

Second Injury Fund Advisory Board
Wednesday, October 11, 2023 at 11:00 AM
Hybrid Meeting: G004G 165 Capitol Ave., Hartford, CT or TEAMS

Join on your computer, mobile app or room device

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Meeting ID: 229 503 973 568

Passcode: Mc2DCK

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[+1 860-840-2075,,636362188#](#) United States, Hartford

Phone Conference ID: 636 362 188#

AGENDA

1. Welcome / Roll Call (Assistant Treasurer Jamie Young)
2. Adoption of Minutes
October 12, 2022 & June 21, 2023
3. Letter to the Gov. July 1, 2023
4. Update on Operation of Fund
 - a. Financial Update (Controller Danielle Pare)
 - i. Official FY23
 - ii. Preliminary FY24
 - b. Claims Unit Status (SIF Claim Manager Adolph Ellis)
 - i. Settlements
 - ii. Open Inventory
 - iii. Staffing
 - iv. Reserves
5. New Business
 - a. Any topics wish to be discussed or presented in next meeting?
6. Proposed Meeting Dates for Calendar Year 2024
 - a. Wednesday, June 19, 2024, at 11:00
 - b. Wednesday, October 16, 2024, at 11:00

Minutes of the Second Injury Fund Advisory Board Meeting
Wednesday, June 21, 2023 at 11:00 a.m.
Hybrid Meeting

Present: Peter Myers, Connecticut Business & Industries Association
Melissa Riley, Hartford Healthcare (on behalf of Kimberly Harrison)
Marko Kaar, CT Construction Industries Association
Shellye Davis, Vice President CT AFL-CIO (on behalf of Ed Hawthorne, (Chair))
Rochelle Palache, Vice President 32BJ SEIU

Absent: Senator Julie Kushner
Representative Emmanuel Sanchez
Brian Anderson, Council 4 AFSCME

For the Fund: Jamie M. Young, Assistant Treasurer
Adolphus Ellis, Claims Manager
John Lopes, Special Funds Administrator
Gloria Williams, Controller, Retired
Julie Bernard, Accountant
Vanessa Rodriguez, Claims Analyst
Karen Williams, Claims Analyst
George Petropoulos, Special Investigator
Paul Bourassa, Information Technology Manager
Cortney Giles, Executive Secretary, Minutes

Guest: Sarah Sanders, Deputy Treasurer
Eric Gjede, Vice President for CT Public Policy

This meeting was called to order at 11:00 AM via Microsoft Teams. Attendees for The Fund/SIF Advisory Board sat in Conference Room G004B at 165 Capitol Avenue, Ground Floor, Hartford, CT 06106.

1. Welcome/Roll Call

Assistant Treasurer Jamie Young introduced and welcomed staff of the Fund and Advisory Board members to the Advisory Board meeting.

She introduced and welcomed to the meeting Deputy Treasurer Sarah Sanders. The Deputy Treasurer thanked the Advisory Board members for their willingness to support the work of the Fund and serve in this capacity.

2. Adoption of Minutes

A.T. Young stated that adoption of October 2022 minutes would be postponed until the next meeting due to a question regarding quorum.

3. Status on Election of Chair of SIF Advisory Board

A.T. Young stated that the Advisory Board Chair position was open due to the beginning of a new appointment term. She stated that normally we would hold an election for Chair, but a full quorum was not then present to do so. She instructed Advisory Board members to expect an email containing next steps regarding Chair election.

4. Update on Operation Fund

Gloria Williams, retired Controller, provided an update of the financial operation of the Fund. She stated that at the last SIF Advisory Board meeting in October, the Fund's FY2022 financial statements for the year ending June 30, 2022 was discussed. The financials were published December 2022 and are available on The Treasurers website. In summary:

Operating Revenues, (assessment revenue), totaled **\$24 million** (flat compared to the previous year, "P/Y");

Operating Expenses were **\$24.5 million**, consisting mostly of injured worker benefits (\$17.6M settlements, **indemnity** and medical expenses paid to claimants) and was (\$847,000 higher than P/Y (5%)) resulting in an **excess of expenses over revenues of (\$438,000)** for the year (\$1M higher over P/Y).

As of May 31, 2023, the results for 11 months are:

Total Operating Revenues are at \$30.1 million (\$1.6 million higher than last year's 11-month total)

Total Operating Expenses of \$18.5 million made up of \$12 million injured worker benefits and \$6.5 million administrative expenses are \$5 million lower than last year's 11-month total. This \$5 million variance is attributable to lower Indemnity benefits paid to date.

The Change in Net Position, which is the difference between revenue and expenses, for 11 months FY23 is \$11.7 million – with revenues exceeding expenses. Historically, the month of June has been a high paying month for expenses (benefits paid) resulting in an insignificant loss for the month. Overall FY23 is expected to report earnings that are

favorable. The fiscal year 2023 financials should be finalized by August and will be reported at the next Advisory Board meeting. Overall, the Fund continues to report stable results.

The FY 2024 Budget was finalized in April enabling the Treasurer to announce on May 1st the assessment rates for FY24. As a result of budget numbers, there are no rate changes for the upcoming fiscal year; Insurance Companies will remain at 2.25% for insured employers and 2.75% for self-insured employers.

Revenue is projected to be \$30 M.

Expenses \$34 M

Change in Net Position is project to be a negative (\$4 M)

5. Workers Compensation Update/Office of Attorney General

Adolphus Ellis, Claims Manager, presented the SIF Advisory Board with a Claims Unit update. The operation of the SIF continues to function effectively. Staff continues to be cross-trained to ensure the Fund is operating with maximum efficiency.

Adolph listed the positions that make up the Second Injury Fund's staff:

10 Claims Analysts

3 Hearing Representative

3 Investigators

1 Nurse

Accounting Department

This is in addition to an investigation team of 3 and collections support.

Adolphus discussed the primary statutes that The Fund administers and their percentage in the make up of The Fund's overall claims.

31-349 Original Second Injury Transfer cases (10%)

31-306 Dependents (3%)

31-307 COLA (1%)

31-310 Concurrent (64%)

31-355 No Insurance Cases (20%)

Points discussed:

- The SIF currently has 2781 open claims. This represents an increase over the last Advisory Board meeting report. We close files once claims are settled or the injured employee's or their dependent spouses are no longer entitled to benefits if they become deceased.
- The Claim Reserves for the FY to date are \$184.9 million (which is the future costs for the claims currently reported to the fund). This is a reduction of approximately \$12 million due to the manager's focused endeavor in May. Settlements and employee deaths are the big drivers of future costs for which the Fund is financially responsible.
- The Fund continues to be active with settlements through the end of May 2023: \$3,749,879.
- We average approximately 200 informal hearings per month. We have 3.5 Hearing Representatives to cover our hearings. One is a retiree who currently is in her second and final stint as a TWR.

A.T. Young spoke about the loss of staff due to mass retirements. Strategic consideration of roles, restaffing and backup training is underway. A.T. Young discussed staff's monthly and biannual training meeting with the Office of the Attorney General ("AGO"). This has helped the AGO streamline their systems and improve their processes. She shared that cross-training measures are being taken for several of the roles and consultation has taken place with Human Resources about back up opportunities in line with union agreements. A.T. Young further reported that she and Adolph Ellis initiated bi-annual meetings and monthly training sessions with SIF staff.

6. Legislative Update:

A.T. Young indicated that new statute books were to be released this year. She instructed all attendees who desire a copy to contact Adolph. No relevant legislation noted.

7. Other Business:

A.T. Young expressed gratitude to the SIF Advisory Board members and designees for their support and participation. She discussed the attachments in the meeting invite and reminded attendees that they would receive electronic copies of future attachments. If they prefer to receive communication by mail, they can contact her Executive Secretary Cortney Giles.

There being no further discussion, the meeting was adjourned at 11:45 a.m.

The next hybrid meeting is scheduled to occur at 11:00 a.m. on October 11, 2023.

DRAFT

**Minutes of Second Injury Fund Advisory Board Meeting
Wednesday, October 12, 2022 at 11:00 a.m.**

Present: Cliff Leach, Vice President of Government Affairs
Brian Anderson, Legislative Director 4 AFSCME
Eric Gjede, Vice President for CT Public Policy (on behalf of Louise DiCocco)
Kimberly Harrison, Hartford Healthcare
Marko Kaar, CT Construction Industries Assoc (on behalf of Donald Shubert)
State Rep. Robyn Porter, Chair of Labor and Public Employee Committee
State Senator Julie Kushner,
Ed Hawthorne, President CT AFL-CIO (Chair)

For the Fund: Jamie M. Young, Assistant Treasurer
Adolphus Ellis, Claims Manager
John Lopes, Special Funds Administrator
Gloria Williams, Controller, Retired
Julie Bernard, Accountant
Kate McLean, Paralegal Specialist, Minutes

Guest: Kenneth Kennedy, Jr., Assistant Attorney General

This meeting was called to order at 11:00 AM via Teleconference and Microsoft Teams.

1. Welcome/Roll Call

Assistant Treasurer, Jamie Young welcomed board members and conducted roll call. She introduced and welcomed to the meeting Kenneth Kennedy, Jr., Assistant Attorney General.

2. Adoption of Minutes

Eric Gjede motioned, and Cliff Leach seconded the motion, for the approval of the July 6, 2022 minutes as continued from the June 15, 2022 meeting. Ed Hawthorne abstained, due to his absence from that meeting. The remainder of the Board voted to approve the minutes.

3. Status on Election of Chair of SIF Advisory Board

A.T. Young stated that the Advisory Board Chair was open due to the departure of previous Chair, Sal Luciano.

Senator Kushner motioned, and Brian Anderson seconded the motion, for Ed Hawthorne to act as Chair. The vote was unanimous to approve Mr. Hawthorne as Chair of the SIF Advisory Board.

4. Update on Operation of the Fund

Gloria Williams, retired Controller, provided an update of the financial operation of the Fund. She stated that Financial Statements for the Fund's FY2022 ending June 30, 2022 are completed and currently being reviewed by the Auditors. These Financial Statements are scheduled to be published December 2022 as part of the Treasurer's Annual Report.

In summary, total operating revenues were up due to the timing of payments as a result of the pandemic. Companies that may have been lax in making payments during the pandemic are back on schedule. Total operating expenses were lower due to a decrease in indemnity payments, medical claims, administrative expenses, and settlements over the prior year. Thus, FY22 experienced an increase in net position due to revenues exceeding expenses.

Q1 Current Year Financials - FY2023: The 3-month revenue is 7.2% higher than last year's comparable timeframe. Total Operating Expenses which include Benefits Paid (Settlements, Indemnity and Medical costs) and Administrative Expenses are lower which resulted in a positive change in Net Position as of 9/30/22.

This positive net income number reflects the timing of FY22 accrued expenses that were reversed during the first month of FY23 - The Fund will feel the effect of actual incurred expenses throughout the entire year that will offset the accrual reversal. As a result, the Change in Net Position is a bit inflated right now but is expected to level off throughout the year and is budgeted to show a \$4 million net loss for the fiscal year. This negative loss was necessary to keep the assessment rates at 2.25% for insured employers and 2.75% for self-insured employers. In summary, the Fund continues to show strong financial performance.

A.T. Young spoke about staffing and the recent wave of retirements. Strategic consideration of roles has been completed and restaffing and backup training is now underway. A.T. Young discussed siloed positions such as having only one nurse on staff. She shared that cross-training measures are being taken for several of the roles and consultation with Human Resources about back up opportunities in line with the union agreements to the nurse position if a need arises. Covid provided great insight to the struggles when staff are out for extended periods of time and no back up exists. A.T. Young further reported that she and Adolph Ellis initiated bi-annual meetings and monthly training sessions with all of SIF staff.

In addition, A.T. Young mentioned that marijuana has become a prescribed medical treatment in CT and that reimbursements are now being sought. A recent ruling by the Workers Compensation Commission is being reviewed regarding how it may be applied in SIF even as the first requests for reimbursement have been submitted. The benefits of marijuana as a prescribed treatment includes being a less expensive alternative than the opioids currently being prescribed along with a reduced risk of addiction.

5. Workers Compensation Update/Office of Attorney General

Adolphus Ellis, Claims Manager, presented the SIF Advisory Board with a Claims Unit update. The operation of SIF continues to function effectively. Staff continue to be cross-trained to ensure the Fund is operating with maximum efficiency.

Points discussed:

- There are currently 2,617 open claims. This represents an increase over the last Advisory Board meeting despite many claim's files being closed. Some closings have been delayed to address a lag in Form 44 requests from carriers, etc.
- The Claim Reserves or unfunded liability for the FY23 to date are \$197.8 million (which is the future costs for the claims reported to the fund).
- The Fund was active with settlements through the first Quarter of FY2023. We settled \$1,220,099.
- SIF still averages approx. 200 informal hearings per month. No increase/decrease.
- Increase in Concurrent claims (CGS Sec. 31-310). Second highest is Uninsured claims (CGS sec. 31-355). Third highest is original SIF claims (CGS sec. 31-349), which are closing out based on mortality rates.

Cliff Leach asked how, as automation occurs, it has changed the number of claims. Mr. Ellis responded that it has changed the number of claims. In addition, the Covid pandemic caused a decrease in people in the workplace and therefore a correlative decrease in the number of claims. Now that people have returned to work, and often in multiple roles, the claim numbers are returning to normal.

Assistant Attorney General, Kenneth Kennedy, Jr., provided the Board with information about his agency and role in Workers' Compensation and SIF. He explained informal hearings and pre-formal hearings. He explained how and when discovery, possibility of settlement, mediation, and then formal hearings are utilized. He shared that many cases remain open indefinitely. He shared that the A.G.'s Office lost a lot of staff due to retirement, and they are currently working on re-staffing. He noted that his team saw an increase in claims before Covid, and a decrease once the pandemic began. Now that people have returned to work, there is currently a levelling off. There is a notable increase in Uninsured claims, especially in Fairfield County.

6. Membership for 2023 terms

A.T. Young expressed gratitude to the SIF Advisory Board members and designees for their support and participation. Cliff Leach expressed his appreciation for participating on the SIF Advisory Board but confirmed his intention to not be considered for reappointment in 2023.

The new four-year appointments [January 1, 2023 – December 31, 2026] for the SIF Advisory Board [*pursuant to CGS Sec. 31-349e*] will be effectuated later this year in consultation with the Treasurer and Statutes.

7. Proposed Meeting Dates for Calendar Year 2023

The proposed meeting dates for 2023 are:

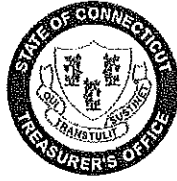
- Wednesday, June 21, 2023 at 11:00 a.m.
- Wednesday, October 11, 2023 at 11:00 a.m.

Bryan Anderson motioned, and Eric Gjede seconded the motion, for the approval of the proposed schedule for 2023. The vote was unanimous to approve the proposed schedule.

There was a consensus among the Advisory Board for future meetings to discontinue use of the teleconference tool and instead solely use Microsoft Teams technology that allows simultaneously for audio or video meetings.

There being no further discussion, the meeting was adjourned at 11:40 a.m.

The next meeting is scheduled to occur at 11:00 a.m. on June 21, 2023.



ERICK RUSSELL
TREASURER

State of Connecticut
Office of the Treasurer

SARAH K. SANDERS
DEPUTY TREASURER

July 1, 2023

The Honorable Ned Lamont
Governor, State of Connecticut
State Capitol Building
Hartford, Connecticut 06106

Dear Governor Lamont,

Enclosed you will find the *Annual Report on the Financial Condition of the Second Injury Fund* as required by Section 31-349f of the Connecticut General Statutes.

As we continue to be faced with economic and inflationary challenges, I am happy to report the Second Injury Fund ("Fund") continues to be financially stable and achieved the following during Fiscal Year 2023.

- The Fund's long-term unfunded liabilities fell from \$201.3 million in FY2022 to \$187.6 million, a decrease of 6.8 percent. The Fund continues to closely monitor these liabilities.
- During FY2023, estimated savings of \$1.8 million in medical costs achieved by the Fund continue to lessen the long-term financial burden on Connecticut's businesses and taxpayers.
- On May 1, 2023, I announced that assessment rates for insured and self-insured employers will remain unchanged for FY2024. The current rate for insured employers will continue to be 2.25%, while the rate for self-insured employers will continue to be 2.75%.

These achievements are a direct reflection of the Fund's strong commitment to the prudent fiscal strategies which continue to produce savings passed along to Connecticut businesses without compromising any benefits due to injured workers.

Honorable Ned Lamont
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July 1, 2023

If you have any questions concerning the financial condition of the Fund, please feel free to call Assistant Treasurer, Jamie Mowat Young at (860) 702-3125.

Sincerely,



Erick Russell
State Treasurer

Enclosure

cc: Hon. Susan Bysiewicz, Lieutenant Governor
Hon. Martin M. Looney, Senate Democrat President *Pro Tempore*
Hon. Bob Duff, Senate Majority Leader
Hon. Matthew Ritter, Speaker of the House
Hon. Jason Rojas, House Majority Leader
Hon. Kevin Kelly, Senate Minority Leader
Hon. Vincent Candelora, House Minority Leader
Hon. Julie Kushner, Senate Chair, Labor & Public Employees Committee*
Hon. Emmanuel Sanchez, House Chair, Labor & Public Employees Committee*
Hon. Derell Wilson, House Vice Chair, Labor & Public Employees Committee
Hon. Rob Sampson, Senate Ranking Member, Labor & Public Employees Committee
Hon. Tim Ackert, House Ranking Member, Labor & Public Employees Committee
Hon. Jorge Cabrera, Senate Chair, Insurance and Real Estate Committee
Hon. Kerry S. Wood, House Chair, Insurance and Real Estate Committee
Hon. Saud Anwar, Senate Vice Chair, Insurance and Real Estate Committee
Hon. Jill Barry, House Vice Chair, Insurance and Real Estate Committee
Hon. Tony Hwang, Senate Ranking Member, Insurance and Real Estate Committee
Hon. Cara Pavalock-D'Amato, House Ranking Member, Insurance and Real Estate Committee
Michael A. Jefferson, Clerk, Senate
Frederick J. Jortner, Clerk, House of Representatives

Members of the Second Injury Fund Advisory Board:

*Senator Julie Kushner
*Representative Emmanuel Sanchez
Ed Hawthorne, Connecticut AFL-CIO
Rochelle Palache, Services Employees International Union, Local 32BJ
Marko Kaar, Connecticut Construction Industries Association
Brian Anderson, Council 4 AFSCME
Hartford HealthCare, c/o Melissa Riley
Peter Myers, Connecticut Business and Industries Association

**ANNUAL REPORT OF THE SECOND INJURY FUND
FOR FISCAL YEAR ENDING JUNE 30, 2023**

As of 06/27/23

1. Estimate of the Fund's unfunded liability as of preceding July first (July 1, 2022):

- A. The unfunded liability of the Second Injury Fund as of July 1, 2022 had been estimated at \$201,338,000.
- B. The unfunded liability of the Second Injury Fund as of July 1, 2023 is estimated at \$187,550,000.

	<u># Open Claims</u>	<u>Reserve Value</u>
Claim Inventory 7/1/23	2,788	\$184,800,000
* Estimated Future Claims (FY 2024)	430	<u>2,750,000</u>
Total Estimated Liability as of 6/27/23		\$187,550,000

* Anticipated *uninsured* employer and concurrent employment claims incurred but not reported as of 6/27/23

2. The effect of settlements and stipulations on the unfunded liability:

During FY 2023 SIF paid 161 settlements at a cost of \$3,987,400.

3. The number and actual amount of assessments levied under section 31-354 for the previous fiscal year (FY2023):

Category	# of Assessments	Amounts
Insured Employers	4	\$ 17,844,724 (est)
Self-Insured Employers	4	<u>4,651,694 (est)</u>
Total		\$ 22,496,418 (est)

4. The number and estimated amount of assessments for the coming year (FY2024):

Category	# of Assessments	Amounts
Insured Employers	4	\$ 22,980,000
Self-Insured Employers	4	<u>4,733,000</u>
Total		\$ 27,713,000

5. Any recommendation for legislative change to improve the operation of the Fund:

No further recommendations for legislative change at this time.