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Berkley Risk
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Vice-Chair
Land O'Lakes

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Rick Theisen
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Jim Oukrop
HealthPartners

Jeff McBride
CHS

Sumrati Tickoo
TrueBlue, Inc.

Howard Bicker
Investment Consultant

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Dear Members:

As the Self-Insurers' Security Fund (SISF) enters its 35th year, we are pleased to provide you with this report on our work during the 2021-2022 fiscal year. SISF has paid more than \$60 million in claims and administrative expenses since 1988, and its financial condition remains strong.

During the past year, there have been no new defaults and the number of open claims has remained in the stable 45 to 50 range. Despite the volatile financial markets, our total assets remained at about \$6.9 million at the end of the fiscal year on June 30, slightly higher than the previous year. Case reserves less recoverables declined from \$976,000 on June 30, 2021 to \$881,000 on September 30, 2022. Once again, SISF received a clean audit opinion from our independent auditor, RSM US LLP. The complete audit is available on the SISF website at www.mnsisf.org.

The Board of Trustees continued its policy of reducing the annual assessments to members. Its objective has been to maintain sufficient financial strength to be able to pay claims and protect against future defaults while at the same time avoiding charging members unnecessarily large assessments. The Board reduced the annual assessment rate from 1.75%, which generated assessment income of \$808,000 in 2021-2022, to 1.00%, which has produced \$486,000 in the current fiscal year.

The most significant unknown for SISF remains the future of bankrupt members JC Penney and K-Mart. Neither of these formerly large employers has defaulted on their Minnesota workers' compensation liabilities, but the terms of their bankruptcies give them the opportunity to default in the future. SISF does not know what security they have posted with the Department of Commerce, but SISF staff is working with Commerce to develop legislation that would make the amount of posted security of self-insurer members who are engaged in Chapter 7 or 11 bankruptcy proceedings or who have been adjudicated to be bankrupt available to SISF.

There have been a number of changes in the leadership of SISF during the past year. Commissioner of Labor and Industry Commissioner Roslyn Robertson has retired and has been replaced on the SISF board by newly appointed Commissioner Nicole Blissenbach. Trustees Brad Wiggins and Jeff Horner have left the Board of Trustees and been replaced by Sumrati Tickoo and Jeff McBride. Howard Bicker has been reappointed by the Commissioner of Commerce to a new term on the Board. The Board has reelected Dale Haug as Board Chair and elected Brad Koland as Vice-Chair.

Kim Drevnick is SISF's Administrator and is regularly available in the Fund's office to provide any information you may need about your membership in SISF. Andrew Morrison is our legal counsel and represents our interests on any matters coming before the legislature. As your Board Chair and Executive Director, we are also available to discuss any issues about which you have questions.

DALE HAUG
CHAIR

CARL "BUZZ" CUMMINS
EXECUTIVE DIRECTOR