

**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

MINUTES OF OPEN SESSION MEETING

November 14-15, 2013

The Board of Directors of the State Compensation Insurance Fund met on November 14 and November 15, 2013 at the State Fund Corporate Office, 333 Bush Street, San Francisco, CA 94103.

November 14, 2013

AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL

The meeting was called to order on November 14, 2013 at 2:05 p.m.

Mr. Mulryan requested Ms. Padua to call roll. The following were present: Lawrence E. Mulryan, Chair; Sheryl A. Chalupa; Marvin Kropke; Sen. Michael J. Machado (Ret.); Francis E. Quinlan; Steven L. Rank; Thomas E. Rankin; Scott Reid; William M. Zachry and Christine Baker (non-voting member).

Absent by prior arrangement: Robin Baker and Daniel M. Curtin

There was a quorum.

Also present: President and CEO Thomas E. Rowe; Chief Financial Officer Dan Sevilla; General Counsel and Corporate Secretary Carol R. Newman; and Board Liaison and Assistant Corporate Secretary Hilda B. Padua.

AGENDA ITEM 2: ANTITRUST ADMONITION

Mr. Mulryan 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

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

MOTION: Mr. Reid

Second: Mr. Zachry

To approve the Consent Calendar as presented.

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

YES: 9

NO: 0

Motion carried.

Mr. Mulryan then noted that agenda items 4-10 would be deferred to accommodate Board member scheduling conflicting with the timing of the Closed session.

AGENDA ITEM 4: PERSONNEL MATTERS - DEFERRED

- a. Workforce Update
- b. Employee Leave Balance and Usage
- c. Veteran Hiring

AGENDA ITEM 5: FINANCIAL UPDATE – 2nd QUARTER 2013 - DEFERRED

AGENDA ITEM 6: LEGISLATIVE UPDATE - DEFERRED

AGENDA ITEM 7: PRESIDENT’S REPORT - DEFERRED

AGENDA ITEM 8: REPORTS BY THE CHAIRS OF COMMITTEE ACTIVITIES - DEFERRED

8a: GOVERNANCE COMMITTEE

8ai: GOVERNANCE AND COMPLIANCE UPDATE

8aii: APPROVAL OF 2014 BOARD AND COMMITTEE MEETING SCHEDULE AND 2014 BOARD AND COMMITTEE AGENDA ITEMS

8b: AUDIT COMMITTEE

8bi. UPDATE ON COMPLETED CLOSED AUDITS

8c: INVESTMENT COMMITTEE

8ci: BOND TRANSACTIONS AND COMPLIANCE REPORTS

8cii: APPROVAL OF INVESTMENT POLICY STATEMENT AND GUIDELINES

AGENDA ITEM 9: CHAIRMAN’S REPORT - DEFERRED

AGENDA ITEM 10: BOARD MEMBER REPORTS - DEFERRED

AGENDA ITEM 11: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION FOR ITEMS 14-26

Mr. Mulryan requested public comment on the appropriateness of closed session for items 14-26, of which there was none.

AGENDA ITEM 12: PUBLIC COMMENT

Mr. Mulryan requested further public comment. Executive Director of Roofing Contractors Association of California Mark Connerly noted that he sent a letter to all Board members on November 12, 2013 requesting to revisit the plan to eliminate the 6% group discount. Mr. Connerly noted that State Fund did not solicit input from their business partners.

Mr. Connerly requested State Fund postpone implementation of the plan until feedback is received from Association partners.

ADJOURNMENT

There being no further business, Mr. Mulryan adjourned the meeting at 2:10 p.m. to immediately reconvene in Closed Session.

November 15, 2013

The Board of Directors of State Compensation Insurance Fund continued their Open Session on November 15, 2013 at the State Fund Corporate Office, 333 Bush Street, San Francisco, CA 94103.

AGENDA ITEM 27: CALL TO ORDER AND ROLL CALL

The meeting was called to order on November 15, 2013 at 10:30 a.m. and the following were present: Lawrence E. Mulryan, Chair; Sheryl A. Chalupa; Marvin Kropke; Sen. Michael J. Machado (Ret.); Francis E. Quinlan; Steven L. Rank; Thomas E. Rankin; Scott Reid; and William M. Zachry.

Absent by prior arrangement: Robin Baker, Daniel M. Curtin and Christine Baker (non-voting member).

There was a quorum.

Also present: General Counsel and Corporate Secretary Carol R. Newman; and Board Liaison and Assistant Corporate Secretary Hilda Padua.

AGENDA ITEM 28: APPROVAL OF CHIEF CLAIMS OPERATIONS OFFICER, CHIEF MEDICAL OFFICER AND CHIEF OF INTERNAL AFFAIRS

Mr. Mulryan requested a motion to ratify and appoint Beatriz Sanchez as Chief Claims Operations Officer; Dante Robinson as Chief of Internal Affairs; and Dinesh Govindarao as Chief Medical Officer effective January 2, 2014.

MOTION: Mr. Zachry

SECOND: Mr. Reid

To ratify the appointment of Beatriz Sanchez as Chief Claims Operations Officer; Dante Robinson as Chief of Internal Affairs; and Dinesh Govindarao as Chief Medical Officer effective January 2, 2014 as presented on Resolution No. 2002 as attached hereto.

YES: 9

NO: 0

Motion carried.

AGENDA ITEM 29: APPROVAL OF MEDICARE SET ASIDE TRUST AGREEMENT - DEFERRED

AGENDA ITEM 30: PROPOSALS AND SUGGESTIONS FOR FEBRUARY 20, 2014 AGENDA

Mr. Mulryan announced that President and CEO Tom Rowe and Chief Financial Officer Dan Sevilla have decided to resign from State Fund. Mr. Mulryan noted that although Mr. Rowe

and Mr. Sevilla will step away from overseeing day-to-day operations, they will remain available for advice and consultation until December 31, 2013. The Board thanked Mr. Rowe for his vision and leadership and Mr. Sevilla for his outstanding fiscal stewardship.

The Board will begin an immediate search for a new CEO and President and Chief Financial Officer and in the meantime has named General Counsel Carol Newman Interim President and Chief Investment Officer Guastamachio as Interim CFO. Ms. Newman joined State Fund in 2008 as General Counsel and has been an integral part of leading State Fund's transformation. Ms. Newman's career in insurance spans over 30 years with oversight of a wide breadth of insurance operations including claims, broker/agency management, human resources and government and industry affairs. Mr. Guastamachio joined State Fund in 2009 with more than 30 years experience in the financial world having served as Vice President-Assistant Portfolio Manager for Bank of the West and in a variety of positions with Argonaut Insurance. The Board also approved Chief Counsel Lisa Stolzy as Interim General Counsel. The Board has committed to working closely with Ms. Newman and the State Fund staff to ensure a smooth transition and continued focus on State Fund strategic objectives of an effective claims process and right priced premiums and results driven medical care.

Mr. Mulryan requested additional items for the February 20, 2014 Board meeting of which there were none.

Mr. Mulryan requested public comment, of which there was none, and he noted that the next Board meeting is scheduled for February 20, 2014 at the State Fund Corporate Office, San Francisco, California unless noticed for a new date and time.

Respectfully submitted,

Hilda B. Padua
Board Liaison and Assistant Corporate Secretary

**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

**RESOLUTION of the BOARD of DIRECTORS of STATE COMPENSATION
INSURANCE FUND RATIFYING and APPOINTING the CHIEF CLAIMS
OPERATIONS OFFICER, the CHIEF MEDICAL OFFICER, and the CHIEF of
INTERNAL AFFAIRS**

WHEREAS, State Compensation Insurance Fund requires the services of a Chief Claims Operations Officer, a Chief Medical Officer, and a Chief of Internal Affairs; and

WHEREAS, effective January 1, 2014, an amendment to Insurance Code section 11785(a) authorizes the Board of Directors of State Compensation Insurance Fund to appoint and set the salary for certain additional exempt officer positions including a Chief Claims Operations Officer, a Chief Medical Officer, and a Chief of Internal Affairs; and

WHEREAS, the Board of Directors of the State Compensation Insurance Fund has delegated to the President of the State Compensation Insurance Fund, subject to conditions that the Board of Directors may from time to time prescribe, the powers, functions, and duties conferred by law on the Board of Directors in connection with the administration, management, and conduct of the business and affairs of the State Compensation Insurance Fund.

NOW, THEREFORE,

IT IS RESOLVED, that the Board of Directors hereby appoints Beatriz Sanchez to serve as the Chief Claims Operations Officer, effective as of January 1, 2014, at a base annual salary of \$180,000, a recruitment and retention differential of 15% of base annual salary (\$27,000 on an annual basis), and a potential discretionary annual incentive performance award of up to 20% of annual salary, subject to approval by the Board, and based on the Chief Claims Operations Officer's achievement of specifically defined metrics and performance goals; and

IT IS FURTHER RESOLVED, that the Board of Directors hereby appoints Dr. Dinesh Govindarao to serve as the Chief Medical Officer, effective as of January 2, 2014, at a base annual salary of \$350,000 and a potential discretionary annual incentive performance award of up to 20% of annual salary, subject to approval by the Board, and based on the Chief Medical Officer's achievement of specifically defined metrics and performance goals; and

IT IS FURTHER RESOLVED, that the Board of Directors hereby appoints Dante W. Robinson to serve as the Chief of Internal Affairs, effective as of January 2, 2014, at a base annual salary of \$250,000 and a potential discretionary annual incentive performance award of up to 20% of salary, subject to approval by the Board, and based on the Chief of Internal Affairs' achievement of specifically defined metrics and performance goals; and

Board of Directors – January 17, 2014

Open Agenda Item 3a – Consent Calendar: Approval of November 14-15, 2013 Open Meeting Minutes (Resolution Appointment of Chief Claims Operations Officer, Chief Medical Officer and Chief of Internal Affairs)

Resolution No. 2002

IT IS FURTHER RESOLVED, that the President of State Fund is hereby granted the authority to enter into an employment agreement with Beatriz Sanchez, Dr. Dinesh Govindarao, and Dante W. Robinson and any amendments that may be necessary from time to time except that any change in compensation must be presented to the Board of Directors for approval; and

IT IS FURTHER RESOLVED, that the Board of Directors hereby ratifies and approves all actions taken by the President of the State Compensation Insurance Fund as were necessary to appoint Beatriz Sanchez to serve as the Chief Claims Operations Officer, Dr. Dinesh Govindarao to serve as the Chief Medical Officer and Dante W. Robinson to serve as the Chief of Internal Affairs of the State Compensation Insurance Fund.

YES:

NO:

Resolution [carried/defeated]