

**STATE COMPENSATION INSURANCE FUND
GOVERNANCE COMMITTEE**

MINUTES OF OPEN SESSION MEETING

November 21, 2019

The Governance Committee met on November 21, 2019 at the State Fund Pleasanton Office, 5890 Owens Drive (Atlantic and Pacific rooms), Pleasanton, California.

AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 8:05 a.m. and the following Members were present: Thomas E. Rankin (Chair); Robin L. Baker; Daniel M. Curtin; Jack L. Neureuter; and David M. Lanier.

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; Board Liaison and Assistant Corporate Secretary Hilda B. Padua; and Counsel and Assistant Corporate Secretary Judith D. Sapper.

AGENDA ITEM 2: ANTITRUST ADMONITION

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

AGENDA ITEM 3: CONSENT CALENDAR

- 3a. Approval of August 20, 2019 Open Meeting Minutes**
- 3b. Board Member Upcoming Speeches, Articles or Webinars**
- 3c. Review and Approval of 2020 Board and Committee Meeting Schedule and Location**
- 3d. Review and Approval of Board and Committee 2020 Agenda Items**

Mr. Rankin noted that there is no approval of action for item 3b, "Board Member Upcoming Speeches, Articles or Webinars."

Mr. Rankin asked whether any Committee member had any comments on the items on the Consent Calendar of which there were none.

Mr. Rankin called for a Motion.

MOTION: Ms. Baker

SECOND: Mr. Neureuter

To approve the Consent Calendar as presented.

Mr. Rankin requested public comment of which there was none. Mr. Rankin called for the vote.

YES: 5

NO: 0

Abstain: 0

Motion carried.

AGENDA ITEM 4: GOVERNANCE, COMPLIANCE AND PRIVACY UPDATE

Governance, Compliance & Privacy Assistant Manager Lilibeth Jaballas reported on the following:

State Fund's compliance activities are reported in accordance with the seven essential elements of an effective compliance program based on the US Sentencing Guidelines. The seven essential elements are:

1. Oversight, Accountability & Resources
2. Standards of Conduct, Policies & Procedures
3. Effective Training, Communication and Awareness
4. Consistent Monitoring, Evaluation & Reporting
5. Due Care in Delegating Authority
6. Consistent Promotion & Enforcement
7. Risk Assessment, Response, Continuous Improvement, & Auditing

US Department of Justice (DOJ) Compliance Program

The US Department of Justice (DOJ) restructured the guidance they provide to companies on how to evaluate their compliance program. The 2019 guidance was updated with 66 new questions. State Fund was in compliance with the 66 new questions with the exception of one, "Results of termination or disciplinary actions against employees for failure to comply with company's policies, procedures, and controls are not communicated to the organization". Human Resources is in the process of reviewing the recommendation.

Amended Conflict of Interest Code

State Fund's Conflict of Interest Code was amended and submitted to the Fair Political Practices Commission (FPPC). The FPPC approved the Conflict of Interest Code and it became effective on October 18, 2019. The major changes include State Fund organizational changes, updating the classifications following the Information Technology consolidation effort, and eliminating positions that do not meet the criteria for filing. Only those positions that participate in making or influencing financial decisions with a substantial impact on State Fund were included in the Code.

Mandatory Training – Ethics

State Fund achieved its mandatory compliance goal, with a completion rate of 99.5% for active employees and 100% for consultants for Ethics training.

Ethics and Privacy Reported Issues

The total number of ethics reported issues for 3Q 2019 declined by 25% compared to 2Q 2019.

Human Resources (HR) related issues (20 of 28) remain the most reported category:

- Inappropriate/offensive behavior (13 of 20)
- Equal Employment Opportunity issues (6 of 20)

Discussion ensued on the “Other” category. Ms. Jaballas noted that “Other” includes safety and violent assault compliance.

2020 Code of Conduct

Ms. Jaballas noted that the 2020 Code of Conduct was revised. It has a “new look and feel”; added the new State Fund core values and five “How I” Statements; and updated the following sections: a) Avoiding Incompatible Activities; b) Prohibiting Harassment or Discriminatory Conduct; and c) Retaliation is Prohibited and Not Tolerated.

Mr. Rankin called for a Motion.

MOTION: Mr. Neureuter

SECOND: Ms. Baker

To recommend to the Board approval of the revised 2020 Code of Conduct as presented

Mr. Rankin requested public comment of which there was none. Mr. Rankin called for the vote.

YES: 5

NO: 0

Abstain: 0

Motion carried.

AGENDA ITEM 5: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION FOR ITEMS 8 THROUGH 11

Mr. Rankin requested public comment on the appropriateness of Closed Session for agenda items 8 through 11, of which there was none.

AGENDA ITEM 6: PUBLIC COMMENT

Mr. Rankin requested further public comment, of which there was none. The Governance Committee immediately convened into Closed Session at 8:10 a.m.

AGENDA ITEM 12: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 11:20 a.m. and the following Members were present: Thomas E. Rankin (Chair); Robin L. Baker; Daniel M. Curtin; Jack L. Neureuter; and David M. Lanier.

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; Board Liaison and Assistant Corporate Secretary Hilda B. Padua; and Counsel and Assistant Corporate Secretary Judith D. Sapper.

AGENDA ITEM 13: COMMITTEE MEMBER PRESENTATIONS

Mr. Rankin requested presentations from the Committee members, of which there were none.

AGENDA ITEM 14: PROPOSALS AND SUGGESTIONS FOR FEBRUARY 27, 2020 AGENDA

Mr. Rankin requested suggestions for agenda items for the February 27, 2020 Governance Committee meeting other than the standing agenda items, of which there were none.

Mr. Rankin also requested public comment, of which there was none, and he noted that the next Governance Committee meeting is scheduled for February 27, 2020 at the State Fund Office, Pleasanton, California unless noticed for a new date and time.

ADJOURNMENT

There being no further business before the Governance Committee, the meeting adjourned at 11:25 a.m.

Respectfully submitted,

Hilda B. Padua
Board Liaison and Assistant Corporate Secretary