projection of \$320,664. MSF has three areas of rent expense:
  - ✓ \$250,950 – annual parking fees for 350 spaces
  - ✓ \$51,061 – rent for five field offices: Billings, Great Falls, Missoula, Kalispell, and Butte
  - ✓ \$11,367 – photocopy equipment rental agreement

### **Operating Expenses - Utilities**

- \$259,000 – this is an increase of \$14,231 or 5.8% from the FY11 projection of \$244,769. This is for electricity and an expected rate increase, natural gas, and water and sewage associated with the building.

### **Operating Expenses - Repairs and Maintenance**

- \$1,571,186 – this is an increase of \$143,655 or 10.1% from the FY11 projection of \$1,427,531. The bulk of this expense is due to IT maintenance agreements (\$1,231,294) for hardware such as servers, routers and associated peripherals, and application software. Facilities budget for maintenance agreements (\$268,055) includes janitorial services, heating, air conditioning and ventilation (HVAC), snow removal and other items. Document processing has budget for maintenance on scanning and mail room equipment (\$33,056).

### **Operating Expenses - Other Expenses**

- **Dues** - \$70,972 – this is a decrease of \$11,050 or 13.5% from the FY11 projection of \$82,022. This expense is for membership dues with professional business organizations such as the Montana Chamber of Commerce and other local chambers, Montana Society of CPA's, and the Society for Human Resource Management.
- **Subscriptions** - \$78,837 – this is an increase of \$3,556 or 4.7% from the FY11 projection of \$75,281. This includes budget for a variety of subscriptions for desk manuals and career specific periodicals such as medical and occupational disability guides and on-line access, Lexis Nexis, Conning Study, A.M. Best materials, NAIC Profitability Report, and NCCI manuals.
- **Taxes and Assessments** - \$273,561 – this is a decrease of \$146,432 or 34.9% from the FY11 projection of \$419,993. This budget is comprised of three parts: Old Fund Assessments paid to the Department of Labor and Industry, Other States Coverage (OSC) premium taxes, and property taxes on the new building.
  - ✓ \$168,763 - Old Fund Administrative Assessment (\$160,824) and Subsequent Injury Fund Assessment (\$7,939). These are regulatory assessments from the Department of Labor and Industry as provided in law. The budget is based on the invoice provided by the Department of Labor and Industry's Employment Relations Division for FY12. There will be no expense for the Rehabilitation Assessment in FY12. The FY11 expense is \$283,328.
  - ✓ \$98,689 - OSC Premium Taxes – This is for premium taxes paid for insuring MSF policyholder's operations in other states where workers' compensation

premium taxes are assessed. In FY12 the OSC premiums are estimated to be \$1,950,686 and the taxes and surcharges are estimated to be 5.05%. The projected FY11 expense is \$129,549.

- ✓ \$6,108 - Property assessment on the building.
- **Education and Training** - \$101,936 – this is an increase of \$30,977 or 43.7% from the FY11 projection of \$70,959. MSF maintains a philosophy of providing training to employees in necessary aspects of the business to ensure corporate success. Training is needed to ensure MSF employees are knowledgeable in best practices associated with claim management, safety management and underwriting of risk.
- **Rewards** - \$24,423 – this is an increase of \$4,581 or 23.1% from the FY11 projection of \$19,842. This is for employee of the month/year awards, employee referral incentives, certification awards, and IDEA awards.
- **Tuition Reimbursement** – \$32,000 – this is an increase of \$1,174 or 3.8% from the FY11 projection of \$30,826. For FY12, the maximum amount of annual tuition reimbursement per employee is \$4,000. Twelve employees are expected to participate in the tuition reimbursement program in FY12. Reimbursements are based on successful course completion and actual cost.
- **Meetings and Conference Cost** - \$95,915 – this is an increase of \$1,354 or 1.4% from the FY11 projection of \$94,561. The budget provides for meeting rooms and equipment for all MSF meetings that cannot be held in our building.
  - ✓ Safety management workshops in locations throughout Montana
  - ✓ Agent training workshops
  - ✓ Marketing events throughout the state
- **Recruitment Expenses** (including Employment Advertising) - \$299,462 – this is an increase of \$101,766 or 51.5% from the FY11 projection of \$197,696. The FY11 Budget was established at \$302,375.

Employee recruitment is necessary to fill vacancies resulting from employee turnover. Through April of FY11, MSF has filled 33 positions (includes new hires, promotions, and transfers), had 18 employee resignations, and has ten vacant positions; six of which are actively being recruited. The FY12 budget also anticipates six retirements which will require recruitment expenditures. Each action has the potential to require different levels of expense to complete the recruitment process. The FY12 budget is based on prior year expenditures for individual recruiting actions and an expectation of higher recruiting actions being necessary in FY12 due to retirements.

Recruitment expenses are comprised of the following accounts:

- ✓ Employment Ads - Out-of-State – \$7,208
- ✓ Employment Ads - In-State – \$19,014

- ✓ Relocation – Taxable – \$21,583
  - ✓ Recruiting – Non-Advertising - \$72,603
  - ✓ Job Candidate Expense – recruitment services & candidate travel expenses – \$88,499
  - ✓ Relocation – Non-Taxable – \$90,555
- **Charitable Contributions / Scholarships** - \$47,986 – this is a decrease of \$49,364 or 50.7% from the FY11 projection of \$97,350. The total funds budgeted for FY12 charitable contributions are \$47,986 and are based on 0.036% of estimated FY12 net earned premium. Charitable Contributions are budgeted as follows:
- ✓ \$15,336 - ACE (Assisting Charitable Endeavors) Grants program - The grants are awarded by a committee of MSF employees based on applications submitted by ‘not-for-profit’ organizations throughout the state.
  - ✓ \$26,650 – Scholarship program – Scholarships of up to \$2,000 per year are provided to dependents or spouses of MSF insured employees who died in work related accidents. MSF estimates 13 scholarships will be awarded in FY12 for a total budget of \$26,650. Each scholarship is estimated to be \$2,000 with an additional \$50 administrative fee each. The budget is based on prior year participation.
  - ✓ \$5,000 – Leadership Montana
  - ✓ \$1,000 – ‘Festival of Trees’
- **Fee Collection Expense** - \$64,578 – this is an increase of \$11,727 or 22.2% from the FY11 projection of \$52,852. MSF contracts with three collection agencies and the fee varies based on success with collections and whether litigation is involved.
- **State Wide Indirect Cost** - \$97,945 – this is an increase of \$4,664 or 5.0% from the FY11 projection of \$93,281. The State Wide Indirect Cost (also known as the State Wide Cost Application Plan or SWCAP) is an allocation determined by the Office of Budget and Program Planning as a means to allocate cost incurred by agencies whose functions support all state entities.

## Equipment and Intangible Assets

The total FY12 budget for equipment and intangible assets is \$394,504. This is an increase of \$160,283 or 68.4% from the FY11 projection of \$234,221.

### Equipment

- **Autos & Trucks** - \$78,000 - Replacement vehicles as recommended by the Fleet Manager. Vehicles being replaced have reached the mileage specified in MSF’s Fleet Management Policy as the replacement threshold. The budget will replace four vehicles in FY12 from our fleet of twenty-three MSF owned vehicles.
- **Multi-User Computers** - \$182,504 - \$149,302 is budgeted to replace the data center printers, \$16,614 is budgeted for server-based fax hardware, and \$16,588 for a new optical storage and retrieval (OSAR) system.

## **Intangible Assets**

### ➤ **Multi-User Software** - \$134,000

- ✓ \$124,000 – SBP Initiative: Document Management System software
- ✓ \$10,000 – Human Resources Learning Zen system enhancements.

## **Allocated Loss Adjustment Expense (ALAE)**

ALAE are costs directly associated with managing a specific claim, such as independent medical examination to analyze a prescribed treatment of an injured employee.

\$4,767,749 is budgeted to the New Fund and the Old Fund for ALAE:

- New Fund - \$4,547,212
- Old Fund – \$220,537

ALAE is expected to increase by \$330,639 or 7.5% from the FY11 projection of \$4,437,110.

- \$2,072,284 – Medical invoice processing contracted cost for reviewing and processing medical invoices – an increase of \$92,316 or 4.7% from the FY11 projection of \$1,979,968.
- \$1,310,046 – All legal expense categories - this is an increase of \$102,582 or 8.5% from the FY11 projection of \$1,207,464.
  - ✓ \$640,000 - Legal Cost Allocation – cost of in-house legal staff working on claim file issues. FY11 projection is \$676,000
  - ✓ \$426,922 – State Fund Legal Contract for services of external counsel – FY11 projection is \$353,172.
  - ✓ \$98,494 – Legal Fee Claimant Attorney for cost associated with claimant attorneys - FY11 projection is \$68,317.
  - ✓ \$144,630 – Employer’s Liability Insured Defense Cost - FY11 projection is \$109,975.
- \$952,506 - Fraud Related ALAE - this is an increase of \$100,589 or 11.8% from the FY11 projection of \$851,917.
  - ✓ \$763,374 - Private Investigations - FY11 projection is \$630,430 – based on expectations of higher volumes of claims being referred to private investigators than in FY11.
  - ✓ \$189,132 – Department of Justice Fraud (DoJ) Agreement – MSF uses the services of DoJ to complete investigations submitted to them by MSF and prosecutes workers’ compensation fraud cases. DoJ has police powers that enable them to more thoroughly complete fraud investigations and prosecutions than MSF. The total budget of \$289,132 is the same level as the FY11 projection. The budget is distributed to the Fraud Services team (\$100,000) and the New Fund (\$189,132) based on actual investigative and prosecutorial hours recorded in prior years.
- \$331,719 – Medical Consultants – this is an increase of \$58,771 or 21.5% from the FY11 projection of \$272,948.

- \$89,644 – Contract Adjusters - this is a decrease of \$24,517 or 21.5% from the FY11 projection of \$114,161.
  - ✓ \$53,644 – Adjusters associated with Other States Coverage claims
  - ✓ \$36,000 – Adjusters for MSF in-house claims

### **Costs not included in the Proposed Budget**

The FY12 budget includes all known and expected costs for the fiscal year. The budget does not include:

- Merit and management incentive plan salary adjustments for the President. These are separate Board actions that may be taken if the Board deems appropriate.
- Court decisions which may significantly and adversely impact the State Fund. No such decisions are currently anticipated.
- Employee Incentive Program (Goal Sharing) - The incentive must be earned based on performance measured to goals and is not guaranteed.

We will provide recommendations on budget items if necessary.

The FY12 Budget is prefaced on MSF's net earned premium projection of \$132.9 million. Should premium significantly increase or decrease from the estimate, appropriate budget increases or decreases may be presented to the Board for further review.

### **Additional Supporting Documents**

The following pages present a summary of the FY12 budget.

- FY12 MSF Statutory Operating Expense Ratio - Attachment A
- MSF Statutory Operating Expense Ratio History – Attachment B
- FY12 Budget Request by Department – Attachment C
- MSF FY12 Expenditures and Historical Comparison – Attachment D
- State Fund Staffing Changes – Attachment E
- Fiscal Year 2012 Department Reference List – Attachment F

## FY12 MSF Statutory Operating Expense Ratio (Attachment A)

<b>EXPENDITURES</b>	<b>FY11 Budget</b>	<b>FY11 - 3Q Projection</b>	<b>FY12 Budget Request</b>
1 Montana State Fund (MSF)			
2 MSF - Personal Services	\$22,314,019	\$22,337,061	\$23,183,482
3 MSF - Operating Expenses	20,911,411	\$20,428,999	18,569,810
4 MSF - Capital Expenditures	141,000	\$234,221	394,504
5 MSF - Benefit Payments	127,037,055	\$111,328,196	109,874,820
6 MSF - Allocated Loss Expense	4,361,386	4,213,435	4,547,212
7 Sub-Total Montana State Fund	\$174,764,872	\$158,541,911	\$156,569,829
8 Old Fund (OF)			
9 OF - Operating Expenses	\$239,984	\$324,689	\$218,270
10 OF - Benefit Payments	9,678,409	8,797,204	8,766,803
11 OF - Allocated Loss Expense	245,166	223,675	220,537
12 Sub-Total Old Fund	\$10,163,559	\$9,345,568	\$9,205,610
13 <b>TOTAL MSF &amp; OF EXPENDITURES</b>	<b>\$184,928,430.58</b>	<b>\$167,887,480</b>	<b>\$165,775,439</b>
			\$0.00
14 <b>STATUTORY OPERATING EXPENSE RATIO CALCULATION</b>			
15 Total MSF and OF Budget Request	\$184,928,431	\$167,887,480	\$165,775,439
16 <b>Adjustments from Total MSF &amp; OF Budget Request to MSF Operational Expenses</b>			
17 less MSF Benefits	(\$127,037,055)	(\$111,328,196)	(\$109,874,820)
18 less Old Fund Benefits	(9,678,409)	(8,797,204)	(8,766,803)
19 less Old Fund Allocated Loss Expense	(245,166)	(223,675)	(220,537)
20 less Old Fund Operating Expenses (Actuary & DoLI Assessments)	(239,984)	(324,689)	(218,270)
21 less Equipment and Intangible Assets	(141,000)	(234,221)	(394,504)
22 <b>Total MSF Operational Expenses</b>	\$47,586,817	\$46,979,494	\$46,300,505
23 <b>Other Statutory Expenses</b>			
24 Old Fund Administrative Expense Allocation	(\$950,000)	(\$950,000)	(\$950,000)
25 Investment Allocation	(40,000)	(40,000)	(40,000)
26 Reserve Changes - LAE	4,577,089	8,947,218	2,439,000
27 <b>Total Other Statutory Expenses</b>	\$3,587,089	\$7,957,218	\$1,449,000
28 <b>GAAP Adjustments</b>			
29 Building Imputed Rent	0	349,033	349,033
30 Depreciation	1,767,120	\$989,944	964,032
31 Amortization	2,287,200	2,323,363	1,444,680
32 Compensated Absences	150,000	50,000	50,000
33 Other Post Employment Benefits (OPEB)	946,000	770,426	770,426
34 <b>Total GAAP Adjustments</b>	\$5,150,320	\$4,482,766	\$3,578,171
35 <b>Total Other Statutory Expenses and GAAP Adjustments</b>	\$8,737,409	\$12,439,984	\$5,027,171
36 <b>MSF OPERATING EXPENSE before Contingent Commission - Reinsurance Programs</b>	<b>\$56,324,226</b>	<b>\$59,419,478</b>	<b>\$51,327,676</b>
37 <b>NET EARNED PREMIUM</b>	<b>\$153,940,603</b>	<b>\$167,761,458</b>	<b>\$132,868,786</b>
38 <b>OPERATING EXPENSE RATIO prior to Contingent Commission</b>	<b>36.6%</b>	<b>35.4%</b>	<b>38.6%</b>
39 Contingent Commission - Reinsurance Programs	(13,524,000)	(\$4,418,888)	(\$8,361,775)
40 <b>MSF STATUTORY OPERATING EXPENSE including Contingent Commission - Reinsurance Programs</b>	<b>\$42,800,226</b>	<b>\$55,000,590</b>	<b>\$42,965,901</b>
41 <b>NET EARNED PREMIUM</b>	<b>\$153,940,603</b>	<b>\$167,761,458</b>	<b>\$132,868,786</b>
42 <b>MSF STATUTORY OPERATING EXPENSE RATIO</b>	<b>27.8%</b>	<b>32.8%</b>	<b>32.3%</b>

**MSF Statutory Operating Expense Ratio History (Attachment B)**

	FYE03 Actual	FYE04 Actual	FYE05 Actual	FYE06 Actual	FYE07 Actual	FYE08 Actual	FYE09 Actual	FYE10 Actual	Amended FY11 Budget	FY11 - 3rd Qtr Projection	FY12 Budget
<b>FISCAL YEAR EXPENDITURES</b>											
1 Montana State Fund (MSF)											
2 MSF - Personal Services	\$13,680,843	\$15,168,730	\$17,105,761	\$18,856,396	\$19,304,595	\$21,992,109	\$21,172,011	\$21,915,413	\$22,314,019	\$22,337,061	\$23,183,482
3 MSF - Operating Expenses	14,351,890	17,261,603	23,641,211	22,781,431	24,007,881	26,119,764	22,625,843	21,449,205	20,911,411	20,428,999	18,569,810
4 MSF - Capital Expenditures	476,642	1,026,014	3,544,437	3,134,691	2,056,149	2,764,065	1,614,586	4,352,911	141,000	234,221	394,504
5 MSF - Benefit Payments	83,319,729	100,271,014	98,105,072	110,064,177	115,849,169	124,139,778	122,460,166	123,003,870	127,037,055	111,328,196	109,874,820
6 MSF - Allocated Loss Expense	1,643,148	2,063,394	2,100,036	3,503,934	4,257,078	4,149,015	4,267,691	4,112,714	4,361,386	4,213,435	4,547,212
7 MSF - Debt Service - Interest	122,964	39,146	0	0	0	0	0	0	0	0	0
8 Sub-Total Montana State Fund	\$113,595,218	\$135,829,902	\$144,496,516	\$158,340,630	\$165,474,872	\$179,164,731	\$172,140,297	\$174,834,115	\$174,764,872	\$158,541,911	\$156,569,829
<b>Old Fund (OF)</b>											
9 OF - Operating Expenses	\$301,104	\$381,610	\$268,200	\$223,351	\$201,423	\$196,263	\$261,770	\$229,194	\$239,984	\$324,689	\$218,270
11 OF - Benefit Payments	14,165,534	12,243,850	10,219,653	10,727,273	10,395,247	10,984,485	10,834,481	8,851,271	9,678,409	8,797,204	8,766,803
12 OF - Allocated Loss Expense	110,189	137,226	122,355	166,544	350,207	303,171	290,973	219,792	245,166	223,675	220,537
13 Sub-Total Old Fund	\$14,576,827	\$12,762,685	\$10,610,208	\$11,117,169	\$10,946,877	\$11,483,918	\$11,387,224	\$9,300,256	\$10,163,559	\$9,345,568	\$9,205,610
14 <b>TOTAL MSF &amp; OF FISCAL YEAR EXPENDITURES</b>	<b>\$128,172,045</b>	<b>\$148,592,587</b>	<b>\$155,106,724</b>	<b>\$169,457,799</b>	<b>\$176,421,749</b>	<b>\$190,648,649</b>	<b>\$183,527,521</b>	<b>\$184,134,371</b>	<b>\$184,928,431</b>	<b>\$167,887,480</b>	<b>\$165,775,439</b>
<b>STATUTORY OPERATING EXPENSE RATIO CALCULATION</b>											
15 Total MSF and OF Fiscal Year Expenditures	\$128,172,045	\$148,592,587	\$155,106,724	\$169,457,798.68	\$176,421,749	\$190,648,649	\$183,527,521	\$184,134,371	\$184,928,431	\$167,887,480	\$165,775,439
<b>Adjustments from Total MSF &amp; OF Expenditures to MSF Operating Expenses</b>											
17 less MSF Benefits	(\$83,319,729)	(\$100,271,014)	(\$98,105,072)	(\$110,064,177)	(\$115,849,169)	(\$124,139,778)	(\$122,460,166)	(\$123,003,870)	(\$127,037,055)	(\$111,328,196)	(\$109,874,820)
19 less Old Fund Benefits	(14,165,534)	(12,243,850)	(10,219,653)	(10,727,273)	(10,395,247)	(10,984,485)	(10,834,481)	(8,851,271)	(9,678,409)	(8,797,204)	(8,766,803)
20 less Old Fund Allocated Loss Expense	(110,189)	(137,226)	(122,355)	(166,544)	(350,207)	(303,171)	(290,973)	(219,792)	(245,166)	(223,675)	(220,537)
21 less Old Fund Operating Expenses (Actuary & DoLI Assessments)	(301,104)	(381,610)	(268,200)	(223,351)	(201,423)	(196,263)	(261,770)	(229,194)	(239,984)	(324,689)	(218,270)
22 less Equipment and Intangible Assets	(476,642)	(1,026,014)	(3,544,437)	(3,134,691)	(2,056,149)	(2,764,065)	(1,614,586)	(4,352,911)	(141,000)	(234,221)	(394,504)
23 less Debt Service (Capital Leases)	(122,964)	(39,146)	0	0	0	0	0	0	0	0	0
24 <b>Total MSF Operational Expenses</b>	<b>\$29,675,882</b>	<b>\$34,493,728</b>	<b>\$42,847,007</b>	<b>\$45,141,761</b>	<b>\$47,569,554</b>	<b>\$52,260,887</b>	<b>\$48,065,545</b>	<b>\$47,477,333</b>	<b>\$47,586,817</b>	<b>\$46,979,494</b>	<b>\$46,300,505</b>
<b>Other Statutory Expenses</b>											
25 Old Fund Administrative Expense Allocation	(\$1,078,828)	(\$962,074)	(\$953,608)	(\$789,216)	(\$844,309)	(\$1,049,999)	(\$979,066)	(\$729,173)	(\$950,000)	(\$950,000)	(\$950,000)
27 Investment Allocation	(\$131,250)	(\$160,000)	(\$58,750)	(\$30,000)	(30,000)	(30,000)	(40,000)	(40,000)	(40,000)	(40,000)	(40,000)
28 Building: Net Operating / Investment Exp Conversion	\$0	\$0	\$0	\$0	0	0	0	91,801	0	0	0
29 Reserve Changes - LAE	3,400,000	925,537	4,967,146	8,581,048	16,549,013	2,934,479	2,999,878	5,459,203	4,577,089	5,773,223	2,439,000
30 <b>Total Other Statutory Expenses</b>	<b>\$2,189,922</b>	<b>(\$196,537)</b>	<b>\$3,954,788</b>	<b>\$7,761,832</b>	<b>\$15,674,704</b>	<b>\$1,854,480</b>	<b>\$1,980,812</b>	<b>\$4,781,831</b>	<b>\$3,587,089</b>	<b>\$4,783,223</b>	<b>\$1,449,000</b>
<b>GAAP and Other Adjustments</b>											
31 Change in 'A' Accruals	0	0	0	0	0	0	0	0	0	0	0
33 Building Imputed Rent	0	0	0	0	0	0	0	0	0	349,033	349,033
34 Depreciation	533,367	520,500	455,407	434,183	453,815	668,018	517,800	369,213	1,767,120	989,944	964,032
35 Amortization	1,072,431	1,144,444	407,105	416,485	905,704	1,102,235	1,461,828	2,093,322	2,287,200	2,323,363	1,444,680
36 Compensated Absences	148,138	210,358	62,696	117,257	203,079	182,642	122,849	30,446	150,000	50,000	50,000
37 Other Post Employment Benefits (OPEB)	0	0	0	0	0	809,380	843,547	770,426	946,000	770,426	770,426
38 Principal - Lease Adjustment	0	0	0	0	181,491	0	0	0	0	0	0
39 Dividend Received	0	0	0	0	(881)	0	0	0	0	0	0
40 Interest - Leases	18,758	0	0	0	0	0	0	0	0	0	0
41 Statewide Indirect Costs	0	9,744	0	0	0	0	0	0	0	0	0
42 Deferred Acquisition Cost	0	0	0	0	0	0	0	0	0	0	0
43 Misc Reconciling Items	(3,851)	(471,882)	(36,856)	0	0	0	8,239	0	0	0	0
44 <b>Total GAAP and Other Adjustments</b>	<b>1,768,843</b>	<b>1,413,164</b>	<b>888,352</b>	<b>967,925</b>	<b>1,743,208</b>	<b>2,762,275</b>	<b>2,954,263</b>	<b>3,263,407</b>	<b>5,150,320</b>	<b>4,482,766</b>	<b>3,578,171</b>
45 <b>Total Other Statutory Expenses and, GAAP and Other Adjustments</b>	<b>3,958,765</b>	<b>1,216,627</b>	<b>4,843,140</b>	<b>8,729,757</b>	<b>17,417,912</b>	<b>4,616,755</b>	<b>4,935,075</b>	<b>8,045,238</b>	<b>8,737,409</b>	<b>9,265,989</b>	<b>5,027,171</b>
46 <b>MSF OPERATING EXPENSE before Contingent Commission-Reinsurance Programs</b>	<b>\$33,634,647</b>	<b>\$35,710,355</b>	<b>\$47,690,147</b>	<b>\$53,871,518</b>	<b>\$64,987,466</b>	<b>\$56,877,642</b>	<b>\$53,000,620</b>	<b>\$55,522,571</b>	<b>\$56,324,226</b>	<b>\$56,245,484</b>	<b>\$51,327,676</b>
47 <b>NET EARNED PREMIUM</b>	<b>\$117,776,580</b>	<b>\$139,360,612</b>	<b>\$189,378,858</b>	<b>\$211,892,198</b>	<b>\$238,202,708</b>	<b>\$230,965,307</b>	<b>\$203,976,354</b>	<b>\$166,265,384</b>	<b>\$153,940,603</b>	<b>\$167,761,458</b>	<b>\$132,868,786</b>
48 <b>OPERATING EXPENSE RATIO prior to Contigent Commission</b>	<b>28.6%</b>	<b>25.6%</b>	<b>25.2%</b>	<b>25.4%</b>	<b>27.3%</b>	<b>24.6%</b>	<b>26.0%</b>	<b>33.4%</b>	<b>36.6%</b>	<b>33.5%</b>	<b>38.6%</b>
49 Contingent Commission-Reinsurance Programs	\$0	\$0	(\$5,865,576)	(\$9,301,606)	(5,282,128)	(11,243,919)	(11,541,461)	(13,829,193)	(13,524,000)	(4,418,888)	(8,361,775)
50 <b>MSF STATUTORY OPERATING EXPENSE including Cont. Comm.-Reinsurance Prog.</b>	<b>\$33,634,647</b>	<b>\$35,710,355</b>	<b>\$41,824,571</b>	<b>\$44,569,912</b>	<b>\$59,705,338</b>	<b>\$45,633,723</b>	<b>\$41,459,159</b>	<b>\$41,693,378</b>	<b>\$42,800,226</b>	<b>\$51,826,596</b>	<b>\$42,965,901</b>
51 <b>NET EARNED PREMIUM</b>	<b>\$117,776,580</b>	<b>\$139,360,612</b>	<b>\$189,378,858</b>	<b>\$211,892,198</b>	<b>\$238,202,708</b>	<b>\$230,965,307</b>	<b>\$203,976,354</b>	<b>\$166,265,384</b>	<b>\$153,940,603</b>	<b>\$167,761,458</b>	<b>\$132,868,786</b>
52 <b>MSF STATUTORY OPERATING EXPENSE RATIO</b>	<b>28.6%</b>	<b>25.6%</b>	<b>22.1%</b>	<b>21.0%</b>	<b>25.1%</b>	<b>19.8%</b>	<b>20.3%</b>	<b>25.1%</b>	<b>27.8%</b>	<b>30.9%</b>	<b>32.3%</b>

FY12 BUDGET REQUEST BY DEPARTMENT  
Attachment C

2nd Level Exp. Code	FY12 BUDGET									MONTANA STATE FUND FY12 BUDGET
	CORPORATE SUPPORT	EXECUTIVE OFFICES	GENERAL COUNSEL	HUMAN RESOURCES	INFORMATION TECHNOLOGY	OPERATIONS	OPERATIONS SUPPORT	NEW FUND	OLD FUND	
<b>TOTAL EXPENDITURES</b>	<b>\$4,462,212</b>	<b>\$2,314,344</b>	<b>\$1,255,772</b>	<b>\$1,162,579</b>	<b>\$8,047,582</b>	<b>\$21,835,573</b>	<b>\$3,069,734</b>	<b>\$114,422,032</b>	<b>\$9,205,610</b>	<b>\$165,775,439</b>
Operational Expenditures (Persnl Services, Operating Expenses, Eq. & Int Assets, ALAE / A&O / D&CC Benefits & Claim Payments)	\$4,462,212	\$2,314,344	\$1,255,772	\$1,162,579	\$8,047,582	\$21,835,573	\$3,069,734	\$4,547,212	\$438,807	\$47,133,816
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$109,874,820	\$8,766,803	\$118,641,623
<b>PERSONAL SERVICES</b>										
FTE	32.25	6.00	16.00	6.00	52.00	137.00	37.50	0.00	0.00	286.75
SALARIES	61100 \$1,545,270	\$601,223	\$1,237,680	\$441,640	\$4,013,621	\$7,755,000	\$2,253,848	\$0	\$0	\$17,848,282
EMPLOYEE BENEFITS	61400 532,649	139,565	335,728	127,216	1,085,582	2,427,823	686,638	0	0	5,335,201
<b>TOTAL PERSONAL SERVICES</b>	<b>61000 \$2,077,918</b>	<b>\$740,788</b>	<b>\$1,573,408</b>	<b>\$568,856</b>	<b>\$5,099,203</b>	<b>\$10,182,822</b>	<b>\$2,940,487</b>	<b>\$0</b>	<b>\$0</b>	<b>\$23,183,482.49</b>
<b>OPERATING EXPENSES</b>										
OTHER SERVICES	62100 \$761,844	\$734,095	(\$413,306)	\$187,127	\$886,281	\$11,144,036	\$18,460	\$0	\$49,500	\$13,368,036
SUPPLIES & MATERIALS	62200 112,270	45,518	23,247	14,393	262,547	117,594	14,754	0	0	\$590,324
COMMUNICATIONS	62300 346,731	615,891	2,873	27,118	196,024	85,733	12,039	0	0	\$1,286,410
TRAVEL	62400 13,457	23,408	21,634	17,991	20,585	99,088	14,478	0	0	\$210,640
RENT	62500 313,378	0	0	0	0	0	0	0	0	\$313,378
UTILITIES	62600 259,000	0	0	0	0	0	0	0	0	\$259,000
REPAIRS & MAINTENANCE	62700 301,111	1,078	3,103	276	1,243,294	20,382	1,942	0	0	\$1,571,186
OTHER EXPENSES	62800 198,503	153,566	44,813	336,818	33,144	185,919	67,575	0	168,770	\$1,189,107
<b>TOTAL OPERATING EXPENSES</b>	<b>62000 \$2,306,294</b>	<b>\$1,573,556</b>	<b>(\$317,636)</b>	<b>\$583,723</b>	<b>\$2,641,875</b>	<b>\$11,652,751</b>	<b>\$129,248</b>	<b>\$0</b>	<b>\$218,270</b>	<b>\$18,788,080</b>
<b>EQUIPMENT &amp; INTANG. ASSETS</b>										
EQUIPMENT	63100 \$78,000	\$0	\$0	\$0	\$182,504	\$0	\$0	\$0	\$0	\$260,504
INTANGIBLE ASSETS	63400 0	0	0	10,000	124,000	0	0	0	0	134,000
<b>TOTAL EQUIP. &amp; INTANG. ASSETS</b>	<b>63000 \$78,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$10,000</b>	<b>\$306,504</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$394,504</b>
<b>ALAE / A&amp;O / D&amp;CC</b>										
ALLOCATED LOSS ADJUSTMENT EXPENSE (ALAE)	67100 \$0	\$0	\$0	\$0	\$0	\$0	\$0	\$898,936	\$19,840	\$918,776
ADJUSTING & OTHER (A&O)	67100 0	0	0	0	0	0	0	11,430	120	\$11,550
DEFENSE & COST CONTAINMENT (D&CC)	67100 0	0	0	0	0	0	0	3,636,846	200,577	3,837,423
<b>TOTAL ALAE / A&amp;O / D&amp;CC</b>	<b>67100 \$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,547,212</b>	<b>\$220,537</b>	<b>\$4,767,749</b>
<b>BENEFITS &amp; CLAIM PAYMENTS</b>										
INDEMNITY	67100 \$0	\$0	\$0	\$0	\$0	\$0	\$0	\$40,664,930	\$2,192,936	\$42,857,866
MEDICAL	67100 0	0	0	0	0	0	0	69,209,890	6,573,867	75,783,757
<b>TOTAL BENEFITS</b>	<b>67100 \$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$109,874,820</b>	<b>\$8,766,803</b>	<b>\$118,641,623</b>

FY12 BUDGET  
MONTANA STATE FUND 2ND LEVEL ROLL-UP  
BUSINESS UNIT - 61030

MSF FY12 EXPENDITURES AND HISTORICAL COMPARISON  
Attachment D

Exp. Code	FY12 BUDGET	FY11 - PROJ (3/31)	FY11 YTD (3/31)	FY11 BUDGET	FY10 ACTUALS	FY09 ACTUALS	FY08 ACTUALS	FY07 ACTUALS	FY06 ACTUALS
<b>NET EARNED PREMIUM</b>	<b>\$132,868,786</b> -20.80%	<b>\$167,761,458</b>		<b>\$153,940,603</b>	<b>\$166,265,384</b>	<b>\$203,976,354</b>	<b>\$230,965,307</b>	<b>\$238,202,708</b>	<b>\$211,892,198</b>
<b>EXPENDITURES</b>									
<b>Operational Expenditures</b> (Prsnl Serv, Op Exp, Eq. & Int Assets, ALAE / A&O / D&CC)	<b>\$47,133,816</b>	<b>\$47,762,080</b>	<b>\$31,775,281</b>	<b>\$48,212,967</b>	<b>\$52,279,230</b>	<b>\$50,232,874</b>	<b>\$55,524,386</b>	<b>\$50,177,333</b>	<b>\$48,504,130</b>
<b>Benefits &amp; Claim Payments</b>	<b>\$118,641,623</b>	<b>\$120,125,400</b>	<b>\$89,597,109</b>	<b>\$136,715,464</b>	<b>\$131,855,141</b>	<b>\$133,294,647</b>	<b>\$135,124,263</b>	<b>\$126,244,416</b>	<b>\$120,953,668</b>
<b>TOTAL EXPENDITURES</b>	<b>\$165,775,439</b>	<b>\$167,887,480</b>	<b>\$121,372,391</b>	<b>\$184,928,431</b>	<b>\$184,134,371</b>	<b>\$183,527,521</b>	<b>\$190,648,649</b>	<b>\$176,421,749</b>	<b>\$169,457,799</b>
<b>EXPENDITURES - 2nd Level Detail</b>									
<b>PERSONAL SERVICES</b>									
FTE	286.75	284.50		284.50	299.50	298.00	298.00	296.50	293.50
SALARIES	61100 \$17,848,282	\$17,205,910	\$11,955,117	\$17,124,030	\$16,879,543	\$16,385,869	\$17,215,350	\$15,095,542	\$14,980,304
EMPLOYEE BENEFITS	61400 5,335,201	5,131,151	3,558,910	5,189,989	5,035,871	4,786,141	4,776,758	4,209,053	3,876,092
<b>TOTAL PERSONAL SERVICES</b>	<b>61000 \$23,183,482</b>	<b>\$22,337,061</b>	<b>\$15,514,027</b>	<b>\$22,314,019</b>	<b>\$21,915,413</b>	<b>\$21,172,011</b>	<b>\$21,992,109</b>	<b>\$19,304,595</b>	<b>\$18,856,396</b>
			54.78% of Payroll Elapsed						
<b>OPERATING EXPENSES</b>									
OTHER SERVICES	62100 \$13,368,036	\$15,089,778	\$9,385,071	\$15,013,128	\$15,688,267	\$17,862,908	\$21,252,196	\$19,626,992	\$17,567,297
SUPPLIES & MATERIALS	62200 590,324	925,183	379,215	923,611	1,083,989	462,802	634,314	728,932	1,112,183
COMMUNICATIONS	62300 1,286,410	1,311,651	883,164	1,446,937	1,551,777	1,337,269	1,623,405	1,158,400	1,164,512
TRAVEL	62400 210,640	186,764	124,570	245,033	195,219	219,620	283,431	231,570	209,519
RENT	62500 313,378	320,664	293,507	320,188	313,605	311,268	314,310	352,094	350,777
UTILITIES	62600 259,000	244,769	169,638	261,256	126,890	146,818	145,945	132,363	117,440
REPAIRS & MAINTENANCE	62700 1,571,186	1,427,531	1,077,685	1,432,531	1,352,644	1,263,454	928,389	875,434	1,194,908
OTHER EXPENSES	62800 1,189,107	1,247,348	822,816	1,513,508	1,366,008	1,283,474	1,134,035	1,103,519	1,288,147
<b>TOTAL OPERATING EXPENSES</b>	<b>62000 \$18,788,080</b>	<b>\$20,753,688</b>	<b>\$13,135,666</b>	<b>\$21,156,193</b>	<b>\$21,678,399</b>	<b>\$22,887,613</b>	<b>\$26,316,027</b>	<b>\$24,209,304</b>	<b>\$23,004,782</b>
<b>EQUIPMENT &amp; INTANG. ASSETS</b>									
EQUIPMENT	63100 \$260,504	\$202,221	\$29,493	\$79,202	\$3,846,971	\$115,040	\$303,730	\$608,817	\$1,133,212
INTANGIBLE ASSETS	63400 134,000	32,000	0	57,000	505,941	1,499,546	2,460,335	1,447,331	2,001,479
<b>TOTAL EQUIP. &amp; INTANG. ASSETS</b>	<b>63000 \$394,504</b>	<b>\$234,221</b>	<b>\$29,493</b>	<b>\$136,202</b>	<b>\$4,352,911</b>	<b>\$1,614,586</b>	<b>\$2,764,065</b>	<b>\$2,056,149</b>	<b>\$3,134,691</b>
<b>ALAE / A&amp;O / D&amp;CC</b>									
ALLOCATED LOSS ADJUSTMENT EXPENSE (ALAE)	67100 \$918,776	\$1,011,648	\$526,999	\$929,405	\$1,114,563	\$873,243	\$997,998	\$1,021,464	\$1,920,070
ADJUSTING & OTHER (A&O)	67100 11,550	10,335	7,752	12,756	10,609	12,132	12,379	7,835	666
DEFENSE & COST CONTAINMENT (D&CC)	67100 3,837,423	3,415,126	2,561,345	3,664,391	3,207,334	3,673,290	3,441,808	3,577,986	1,587,525
<b>TOTAL ALAE / A&amp;O / D&amp;CC</b>	<b>67100 \$4,767,749</b>	<b>\$4,437,110</b>	<b>\$3,096,095</b>	<b>\$4,606,552</b>	<b>\$4,332,506</b>	<b>\$4,558,664</b>	<b>\$4,452,186</b>	<b>\$4,607,285</b>	<b>\$3,508,260</b>
<b>BENEFITS &amp; CLAIM PAYMENTS</b>									
INDEMNITY	67100 \$42,857,866	\$43,757,464	\$32,496,287	\$55,596,999	\$53,326,569	\$52,654,491	\$55,610,054	\$51,263,670	\$49,784,195
MEDICAL	67100 75,783,757	76,367,936	57,100,822	81,118,465	78,528,572	80,640,156	79,514,209	74,980,746	71,169,473
<b>TOTAL BENEFITS</b>	<b>67100 \$118,641,623</b>	<b>\$120,125,400</b>	<b>\$89,597,109</b>	<b>\$136,715,464</b>	<b>\$131,855,141</b>	<b>\$133,294,647</b>	<b>\$135,124,263</b>	<b>\$126,244,416</b>	<b>\$120,953,668</b>

# STATE FUND STAFFING CHANGES

Attachment E

FY12 - 286.75 FTE Requested

## FY12 Budget increases by 2.25 FTE from FY11.

2.25 FTE CS-F three full-time positions effective 10/1/11 as Janitors

## FY11 Position changes between departments - No aggregate FTE impact.

1.00 FTE OP-T2 Administrative Support moved to OS-MT as Medical Customer Service Liaison

1.00 FTE OS-CT Claim QA Specialist moved to OS-MT as Medical Customer Service Liaison

FULL TIME EQUIVALENTS (FTE)								
	<u>Total</u>	<u>Corporate Support</u>	<u>Executive Offices</u>	<u>General Counsel</u>	<u>Human Resources</u>	<u>Information Technology</u>	<u>Operations</u>	<u>Operations Support</u>
2001 Reorganization FTE	224.50	63.50	3.00	3.00	n/a	n/a	109.00	46.00
2002 FTE - 7/1/01	233.50	63.50	3.00	3.00	n/a	n/a	115.00	49.00
2003 FTE - 7/1/02	251.25	37.00	6.50	3.00	n/a	34.75	122.00	48.00
2004 FTE - 7/1/03	264.50	37.00	6.50	3.25	n/a	38.00	125.00	54.75
2005 FTE - 7/1/04	279.50	37.00	7.00	3.25	n/a	47.50	131.00	53.75
2006 FTE - 7/1/05	292.50	37.00	3.00	3.00	5.00	51.00	136.00	57.50
2007 FTE - 7/1/06	296.50	36.00	5.00	3.00	5.00	51.00	145.00	51.50
2008 FTE - 7/1/07	297.50	35.25	5.00	16.00	5.75	52.00	145.00	38.50
2009 FTE - 7/1/08	298.00	34.00	5.00	16.00	6.00	52.00	146.00	39.00
Increase/(Decrease)	1.50	0.00	0.00	0.00	0.00	0.75	0.00	0.75
2010 FTE - 7/1/09	299.50	34.00	5.00	16.00	6.50	52.75	145.00	40.25
Increase/(Decrease)	(15.00)	(2.00)	0.00	0.00	0.00	(1.75)	(5.00)	(6.25)
2011 FTE - 7/1/10	284.50	30.00	6.00	16.00	6.00	52.00	138.00	36.50
Increase/(Decrease)	2.25	2.25	0.00	0.00	0.00	0.00	0.00	0.00
2012 FTE - Budget Request	286.75	32.25	6.00	16.00	6.00	52.00	137.00	37.50

n/a - Departments did not exist in those fiscal years.

**FISCAL YEAR 2012 DEPARTMENT REFERENCE LIST  
Montana State Fund - Business Unit 61030**

**Attachment F**

<u>Department</u>	<u>Team</u>	<u>Team Leader</u>
<b>Corporate Support</b> Mark Barry, Vice President	Administration Document Processing Facilities Finance New Fund (All Accident Years and OSC) Old Fund	Mark Barry Dennis Lee Dennis Lee Rene Silverthorne Mark Barry Mark Barry
<b>Executive Offices</b> Elizabeth Best, MSF Board Chair Laurence Hubbard, President / CEO	Board of Directors President's Office Communications	Elizabeth Best Laurence Hubbard Carl Kochman
<b>General Counsel</b> Nancy Butler, General Counsel	Administration Fraud Services Legal Counsel Legal Services	Nancy Butler Ben Jones Kevin Braun Ben Jones
<b>Human Resources</b> Rick Duane, Vice President	Human Resources	Rick Duane
<b>Information Technology</b> Chief Information Officer, Al Parisian	Administration Enterprise Strategy & Project Management Architecture Enterprise Applications Insurance Applications Operations Planning and Controls	Al Parisian Shannon Copsps / Ken Jeschke Sandy Leyva Kathleen Torella Sam Heigh Stacy Ripple Shannon Copsps
<b>Operations</b> Dick Root, Vice President	Administration Marketing Team 1 Team 2 Team 3 Team 4 Team 5 Team 6	Dick Root Jim McCormick Pat Haffey Susan Jensen Nicholas Hopkins Pam Byers Joan DePasquale Marianne Krpan
<b>Operations Support</b> Peter Strauss, Vice President	Administration Claims Team Medical Team Team 7 Safety Management Underwriting Expert	Peter Strauss Shari Huth Bridget McGregor Tonee West, Interim Wayne Dillavou Christy Weikart