

**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

MINUTES OF OPEN SESSION MEETING

November 19-20, 2020

The Board of Directors of the State Compensation Insurance Fund met on November 19-20, 2020 via telephone/video conference using Zoom webinar.

November 19, 2020

AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL

Board Liaison Hilda Padua welcomed everyone who joined the meeting via telephone/video conference. Ms. Padua went over the Housekeeping rules for the meeting, including how to submit Public Comments by sending an email to BoardofDirectors@scif.com. Ms. Padua noted that the information was also posted on the State Fund website.

The meeting was called to order on November 19, 2020 at 1:03 p.m.

Mr. Lanier acknowledged and paid tribute to Board member Senator Tom Berryhill who passed away on August 29, 2020.

Mr. Lanier requested Ms. Padua to call roll. The following were present: David M. Lanier (Chair); Daniel M. Curtin; Richard J. Guggenhime; Senator Michael J. Machado (Ret.); Jack L. Neureuter; Alexis A. Podesta; Arthur H. Pulaski; Thomas E. Rankin; Angela D. Tate; William M. Zachry; and Katrina S. Hagen (Ex-officio).

There was a quorum.

Also present: President and CEO Vernon L. Steiner; General Counsel and Corporate Secretary and Chief of Internal Affairs Margie R. Lariviere; Chief Financial Officer Peter Guastamachio; and Board Liaison and Assistant Corporate Secretary Hilda B. Padua.

Board Chair David Lanier welcomed everyone who joined the meeting via telephone/video conference.

AGENDA ITEM 2: ANTITRUST ADMONITION

Mr. Lanier called attention to, and requested confirmation that the Board members read, State Fund's Antitrust Admonition, which is included in each Board member's meeting materials.

AGENDA ITEM 3: CONSENT CALENDAR

- 3a. Approval of August 27-28, 2020 Open Meeting Minutes
- 3b. Board Member Educational Opportunities and Approval of Planned Board Member Education and Expense Reimbursement
- 3c. Review and Approval of 2021 Board and Committee Meeting Schedule

5c: INVESTMENT and RISK COMMITTEE

Investment and Risk Committee Chair Senator Machado reported that the Investment and Risk Committee met on November 12, 2020 through Zoom online meeting. During the Open session under the Consent calendar, the investment transactions and compliance reports, for the period of July 1, 2020 to September 30, 2020, were approved by the Investment and Risk Committee pursuant to its delegated authority. The Investment and Risk Committee also reviewed and approved the August 10, 2020 Open meeting minutes, 2021 Board and Committee meeting schedule, 2021 Investment and Risk Committee agenda items, and Investment Policy Statement and Guidelines Resolution.

During the Closed session, the Investment and Risk Committee heard a report from Conning Investment managers on the status of the investment portfolio. The Committee also heard reports from staff on portfolio performance; investment benchmarks; an update on the ESG manager contract; and on State Fund's Information Security Program; and, a report from the Enterprise Risk Management program.

AGENDA ITEM 6: CHAIRPERSON'S REPORT

Mr. Lanier thanked the Committee Chairs and staff for the great job they have done, considering the unique challenges of running a virtual meeting through Zoom.

Mr. Lanier noted he will have more information to share during the Open session on Friday, November 20, 2020.

AGENDA ITEM 7: BOARD MEMBER REPORTS

Mr. Lanier asked if there were any Board member reports, of which there were none.

AGENDA ITEM 8: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION FOR ITEMS 11 THROUGH 19

Mr. Lanier requested public comment on the appropriateness of Closed session agenda items 11 through 19, of which there was none.

AGENDA ITEM 9: PUBLIC COMMENT

Mr. Lanier confirmed that no public comment was received.

ADJOURNMENT

There being no further business, Mr. Lanier adjourned the meeting at 1:10 p.m. to immediately reconvene in Closed session.

November 20, 2020

AGENDA ITEM 20: CALL TO ORDER AND ROLL CALL

The Open session meeting reconvened at 11:30 a.m. via telephone/video conference (Zoom webinar) and the following Members were present: David M. Lanier (Chair); Daniel M. Curtin; Richard J. Guggenhime; Senator Michael J. Machado (Ret.); Jack L. Neureuter; Alexis A. Podesta; Arthur H. Pulaski; Thomas E. Rankin; Angela D. Tate; William M. Zachry; and Katrina S. Hagen (Ex-officio).

There was a quorum.

Also present: President and CEO Vernon L. Steiner; General Counsel and Corporate Secretary and Chief of Internal Affairs Margie R. Lariviere; Chief Financial Officer Peter Guastamachio; and Board Liaison and Assistant Corporate Secretary Hilda B. Padua.

AGENDA ITEM 21: APPROVAL OF PERFORMANCE AWARDS

Mr. Lanier noted that, in 2013, the Board introduced performance awards to strengthen State Fund's ability to successfully compete with the market for talent by creating a tool that recognizes and rewards performance. The performance awards are tied to enterprise results as well as individual performance/contribution and are an appropriate investment in building and sustaining a performance culture that delivers value to State Fund customers.

The Board resolution approves funding for the 2020 performance award pool and establishes that the payouts are to occur in 2021, subject to State Fund's year-end performance of achieving the goal targets within the range presented at the November Board 2020 meeting.

Mr. Lanier noted that, in a year filled with unique challenges, State Fund is meeting or exceeding all enterprise performance goals. While meeting or exceeding their goals, State Fund took immediate and decisive action to support policyholders when faced with the challenges brought about by COVID-19. Examples of these actions include:

- Placing an 8-month moratorium on policy cancellations and reaching out to over 44,000 policyholders to capture payroll reductions, allow them to adjust employee class codes, and choose payment plan options.
- Providing more than \$40 million in COVID-19 safety support funds to policyholders.
- Launching a state-of-the-art online Injury and Illness Prevention Program (IIPP) tool, available to any business in California at no cost.
- Accelerating the delivery of their 2019 dividend and declaring a 2020 dividend for policies incepted through August 28, 2020.
- Writing \$249M in new business through September, a 45% year-over-year increase.
- Exceeding their 2019 results in every one of their customer experience metrics via their annual policyholder survey.
- Again improving their employee engagement scores and becoming competitive as one of the "best places to work" as measured by Quantum.

In addition, Mr. Lanier reported that State Fund has also maintained its financial strength while providing extraordinary financial assistance to policyholders during the pandemic, fully funding legacy retirement benefits, and setting aside reserves for potential long-term COVID-19 developments. State Fund is prepared to continue to be a helpful force for its policyholders and injured workers.

Contingent upon State Fund achieving its goal targets within the range presented at the November 2020 meeting, the Board decided to fund the 2020 performance award program with a pool not to exceed 9% of annual salary to be administered by management to staff, supervisors and managers, senior leaders, and non-exempt executives.

Mr. Lanier noted that Resolution No. 2311 was displayed on the screen for public viewing.

Mr. Lanier requested a Motion and Second.

MOTION: Mr. Rankin SECOND: Sen. Machado

To approve the 2020 Performance Awards, Resolution No. 2311, as presented.

Mr. Lanier asked for public comment, of which there was none. Mr. Lanier called for the vote.

YES: 10 NO: 0 Abstain: 0 Resolution carried.

The certified Resolution No. 2311 is attached hereto.

Mr. Lanier congratulated and thanked the staff for their hard work and for achieving such positive results.

AGENDA ITEM 22: APPROVAL OF EXEMPT LEADERSHIP 2020 AT-RISK COMPENSATION DIFFERENTIAL AND 2021 EXEMPT LEADERSHIP COMPENSATION

Mr. Lanier noted that agenda items 22 and 23 will be approved together.

Mr. Lanier reported that the Board of Directors has evaluated the performance of each executive and exempt employee for 2020. Mr. Lanier noted that the compensation packages for exempt members of State Fund's executive committee contain both fixed and variable components designed to produce high performance. Since the goal is to attract experienced executive-level talent, the Board has carefully benchmarked State Fund's executive compensation and designed it to be relevant to the competitive market place without being excessive. Mr. Lanier reported that, in the same vein as the Performance Awards, the Board evaluated the performance of State Fund's exempt executives for 2020 to-date to determine appropriate performance-based compensation contingent upon State Fund ending the year within the projected target ranges. If the agreed upon targets are met, the payments will be made in 2021.

Also, Mr. Lanier noted that in the performance based compensation determination process, the Board reviewed both the overall performance of the business and the value of each exempt leader's contribution.

Mr. Lanier noted that Resolution No. 2312 was displayed on the screen for public viewing.

Mr. Lanier requested a Motion and Second.

MOTION: Mr. Rankin

SECOND: Mr. Zachry

To approve the Exempt Leadership 2020 At-Risk Compensation Differential and 2021 Compensation for Exempt Leadership, Resolution No. 2312, as presented.

Mr. Lanier asked for public comment, of which there was none. Mr. Lanier called for the vote.

YES: 10

NO: 0

Abstain: 0

Resolution carried.

The certified Resolution No. 2312 is attached hereto.

AGENDA ITEM 23: APPROVAL OF PRESIDENT'S 2020 AT-RISK COMPENSATION DIFFERENTIAL, LONG-TERM INCENTIVE, AND 2021 COMPENSATION

Mr. Lanier noted that Resolution No. 2313 was displayed on the screen for public viewing.

Mr. Lanier requested a Motion and Second.

MOTION: Mr. Pulaski

SECOND: Mr. Zachry

To approve the President's 2020 At-Risk Compensation Differential, Long-Term Incentive, and 2021 Compensation.

Mr. Lanier asked for public comment, of which there was none. Mr. Lanier called for the vote.

YES: 10

NO: 0

Abstain: 0

Resolution carried.

The certified Resolution No. 2313 is attached hereto.

AGENDA ITEM 24: APPROVAL OF 2020 EXEMPT EMPLOYEE AND CEA LONG-TERM INCENTIVE

Mr. Lanier noted that the Board decided to establish a Long-Term Incentive Plan (LTIP) to provide contingent financial incentives to executive and key management of State Fund who contribute to the company's long-term strategic objectives. The objectives of the plan are to:

- Incentivize executive management towards achieving the company's long-term strategic objectives
- Attract, retain, and motivate leadership talent
- Provide competitive pay opportunities

The LTIP is a cash-based incentive plan with payout opportunities based on achievement of annual performance targets. The Board of Directors establishes performance measures and sets the targets each year. Individual target awards are based on a percentage of base pay.

Contingent upon State Fund achieving its goal targets within the range presented at the November 2020 meeting, the Board decided to fund the 2020 Long-Term Incentive with an award pool not to exceed 10% of annual salary spend to be administered by management and paid out over a three-year period in accordance with the terms of the LTIP plan and Award Notice, subject to State Fund continuing to meet established year-end targets.

Mr. Lanier noted that Resolution No. 2313 was displayed on the screen for public viewing.

Mr. Lanier requested a Motion and Second.

MOTION: Mr. Rankin

SECOND: Mr. Guggenhime

To approve the 2020 Long-Term Incentive Plan Resolution No. 2314, as presented.

Mr. Lanier asked for public comment of which there was none. Mr. Lanier called for the vote.

YES: 10

NO: 0

Abstain: 0

Resolution carried.

The certified Resolution No. 2314 is attached hereto.

AGENDA ITEM 25: PROPOSALS AND SUGGESTIONS FOR FEBRUARY 2021 AGENDA

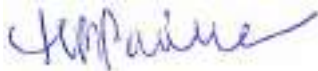
Mr. Lanier requested suggestions for agenda items for the February 2021 Board meeting.

Ms. Padua noted that all agenda items identified were for Closed session.

Mr. Lanier requested public comment, of which there was none. He noted that the next Board meeting is scheduled sometime the week of February 22-26, 2021, location to be determined, unless noticed for a new date and time.

Mr. Lanier adjourned the meeting at 11:37 a.m. and wished everyone a Happy Thanksgiving.

Respectfully submitted,



Hilda B. Padua

Board Liaison and Assistant Corporate Secretary



**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

APPROVAL OF 2020 PERFORMANCE AWARDS

WHEREAS, the Board has approved a Performance Awards program for State Fund staff, supervisors and managers, senior leaders, and non-exempt executives, with the total size of the award pool subject to the Board's discretion, based on enterprise performance and individual performance; and

WHEREAS, commencing in 2018 the Board revised the annual Governance and Board agendas to move the review of the Performance Awards to the November Board meeting; and

WHEREAS, the Board has considered a 2020 total award pool of approximately nine percent (9.0%) of the annual salaries of all eligible employees; and

WHEREAS, the Board has considered State Fund's enterprise performance for 2020 which was impacted by the COVID-19 pandemic with the following actions of note:

- On March 19, 2020, Governor Newsom issued Executive Order N-33-20 ("the Order") ordering all individuals in the state of California to stay home ("shelter-in-place"), except as needed to maintain the continuity of operations of critical infrastructure sectors, including the Government Facilities and Healthcare and Public Health Sectors, which include the State Compensation Insurance Fund; and
- The majority of State Fund's workforce transitioned to working remotely from their homes within one week of the shelter-in-place order while maintaining quality and service levels, which quick action resulted in:
 - Keeping employees safe from contracting COVID-19 in the workplace with no State Fund employee submitting a COVID-19 workers' compensation claim;
 - Transforming to a flexible, work-from-home environment, using technology to keep connected with each other, our policyholders, injured workers, brokers, and vendors; and
- State Fund rapidly took action to help its policyholders during the crisis by:
 - Placing an 8-month moratorium on policy cancellations;
 - Proactively reaching out to over 44,000 policyholders to capture any payroll reductions caused by COVID-19 and allowing policyholders to change to a more flexible payment plan;
 - Creating a COVID Safety Fund available to all policyholders to defray the cost of making workplaces safer from the spread of COVID;
 - Accelerating the payment of the 2019 dividend;
 - Declaring a dividend for 2020 policyholders whose policies inceptioned prior to August 28th, 2020;
 - Launching a state-of-the-art electronic Injury and Illness Prevention Program (IIPP) tool available to all policyholders as well as any business in California; and

Resolution No. 2311

Approval of 2020 Performance Awards

- On April 20, 2020, State Fund announced that it would cover claims with a COVID-19 diagnosis for workers considered “essential” under Governor Newsom’s Executive Order N-33-20—regardless of whether or not that worker contracted the virus during the course of employment—subject to a confirmed positive test and active policy, an action that was followed on May 6, 2020, by Governor Newsom’s Executive Order N-62-20, with which his office created a “rebuttable presumption” of workplace illness for a COVID-19 diagnosis for employees directed to work during a 60-day window starting May 6th; and
- State Fund exceeded expectations for customer service as all core customer experience measures (i.e. customer satisfaction, customer effort score, likely to renew, and net promoter score) in its annual policyholder survey outperformed its 2019 results; and
- State Fund leveraged its online resources and remote learning platforms to help its policyholders understand and prepare for the impacts and changes necessitated by AB 5 and 1159; and
- State Fund has written \$249 million in new business through September 2020, an increase of \$78 million or 45% year over year, during the unprecedented impact of COVID-19 on the California economy, with the unemployment rate rising to 14.9% in June 2020 from a 4% rate in July 2019, the California Workers’ Compensation market contracting and State Fund taking a 10% rate cut in January 2020; and
- While providing extraordinary financial assistance to policyholders, State Fund has also maintained financial strength while fully funding legacy retirement benefits, setting aside reserves for potential long term COVID-19 development thereby positioning State Fund to continue to be a helpful force for its policyholders and injured workers; and

WHEREAS, in consideration of State Fund’s mid-year performance, at the August 27, 2020 Board meeting the Board approved a mid-year payment of 50% of the target for the 2020 performance year, as well as approving revised metrics for State Fund’s 2020 goals to account for the impact of COVID-19 on State Fund’s operations; and

WHEREAS, the Board now seeks to establish and approve the total size of the 2020 performance award pool for State Fund staff, supervisors and managers, senior leaders, and non-exempt executives, subject to State Fund achieving its revised goal targets by year end within the range presented at the November Board meeting; and

WHEREAS, if State Fund fails to meet the targeted goals within the range presented at the November Board meeting, the Board may reconsider the potential for and size of a 2020 performance award pool.

NOW, THEREFORE,

IT IS RESOLVED that the Board hereby finds that State Fund’s enterprise performance for 2020 during the unprecedented COVID-19 pandemic exceeded expectations, demonstrated innovation and a focus on helping California businesses and injured workers through a global crisis; that 2020 performance continues to reflect financial stability and improvement in State Fund’s enterprise risk management position; that overall to date State Fund has achieved its goal targets within the range presented at the November Board meeting; and hereby approves a 2020 performance award pool to be administered by management of approximately nine percent (9.0%) of annual salary spend for State Fund staff, supervisors and managers, senior leaders, and non-exempt executives, subject to State Fund achieving its enterprise goals by year end within the range presented at the November Board meeting; and

Resolution No. 2311
Approval of 2020 Performance Awards

IT IS FURTHER RESOLVED that if State Fund fails to meet the targeted goals by year end within the range presented at the November meeting, the Board may reconsider the potential for and size of a 2020 performance award pool.

PASSED AND ADOPTED at the meeting of the Board of Directors of the State Compensation Insurance Fund held on this 20th day of November, 2020 by the following vote:

<u>MEMBER</u>	<u>VOTE</u>
David M. Lanier, Chair	Yes
Daniel M. Curtin	Yes
Richard J. Guggenhime	Yes
Sen. Michael J. Machado (Ret.)	Yes
Jack L. Neureuter	Yes
Alexis A. Podesta	Yes
Arthur H. Pulaski	Yes
Thomas E. Rankin	Yes
Angela D. Tate	Yes
William M. Zachry	Yes

BOARD of DIRECTORS of the STATE COMPENSATION INSURANCE FUND

Certification by the Assistant Corporate Secretary

I, Hilda B. Padua, Assistant Corporate Secretary for the State Compensation Insurance Fund Board of Directors, hereby certify that the foregoing resolution was adopted by the Board of Directors at their meeting held November 20, 2020



Hilda B. Padua, Assistant Corporate Secretary

11/20/20

Date

Resolution No. 2312

Approval of Exempt Leadership 2020 At-Risk Compensation Differential and 2021 Exempt Leadership Compensation



**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

**APPROVAL OF EXEMPT LEADERSHIP 2020 AT-RISK COMPENSATION DIFFERENTIAL AND
2021 EXEMPT LEADERSHIP COMPENSATION**

WHEREAS, the Board of Directors (“Board”) has approved a Performance Awards program for State Fund staff, supervisors and managers, senior leaders, and Executives, with the total size of the award pool subject to the Board’s discretion, based on enterprise performance and individual performance; and

WHEREAS, in 2018 the Board revised the annual Governance and Board agendas to move the annual review of the Exempt Leadership Compensation package to the November Board meeting; and

WHEREAS, the annual compensation package for the exempt employees appointed pursuant to California Insurance Code section 11785 (“exempt employees”) includes an annual base salary, an at-risk differential based upon an annual evaluation of enterprise and individual performance conducted by the Board and, for the Chief Financial Officer, Chief Information Officer, and Chief Risk Officer a retention differential (as identified in the attached Schedule of Exempt Leadership 2020 At-Risk Compensation Differential and 2020 Long-Term Incentive); and

WHEREAS, the Board has considered State Fund’s enterprise performance for 2020 which is projected to achieve its enterprise objectives by year end, and based on that projection has completed its performance evaluations for the exempt employees for calendar year 2020; and

WHEREAS, the Board seeks to approve the at-risk compensation for 2020 as identified in the attached Schedule of Exempt Leadership 2020 At-Risk Compensation Differential and 2020 Long-Term Incentive, subject to State Fund achieving its enterprise goals by year end within the range presented at the November Board meeting; and

WHEREAS, if State Fund fails to meet its enterprise goals within the range presented at the November Board meeting, the Board may reconsider the 2020 at-risk compensation.

NOW, THEREFORE,

IT IS RESOLVED that the Board hereby finds that State Fund’s enterprise performance for 2020 during the unprecedented COVID-19 pandemic exceeded expectations, demonstrated innovation and a focus on helping California businesses and injured workers through a global crisis; that 2020 performance continues to reflect financial stability and improvement in State Fund’s enterprise risk management position; that overall to date State Fund and the exempt employees achieved their goal targets; and hereby adopts and approves the 2020 at-risk component of 2020 compensation as

Resolution No. 2312

Approval of Exempt Leadership 2020 At-Risk Compensation Differential and 2021 Exempt Leadership Compensation

identified in the attached Schedule of Exempt Leadership 2020 At-Risk Compensation Differential and 2020 Long-Term Incentive, subject to State Fund achieving its enterprise goals by year end within the range presented at the November Board meeting; and

IT IS FURTHER RESOLVED that if State Fund fails to meet the targeted goals by year end within the range presented at the November Board meeting, the Board may reconsider the 2020 at-risk compensation.

PASSED AND ADOPTED at the meeting of the Board of Directors of the State Compensation Insurance Fund held on this 20th day of November, 2020 by the following vote:

<u>MEMBER</u>	<u>VOTE</u>
David M. Lanier, Chair	Yes
Daniel M. Curtin	Yes
Richard J. Guggenhime	Yes
Sen. Michael J. Machado (Ret.)	Yes
Jack L. Neureuter	Yes
Alexis A. Podesta	Yes
Arthur H. Pulaski	Yes
Thomas E. Rankin	Yes
Angela D. Tate	Yes
William M. Zachry	Yes

BOARD of DIRECTORS of the STATE COMPENSATION INSURANCE FUND

Certification by the Assistant Corporate Secretary

I, Hilda B. Padua, Assistant Corporate Secretary for the State Compensation Insurance Fund Board of Directors, hereby certify that the foregoing resolution was adopted by the Board of Directors at their meeting held November 20, 2020



Hilda B. Padua, Assistant Corporate Secretary

11/20/20

Date



**SCHEDULE OF EXEMPT LEADERSHIP 2020 AT-RISK COMPENSATION DIFFERENTIAL
AND 2021 EXEMPT LEADERSHIP COMPENSATION**

Position	2020 Annual Base Salary	Recommended 2020 At-Risk Compensation Differential	2020 LTIP Program**	Recommended 2021 Base Salary*	Recommended 2021 Annual Recruitment & Retention*
President & CEO (Vern Steiner)	\$544,450	\$221,044	\$58,945	\$544,450	\$45,000
Chief Financial Officer (Peter Guastamachio)	\$338,750	\$157,992	\$42,131	\$338,750	\$82,563
Chief Operating Officer (Richard Law)	\$455,500	\$170,813	\$45,550	\$455,500	Not applicable
Chief Claims Operations Officer (Steve Hunckler)	\$421,313	\$157,992	\$42,131	\$421,313	Not applicable
General Counsel (Margie Lariviere)	\$421,313	\$157,992	\$42,131	\$421,313	Not applicable
Sr. VP of Insurance Services (Dante W. Robinson)	\$350,000	\$133,219	\$35,525	\$350,000	\$10,500
Chief Information Officer (Marj Hutchings)	\$375,625	\$167,256	\$44,602	\$375,625	\$70,391
Chief Risk Officer (Ken Van Laar)	\$328,600	\$147,975	\$39,460	\$328,600	\$66,000
EVP of Strategic Planning (Alvin K. Cheung)	\$300,000	\$112,500	\$30,000	\$300,000	Not applicable
Chief Investment Officer Stephanie Chan (Salary Increase eff. 3/1/20)	\$225,000 \$250,000	\$61,458	\$24,583	\$250,000	Not applicable
Chief Medical Officer (Dinesh Govindarao)	\$409,028	\$102,257	\$40,903	\$409,028	Not applicable
Chief Actuary (Kate Smith)	\$314,580	\$78,645	\$31,458	\$314,580	Not applicable
EVP of Corporate Claims (Robert M. Hamilton)	\$318,000	\$79,500	\$31,800	\$318,000	Not applicable



**SCHEDULE OF EXEMPT LEADERSHIP 2020 AT-RISK COMPENSATION DIFFERENTIAL
AND 2021 EXEMPT LEADERSHIP COMPENSATION**

Position	2020 Annual Base Salary	Recommended 2020 At-Risk Compensation Differential	2020 LTIP Program**	Recommended 2021 Base Salary*	Recommended 2021 Annual Recruitment & Retention*
Chief Underwriting Officer (John M. Gagan)	\$235,110	\$58,778	\$23,511	\$235,110	Not applicable
Pricing Actuary (Melissa Wang)	\$207,414	\$51,854	\$20,741	\$207,414	Not applicable

****2021 Annual Base Salary and Annual Recruitment and Retention is effective January 1, 2021. There are no recommended changes to the 2021 Annual Base Salary and Annual Recruitment and Retention***

*****2020 LTIP Program is effective January 1, 2020 and paid out over 3 years.***

Resolution No. 2313

Approval of President's 2020 At-Risk Compensation Differential, 2020 Long-Term Incentive, and 2021 Compensation



**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

APPROVAL OF PRESIDENT'S 2020 AT-RISK COMPENSATION DIFFERENTIAL, 2020 LONG TERM INCENTIVE, AND 2021 COMPENSATION

WHEREAS, the Board of Directors ("Board") has approved a Performance Awards program for State Fund staff, supervisors and managers, senior leaders, and Executives, with the total size of the award pool subject to the Board's discretion, based on enterprise performance and individual performance; and

WHEREAS, in 2018 the Board revised the annual Governance and Board agendas to move the annual review of the President's Compensation package to the November Board meeting; and

WHEREAS, the annual compensation package for the President includes an annual base salary, an at-risk differential based upon an annual evaluation of enterprise and individual performance conducted by the Board, a retention differential, and a long term incentive program ("LTIP") (as identified in the attached Schedule of Exempt Leadership 2020 At-Risk Compensation Differential and 2020 Long-Term Incentive); and

WHEREAS, the Board has considered State Fund's enterprise performance for 2020 which is projected to achieve its enterprise goals by year end and has completed its performance evaluation for the President for calendar year 2020; and

WHEREAS, the Board has considered State Fund's performance against the 2020 LTIP performance goals, which are projected to be achieved by year end; and

WHEREAS, the Board seeks to approve the at-risk compensation, retention differential, and long term incentive for 2020 as identified in the attached Schedule of Exempt Leadership 2020 At-Risk Compensation Differential and 2020 Long-Term Incentive, subject to State Fund achieving its enterprise and LTIP performance goal targets by year end within the range presented at the November Board meeting; and

WHEREAS, if State Fund fails to meet the targeted goals within the range presented at the November Board meeting, the Board may reconsider the 2020 at-risk compensation and retention differential.

NOW, THEREFORE,

IT IS RESOLVED that the Board hereby finds that State Fund's enterprise performance for 2020 during the unprecedented COVID-19 pandemic exceeded expectations, demonstrated innovation and a focus on helping California businesses and injured workers through a global crisis; that 2020

Resolution No. 2313

Approval of President's 2020 At-Risk Compensation Differential, 2020 Long-Term Incentive, and 2021 Compensation

performance continues to reflect financial stability and improvement in State Fund's enterprise risk management position; that overall to date State Fund and the President achieved the enterprise goals and the performance measures underlying the long term incentive within the range presented at the November meeting; and hereby adopts and approves the President's at-risk compensation, retention differential, and long term incentive for 2020 as identified in the attached Schedule of Exempt Leadership 2020 At-Risk Compensation Differential and 2020 Long-Term Incentive, subject to State Fund achieving its enterprise goals by year end within the range presented at the November Board meeting; and

IT IS FURTHER RESOLVED that if State Fund fails to meet the targeted enterprise or LTIP goals by year end within the range presented at the November Board meeting, the Board may reconsider the President's 2020 at-risk compensation and/or long term incentive.

PASSED AND ADOPTED at the meeting of the Board of Directors of the State Compensation Insurance Fund held on this 20th day of November, 2020 by the following vote:

<u>MEMBER</u>	<u>VOTE</u>
David M. Lanier, Chair	Yes
Daniel M. Curtin	Yes
Richard J. Guggenhime	Yes
Sen. Michael J. Machado (Ret.)	Yes
Jack L. Neureuter	Yes
Alexis A. Podesta	Yes
Arthur H. Pulaski	Yes
Thomas E. Rankin	Yes
Angela D. Tate	Yes
William M. Zachry	Yes

BOARD of DIRECTORS of the STATE COMPENSATION INSURANCE FUND

Certification by the Assistant Corporate Secretary

I, Hilda B. Padua, Assistant Corporate Secretary for the State Compensation Insurance Fund Board of Directors, hereby certify that the foregoing resolution was adopted by the Board of Directors at their meeting held November 20, 2020

Hilda B. Padua, Assistant Corporate Secretary

11/20/20

Date



**SCHEDULE OF EXEMPT LEADERSHIP 2020 AT-RISK COMPENSATION DIFFERENTIAL
AND 2021 EXEMPT LEADERSHIP COMPENSATION**

Position	2020 Annual Base Salary	Recommended 2020 At-Risk Compensation Differential	2020 LTIP Program**	Recommended 2021 Base Salary*	Recommended 2021 Annual Recruitment & Retention*
President & CEO (Vern Steiner)	\$544,450	\$221,044	\$58,945	\$544,450	\$45,000
Chief Financial Officer (Peter Guastamachio)	\$338,750	\$157,992	\$42,131	\$338,750	\$82,563
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**SCHEDULE OF EXEMPT LEADERSHIP 2020 AT-RISK COMPENSATION DIFFERENTIAL
AND 2021 EXEMPT LEADERSHIP COMPENSATION**

Position	2020 Annual Base Salary	Recommended 2020 At-Risk Compensation Differential	2020 LTIP Program**	Recommended 2021 Base Salary*	Recommended 2021 Annual Recruitment & Retention*
Chief Underwriting Officer (John M. Gagan)	\$235,110	\$58,778	\$23,511	\$235,110	Not applicable
Pricing Actuary (Melissa Wang)	\$207,414	\$51,854	\$20,741	\$207,414	Not applicable

****2021 Annual Base Salary and Annual Recruitment and Retention is effective January 1, 2021. There are no recommended changes to the 2021 Annual Base Salary and Annual Recruitment and Retention***

*****2020 LTIP Program is effective January 1, 2020 and paid out over 3 years.***



**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

APPROVAL OF 2020 EXEMPT EMPLOYEE AND CEA LONG-TERM INCENTIVE

WHEREAS, the Board has approved a Long Term Incentive program (“LTIP”) for State Fund exempt employees appointed pursuant to California Insurance Code section 11785 (“exempt employees”) and certain Career Executive Assignment (“CEA”) positions; and

WHEREAS the annual targets and total size of the annual award pool are subject to the Board’s discretion based on enterprise LTIP performance; and

WHEREAS, commencing in 2018 the Board revised the annual Governance and Board agendas to move the annual review of the LTIP program to the November Board meeting; and

WHEREAS, the Board has considered State Fund’s performance against the 2020 LTIP goals, which are projected to be achieved by year end, and the performance evaluations for the exempt employees and certain CEA positions; and

WHEREAS, if State Fund fails to meet the targeted LTIP performance goals within the range presented at the November Board meeting, the Board may reconsider the 2020 LTIP target awards and annual award pool.

NOW, THEREFORE,

IT IS RESOLVED that the Board hereby finds that overall to date State Fund and the exempt employees and certain CEA positions achieved the LTIP enterprise objectives and/or the LTIP performance measures within the range presented at the November meeting; and hereby approves a 2020 Long Term Incentive award pool not to exceed 10% of annual salary spend to be administered by management and paid out over a three-year period in accordance with the terms of the LTIP Plan and Award Notice, subject to State Fund achieving its LTIP performance goals by year end within the range presented at the November Board meeting.

IT IS FURTHER RESOLVED that if State Fund fails to meet the targeted LTIP performance goals by year end based on the goal results presented at the November Board meeting, the Board may reconsider the 2020 annual LTIP award pool.

Resolution No. 2314

Approval of 2020 Exempt Employee
and CEA Long-Term Incentive

PASSED AND ADOPTED at the meeting of the Board of Directors of the State Compensation Insurance Fund held on this 20th day of November, 2020 by the following vote:

<u>MEMBER</u>	<u>VOTE</u>
David M. Lanier, Chair	Yes
Daniel M. Curtin	Yes
Richard J. Guggenhime	Yes
Sen. Michael J. Machado (Ret.)	Yes
Jack L. Neureuter	Yes
Alexis A. Podesta	Yes
Arthur H. Pulaski	Yes
Thomas E. Rankin	Yes
Angela D. Tate	Yes
William M. Zachry	Yes

BOARD of DIRECTORS of the STATE COMPENSATION INSURANCE FUND

Certification by the Assistant Corporate Secretary

I, Hilda B. Padua, Assistant Corporate Secretary for the State Compensation Insurance Fund Board of Directors, hereby certify that the foregoing resolution was adopted by the Board of Directors at their meeting held November 20, 2020



Hilda B. Padua, Assistant Corporate Secretary

11/20/20

Date