

**STATE COMPENSATION INSURANCE FUND
GOVERNANCE COMMITTEE**

MINUTES OF OPEN SESSION MEETING

May 18, 2023

The Governance Committee met on May 18, 2023 at the State Fund Learning Center, 1010 Vaquero Circle, (Claude Fellows Conference Room), Vacaville, California.

AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL

The meeting was called to order on May 18, 2023 at 1:03 p.m. Committee Chair Thomas Rankin welcomed everyone joining the meeting.

Mr. Rankin requested Ms. Padua to call roll. The following members were present: Thomas E. Rankin (Chair); Daniel M. Curtin; David M. Lanier; and Angie S. Wei.

Absent: Alexis A. Podesta

There was a quorum.

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

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 February 16, 2023 Open Meeting Minutes
- 3b. Board Member Upcoming Speeches, Articles or Webinars
- 3c. Annual Review and Approval of State Fund By-Laws
- 3d. Annual Review and Approval of Audit Committee Charter and Investment and Risk Committee Charters
- 3e. Annual Review and Approval of Board Education and Travel Expense Reimbursement Policy
- 3f. Annual Review and Approval of Board Delegated Authority and Approval Level
- 3g. Annual Review and Approval of Internal Audit Charter and Compliance with International Internal Audit Standards

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

Mr. Rankin called for a Motion.

MOTION: Mr. Lanier

SECOND: Ms. Wei

To approve the Consent Calendar as presented.

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

YES: 4

NO: 0

Abstain: 0

Motion carried.

AGENDA ITEM 4: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION FOR ITEMS 7 through 10

Mr. Rankin requested public comment on the appropriateness of Closed Session for agenda items 7 through 10, of which there was none.

AGENDA ITEM 5: PUBLIC COMMENT

Mr. Rankin requested further public comment, of which there was none. The Governance Committee immediately convened into Closed Session at 1:05 p.m.

AGENDA ITEM 11: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 2:35 p.m. and the following Members were present: Thomas E. Rankin (Chair); Daniel M. Curtin (joined during item 12); David M. Lanier; Alexis A. Podesta; and Angie S. Wei.

There was a quorum.

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

AGENDA ITEM 12: APPROVAL OF GOVERNANCE COMMITTEE CHARTER

Mr. Rankin requested Ms. Padua to report on the recommended changes to the Committee Charter.

Ms. Padua noted that 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.

Mr. Rankin called for a Motion.

MOTION: Mr. Lanier

SECOND: Ms. Wei

To approve the Governance Committee Charter as presented with changes.

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

YES: 5

NO: 0

Abstain: 0

Motion carried.

The Governance Committee Charter with proposed changes is attached hereto.

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 AUGUST 2023 AGENDA

Mr. Rankin requested suggestions for agenda items for the August 2023 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. He noted that the next Governance Committee meeting is scheduled sometime the week of August 14-18, 2023, Omni Hotel, San Diego, unless noticed for a new date and time.

ADJOURNMENT

There being no further business before the Governance Committee, Mr. Rankin adjourned the meeting at 2:37 p.m.

Respectfully submitted,

Hilda B. Padua
Board Liaison and Assistant Corporate Secretary



STATE COMPENSATION INSURANCE FUND GOVERNANCE COMMITTEE CHARTER

Adopted May 17, 2011

1st Amended: Adopted August 16, 2012

2nd Amended: Adopted May 16, 2013

3rd Amended: Adopted May 22, 2014

4th Amended: Adopted May 26, 2016

5th Amended: Adopted March 2, 2017

5th Amended: Approved Without Changes May 18, 2017; May 24, 2018; May 23, 2019, June 16, 2020;
May 20, 2021

6th Amended: Adopted May 19, 2022

7th Amended: Adopted February 17, 2023

8th Amended approved by the Governance Committee: May 18, 2023

Deferred for approval by the 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 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 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. Periodically evaluate whether the committees of the Board are functioning effectively and within the guidelines as set forth in their respective charters.

- b. Evaluate on a regular basis, 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

Approved with changes at the Governance Committee meeting of the State Compensation Insurance Fund held on this 18th day of May, 2023 by the following vote:

<u>MEMBER</u>	<u>VOTE</u>
Thomas E. Rankin	Yes
Daniel M. Curtin	Yes
David M. Lanier	Yes
Alexis A. Podesta	Yes
Angie S. Wei	Yes

APPROVED with CHANGES

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 is a true and correct copy of the 8th Amended Governance Committee Charter of the State Compensation Insurance Fund as approved by the Governance Committee at their meeting held May 18, 2023.



Hilda B. Padua, Assistant Corporate Secretary

5/18/23

Date