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Date: August 2, 2023

**TO: MEMBERS, BOARD OF DIRECTORS**

<b>I. AGENDA ITEM # AND TITLE:</b>	Open Agenda Item 3d – Consent Calendar: Annual Review and Approval of Governance Committee Charter
<b>II. NAME AND PROGRAM:</b>	Hilda Padua, Board Liaison
<b>III. ACTIVITY:</b>	<input type="checkbox"/> Informational <input type="checkbox"/> Request for Direction <input checked="" type="checkbox"/> Action Proposed <input type="checkbox"/> Exploratory
<b>IV. JUSTIFICATION:</b>	<input checked="" type="checkbox"/> Standard/Required Item <input type="checkbox"/> Board Request – New Item <input type="checkbox"/> New Topic from Staff

**V. EXECUTIVE SUMMARY:**

Part of the Board process and agenda setting is to review the Committee Charters regularly for potential changes, and review the recommendations of the Governance Committee to be presented and approved at the May Governance Committee meeting and, thereafter, at the Board Open meeting.

**VI. ANALYSIS:**

The staff reviews the Committee Charters, at least annually, pursuant to the Governance Charter and best practices.

In November of 2016, the Board established an Ad Hoc Safety and Loss Prevention Committee and adopted its Charter. On February 2020, the Ad Hoc Safety and Loss Prevention Committee was retired.

At the March 2017 meeting, the Board approved the revised Audit and Governance Committee Charters, and redistributed oversight of Enterprise Risk Management. The Board approved all of the Charters without further change in May of 2017. In November of 2017, the Board determined that oversight of Enterprise Risk Management would be handled by an expanded and renamed Investment and Risk Committee. The Board approved the Investment and Risk Committee Charter at the February 2018 meeting. In May 2021, the Board approved the revised Investment and Risk Committee Charter, for non-substantive changes.

In May 2022, the Board approved the revised Governance Committee Charter as follows: under Meetings, Section a, revised to clarify the attendance of the public and non-committee board members to a committee meeting; under Committee Duties and Responsibilities, Section 3a, revised to add all exempt employees; and under Evaluate, revise to recommend Board and committee evaluation be changed from annually to biennial.

In February 2023, the Board approved the revised Governance Charter, for non-substantive changes. Under Purpose, Section 3, revised to reflect statutory changes due to the passage of AB 473 – Recodification of California Public records Act, operative as of January 1, 2023.

This year, the staff reviewed the Governance Committee Charter and recommended the following changes:

- Under Committee Duties and Responsibilities, Section 1a on Oversight, remove reference to “directors”.
- Section 1c, the current charter combined the evaluation criteria for Board and Management under one sentence. The revision separates Board from Management, and indicates the Committee will assist with Board evaluation on a regular basis, with management assessment performed annually. The revised section is as follows:
  - 1c. Assist in developing criteria for the performance and evaluation of State Fund’s management on an annual basis.
- Under Section 5, Evaluate, the current charter calls for annual evaluation. The proposed revisions provide as follows:
  - Remove “5a and 5b”
  - Under 5c, replace “evaluate on a biennial regular basis” to “periodically evaluate”. To read as: “Periodically evaluate whether the committees of the Board are functioning effectively and within the guidelines as set forth in their respective charters”.
  - Under 5d, Evaluate on a regular bases the quality, sufficiency and currency of information furnished by management to the Directors in connection with Board and committee meetings and other activities of the Directors.

## **VII. RECOMMENDATION:**

To approve the Governance Committee Charter, as presented with changes.

## **VIII. APPENDIX:**

Copy of Governance Committee Charter.



## STATE COMPENSATION INSURANCE FUND GOVERNANCE COMMITTEE CHARTER

Adopted May 17, 2011  
1<sup>st</sup> Amended: Adopted August 16, 2012  
2<sup>nd</sup> Amended: Adopted May 16, 2013  
3<sup>rd</sup> Amended: Adopted May 22, 2014  
4<sup>th</sup> Amended: Adopted May 26, 2016  
5<sup>th</sup> Amended: Adopted March 2, 2017  
5<sup>th</sup> Amended: Approved Without Changes May 18, 2017; May 24, 2018; May 23, 2019, June 16, 2020;  
May 20, 2021  
6<sup>th</sup> Amended: Adopted May 19, 2022  
7<sup>th</sup> Amended: Adopted February 17, 2023  
[Proposed 8<sup>th</sup> Amended for review and to be approved]  
Governance Committee: Approved May 18, 2023  
Board of Directors: August 15, 2023

### Purpose

The purpose of the Governance Committee of the Board of Directors of the State Compensation Insurance Fund (the “State Fund”) is to assist the Board of Directors (the “Board”) in shaping State Fund’s governance policies and practices by:

1. Overseeing that State Fund operates in a legal, ethical, and socially responsible manner;
2. Advising and updating the Board on corporate governance trends and issues within the industry;
3. Recommending to the Board, a State Fund Governance Guide (the “Governance Guide”) which, along with State Fund’s By-Laws (the “By-Laws”), State Fund’s Code of Conduct (the “Code of Conduct”), State Fund Governance Policies (the “Governance Policies”), the charters of the various Board committees, Insurance Code Section 11770 et seq., as amended pursuant to AB 1874, and Government Code Sections 7920.000 et seq. (Public Records Act) and 11120 et seq. (Bagley-Keene Open Meeting Act), provides the framework for the governance of State Fund; and
4. Monitoring and evaluating State Fund’s compliance with applicable policies and guidelines.

### Organization

The Committee is a standing committee of the Board and shall be composed of at least three (3) members and not more than five (5) members of the Board. Member nominations are made by the Board Chair, reviewed and approved by the Governance Committee and ratified by the Board annually. The Committee shall include a Chair of the Committee who shall serve for two years or until resignation, removal or a successor has been appointed pursuant to the provisions of State Fund’s By-Laws. The Board Chair may nominate a Vice-Chair who shall serve until appointment as Governance Committee Chair or until resignation, removal or a successor has been appointed pursuant to the provisions of State Fund’s By-Laws.

## Meetings

The Committee will meet at least four times each year with authority to convene additional meetings as required. All meetings shall be held in accordance with the Bagley-Keene Open Meeting Act (“Bagley-Keene”) and State Fund By-Laws. The Governance Committee will hold separate closed sessions when necessary to further the purpose of duties of the Committee. Board members who are not members of the Committee may attend the Committee’s open session meetings as observers and may attend closed sessions only at the Committee’s request. The Committee will regularly report on its actions to the full Board at the scheduled meeting.

- a. The Committee may, at its discretion, invite members of management to attend the Committee’s meetings where necessary to further the business of the Committee. The Committee may also, at its discretion, invite other Directors to attend and observe the Committee’s meetings. Notwithstanding the foregoing, any other Director who attends a Committee meeting may not participate in the Committee’s discussions.
- b. Unless the Committee determines otherwise, the Committee shall hold a closed session at each regularly scheduled meeting. Closed sessions of the Committee may be held at any meeting pursuant to the provisions of Bagley-Keene and California Government Code section 11120 et seq., as may be amended. During a portion of this closed session, the President or the General Counsel, or both, will be present.
- c. A majority of the Committee shall constitute a quorum. Each member of the Committee will have one vote and actions at the meeting shall be approved by a majority of the members present.
- d. Minutes shall be prepared at each meeting and filed with the minutes of State Fund’s Board.
- e. The Governance Committee Chairperson or the Chairperson’s designee shall give a full report of the Committee’s actions at the earliest scheduled Board meeting.

## Committee Duties and Responsibilities

In discharging its duties and responsibilities to shape State Fund’s governance policies and practices, the Committee shall:

### 1. *Oversight*

- a. Oversee that State Fund operates in a legal, ethical, and socially responsible manner and that all ~~directors~~ officers and employees support State Fund’s Code of Conduct which is designed to promote (1) honest and ethical conduct; (2) full, fair, accurate, timely, and understandable disclosures in the periodic reports required to be filed by State Fund; and (3) compliance with applicable laws, rules, and regulations.
- b. Oversee Board effectiveness, including the orientation and continuing education of the members of the Board. In this regard, the Committee shall, from time to time, recommend educational development programs, opportunities, or plans for the full Board, any Committee and each individual Director as the Committee may determine is necessary or appropriate.
- c. ~~Assist in developing criteria for the assessment of the performance of the Board and management and take the lead in overseeing the evaluation of the Board and State Fund’s management on no less than an annual basis.~~ Assist in developing criteria for the performance and evaluation of State Fund’s management on an annual basis.

- d. Oversee succession planning for the Board and State Fund's top executive positions and ensure that State Fund has effective contingency plans in place to address planned and unplanned vacancies in those positions.
- e. Oversee the material projects recommended by State Fund's management which relate to State Fund's governance.
- f. Oversee and assist Human Resource Operations regarding personnel compliance, performance and compensation issues to support State Fund's strategic objectives.

2. *Recommend*

- a. Review the qualifications of members suggested to be Chairperson and Directors of the Board, and make recommendations to the appointing authority concerning these members.
- b. Recommend to the Board, director nominees for appointment to the Committee or any sub-committee in compliance with the procedures outlined in State Fund's By-Laws.
- c. Recommend the establishment, charter, and membership of the various committees of the Board.
- d. Recommend changes to the charters of other State Fund Board committees.
- e. Recommend governance guidelines for State Fund.

3. *Approve*

- a. Review, and approve, with any revisions deemed appropriate by the Committee, the proposals of the President of State Fund for the appointment and setting of salaries of State Fund's exempt appointments, including but not limited to Chief Financial Officer, Chief Operating Officer, Chief Information Technology Officer, Chief Investment Officer, Chief Risk Officer, General Counsel, Chief Medical Officer, Chief Actuarial Officer, Chief Claims Operation Officer, Chief of Internal Affairs, Chief Underwriting Officer, Senior Vice President of Insurance Services, Executive Vice President of Corporate Claims, Executive Vice President of Strategic Planning, and a Pricing Actuary.
- b. Review and approve appropriate changes to State Fund's governance documents such as By-Laws, Code of Conduct, Code of Ethics, Conflict of Interest Code, and other compliance policies, and as requested, the other committees' charters.
- c. Approve procurement contracts with an aggregate value in excess of \$25 million.

4. *Advise*

- a. Advise the Board on matters related to governance as deemed appropriate by the Board.
- b. Advise the Board on corporate governance trends, issues and changing business, legislative, regulatory, legal or other conditions within the industry that may affect State Fund's governance.
- c. Advise the Board with respect to Board procedures including the frequency and structure of the Board meetings.

- d. Advise the Board on qualifications for leadership positions within State Fund.
- e. Advise and assist the Board in its responsibilities relating to succession planning, particularly with respect to Directors and the President and other identified executive positions.

5. *Evaluate*

- ~~a.—Conduct a self-evaluation, on a regular basis, of the performance of the Committee and deliver to the Board a written report setting forth the results of its evaluation which shall be discussed with the full Board and acted upon as appropriate.~~
- ~~b.—Evaluate, at least biennially, the overall performance of the Board as a whole and in consultation with all Board members, conduct an assessment of individual Board members.~~
- c. ~~Evaluate on a biennial basis~~ Periodically evaluate whether the committees of the Board are functioning effectively and within the guidelines as set forth in their respective charters.
- d. Evaluate ~~on a regular basis at least biennially~~, the quality, sufficiency and currency of information furnished by management to the Directors in connection with Board and committee meetings and other activities of the Directors.

**Powers**

The Governance Committee shall have the following powers:

- a. To obtain advice and assistance from internal or external legal, accounting or other advisors and to have direct access to advisors without the presence of any officer of State Fund.
- b. To interview and meet with any employee of State Fund without the presence of any officer of State Fund.
- c. To form and delegate authority to subcommittees.
- d. To amend or repeal the Charter or any provisions of the Charter as appropriate due to new laws or regulations and recommend any changes to the Board.
- e. Such other powers as may be necessary and appropriate to fulfill the Committee’s purposes and responsibilities under this Charter.
- f. To perform such other functions as assigned by State Fund’s Charter, By-Laws, or the Board.

**BOARD of DIRECTORS of the STATE COMPENSATION INSURANCE FUND**