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Date: August 2, 2013

AGENDA ITEM 3e – ACTION REQUIRED

TO: MEMBERS, BOARD OF DIRECTORS

- I. SUBJECT:** Approval of Board Delegated Authority by President to Chief Financial Officer, Chief Operating Officer, or other executive designee
- II. PROGRAM:** EXECUTIVE
- III. RECOMMENDATION:** **Action Required** - To approve the amendment to the existing Resolution of Delegated Authority, authorizing delegation of authority by the President to the Chief Financial Officer, Chief Operating Officer, or other executive designee, the exercise of those powers, functions, and duties delegated by the Board, during the absence or unavailability of the President; such power or authority to be administered consistent with the requirements of this Resolution. A copy of each such delegation made pursuant to this Resolution shall be delivered to the Corporate Secretary of State Fund to be retained as part of the official records. The Board Chair shall provide written consent to the exercise of the delegated power and authority.

IV. ANALYSIS:

The Board has broad authority under the Insurance Code to perform all acts necessary or convenient in the exercise of any power, authority or jurisdiction over the State Fund either in the administration thereof or in connection with the insurance business to be carried on by it. In addition, the Insurance Code grants particular powers to the Board such as the right to sue and be sued for acts or omissions; enter into contracts or obligations; invest moneys and surplus; make deposits not otherwise invested; declare a cash dividend or credit; and appoint and fix the salaries of the President and exempts.

The President also has statutory authority under the Insurance Code in conducting the business and affairs of State Fund which include the ability to enter into Workers Compensation contracts; sell annuities covering compensation benefits; decline to insure any risk which the minimum

requirements for industry accident prevention are not met; reinsure any risk or part thereof; cause to be inspected and audit payrolls of employers; make rules for the settlement of claims against State Fund and contract with doctors and hospitals for medical and surgical treatment for injured persons entitled to benefits.

In addition, the Insurance Code provides that the President has general duties to manage and conduct the business and affairs of State Fund under the general direction and subject to the approval of the Board and shall perform other duties as the Board describes.

Finally, the Board may delegate to the President any power, function or duty conferred by law on the Board in connection with State Fund and the administration, management and conduct of the State Fund's business. The President may exercise those powers and functions and perform those duties with the same force and effect as the Board but subject to its approval.

In November of 2009 the Board approved a Resolution of Delegated Authority to the President affirming delegation of certain powers, functions, and duties and outlining the topics requiring the President to obtain the advice and ratification of the Board. The Board also set approval levels for the exercise of the President's powers, functions, and duties. In January of 2011 the Board approved a Resolution Delegating Authority for Real Estate Transactions affirming delegation of the powers, functions, and duties to the President, with consent of the Board Chair obtained prior to entering into any such transaction and ratification by the Board on any transaction in which State Fund will likely expend over \$35M for the purchase or lease and tenant improvements of a facility.

As a matter of good governance during the absence or unavailability of the President to conduct the business and affairs of State Fund, it is advisable for the authority to exercise the powers, functions and duties delegated by the Board to the President to be delegated to the Chief Financial Officer, Chief Operating Officer, or other executive designee. State Fund recommends approval of the delegation of such authority by the President to the Chief Financial Officer, Chief Investment Officer, or other executive designee, to exercise the powers, functions, and duties to conduct the business and affairs of State Fund, such power or authority to be administered consistent with the requirements of the Resolution of Delegated Authority of the Board; and a copy of each such delegation made pursuant to the Resolution to be delivered to the Corporate Secretary of State Fund to be retained as part of the official records. The Board Chair shall provide written consent to the exercise of the delegated power and authority.

Carol Newman
General Counsel



Resolution No. ____

**[Proposed Revisions To Be Approved:
Governance Committee: August 13, 2013
Board of Directors: August 14, 2013]**

BOARD OF DIRECTORS
STATE COMPENSATION INSURANCE FUND

RESOLUTION OF DELEGATED AUTHORITY AND APPROVAL LEVELS

WHEREAS, the Board of Directors has authorized and directed the President of State Compensation Insurance Fund (“State Fund”) to take or to cause to be taken all such actions necessary or desirable in connection with the administration, management, and conduct of the business and affairs of State Fund;

NOW, THEREFORE, BE IT RESOLVED:

That the Board of Directors hereby affirms its delegation to the President of State Fund, subject to conditions that the Board 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 State Fund, including but not limited to the authority to execute real estate transactions as established in Resolution number 966. The President may exercise those powers and functions and perform those duties with the same force and effect as the Board of Directors.

BE IT FURTHER RESOLVED that the President may delegate to the Chief Financial Officer, Chief Operating Officer, or other executive designee, the exercise of those powers, functions, and duties delegated by the Board, during the absence or unavailability of the President; such power or authority to be administered consistent with the requirements of this Resolution. A copy of each such delegation made pursuant to this Resolution shall be delivered to the Corporate Secretary of State Fund to be retained as part of the official records. The Board Chair shall provide written consent to the exercise of the delegated power and authority.

BE IT FURTHER RESOLVED that the President shall continue to regularly advise the Board of Directors on the business and affairs of State Fund, including but not limited to the following topics:

- Key operational matters
- Financial status and issues
- Legal issues affecting State Fund, the Board of Directors or officers
- Legislative issues specific to or affecting State Fund
- Marketing plan
- Information Technology strategic plans

- Human resources issues
- Internal audits

BE IT FURTHER RESOLVED that, notwithstanding the foregoing, the President shall continue to obtain the advice of the Board of Directors, and present to the Board of Directors for its ratification of actions taken pursuant to the Board of Directors' delegated authority on the following topics:

- Appointment of the chief financial officer, chief operating officer, chief information technology officer, chief investment officer, chief risk officer, and general counsel, and the setting of their salaries
- Investment decisions
- Major corporate policy initiatives

BE IT FURTHER RESOLVED that, notwithstanding the foregoing, the Board of Directors shall make all final decisions on the following topics, unless otherwise specifically delegated by the Board of Directors:

- Selection and appointment of the President/Chief Executive Officer*
- Approval of the strategic plan
- Selection of State Fund's public accountants**
- Approval of the annual budget
- Adoption and amendment of investment and cash management policies (currently delegated to the Investment Committee)
- Dividend declarations*
- Acquisition and sale of real estate, and major lease transactions (except as delegated to the President pursuant to Resolution number 966)
- Selection of an external auditor (currently delegated to the Audit Committee)
- Approval of audit engagement fees (currently delegated to the Audit Committee)
- Approval of the annual audit plan, major changes to the plan, and the annual update of the biennial audit plan (currently delegated to the Audit Committee)
- Adoption of, and approval of changes to, State Fund's by-laws, Conflict of Interest Code,*** Enterprise Risk Management Plan, Code of Ethics, Code of Conduct, charters of the committees of the Board of Directors, and/or other compliance policies and guidelines required by law** (currently delegated to the Governance Committee)
- Adoption of rate decisions
- Selection of appointed actuary**
- Selection of investment advisors (currently delegated to the Investment Committee)
- Procurement contracts with a total aggregate value in excess of \$25,000,000; (currently delegated to the Governance Committee) contracts with a lesser value may still require the advice and consent of the Board of Directors pursuant to any of the other topics listed herein
- Banking management

* Required by laws specific to State Fund

** Required by laws applicable to insurance companies generally in California

*** Required by laws applicable to state agencies in California

Resolution No. _____
Resolution of Delegated Authority and Approval Levels

I, Carol R. Newman, Corporate Secretary for State Compensation Insurance Fund Board of Directors, hereby certify that the foregoing resolution was adopted by the Board of Directors at their regular meeting held August 14, 2013.

Carol R. Newman
Corporate Secretary

Date