

**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

MINUTES OF OPEN SESSION MEETING

April 3-4, 2014

The Board of Directors of the State Compensation Insurance Fund met on April 3 and 4, 2014, at Hilton Gaslamp Quarter, San Diego, California.

April 3, 2014

AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL

The meeting was called to order on April 3, 2014 at 1:05 p.m. and the following were present: Sheryl A. Chalupa, Chair; Robin Baker; Daniel M. Curtin (joined at item 2) Marvin Kropke; Sen. Michael J. Machado (Ret.); Lawrence Mulryan; Jack Neureuter; Thomas E. Rankin; Scott K. Reid; and William M. Zachry.

Absent by prior arrangement: Steve Rank and Christine Baker.

There was a quorum.

Also present: Acting President and CEO Carol Newman; Acting Chief Financial Officer and Chief Investment Officer Peter Guastamachio; Chief Risk Officer Ken Van Laar; Chief Information Officer Marjorie Hutchings; Chief of Internal Affairs Dante Robinson; Sr. Vice President and Chief Administrative Officer Andreas Acker; Board Liaison and Interim Corporate Secretary Hilda Padua; and Randall Keen of Manatt, Phelps & Phillips, LLP.

AGENDA ITEM 2: ANTITRUST ADMONITION

Ms. Chalupa 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: INTRODUCTIONS: SETTING EXPECTATIONS

Setting the Table: The Board of Directors, Authority and Obligations

Ms. Chalupa introduced Mr. Randall Keen of Manatt, Phelps and Philips. Mr. Keen regularly advises private sector and government clients on California's Political Reform Act, conflicts of interest, ethics, lobbying, California's open meeting laws (the Brown Act and the Bagley-Keene Act), the Public Records Act, and corporate governance matters. Mr. Keen presented a session on "Setting the Table: The Board of Directors, Authority and Obligations". This session covered State Fund's unique, quasi-private status; Board appointments; and the Board's authority, duties and obligations.

Introductions: Setting Expectations

Ms. Chalupa introduced National Association of Corporate Directors (NACD) presenters who will be facilitating the Board of Directors Continuing Education. Mr. John Hotta is a private investor, board director and retired technology executive. Mr Hotta's professional experience includes over 20 years in technology with key leadership roles at Microsoft and Accenture. He advises public and private company boards on technology including cyber security, privacy, big data, and social media.

Mr. Mike Tankersley is currently Senior Counsel with the Dallas office of Bracewell & Giuliani LLP. Mr. Tankersley advises the boards and management of public and private companies, financial institutions and not-for-profit organizations regarding corporate governance, securities disclosure, crisis response and special committee matters, including fraud investigations, conflict of interest transactions and response to derivative suits. He was the first Inspector General of the Export-Import Bank of the United States. He is the co-author of the NACD Director's Handbook titled "Board Leadership for the Company in Crisis – A Boardroom Perspective."

Mr. Dennis McCuiston is a long-time member of the NACD and holds the Governance Fellow designation. Mr. McCuiston owns a financial consulting firm, is a former bank CEO and has served on over a dozen private, public and not-for-profit boards. He has served on the faculties of several graduate schools of management for financial related firms. He has authored three books on the financial services industry. He regularly facilitates all types of panel discussions and board and corporate planning retreats. Finally, as the host of an award-winning television program on PBS he has interviewed and facilitated thousands of important dialogues about political, economic, business and social issues of the day.

Mr. McCuiston asked for and noted the Board members' expectations for the Board Education.

Mr. Tankersley presented a session titled *Fiduciary Duties of Corporate Boards*. This session covered the Board's fiduciary duties of loyalty, care, candor and confidentiality, with a particular emphasis on conflicts of interest and California statutory provisions applicable to actions of the Board. Examples were provided of situations in which a director might be at risk of breaching his or her duties or losing statutory protections.

AGENDA ITEMS 4 & 7: THE ROLE OF STATE FUND'S BOARD AND MANAGEMENT IN RISK OVERSIGHT

Mr. Hotta, Mr. McCuiston, and Mr. Tankersley presented a session titled *The Role of the Board and Management/Board Dynamics*, noting the "tone at the top", and what makes a "Highly Effective Board". There was a discussion on purpose and culture, advice and debate and an emphasis on respect. The role of the chair was described as being a "conductor". This presentation covered the essential roles of the Board, Board dynamics, the relationship of Board to management, and the responsibilities of individual directors. Finally, the Board's oversight responsibilities as well as how the current environment impacts directors and management responsibilities were addressed and discussed.

Mr. Hotta, Mr. McCuiston, and Mr. Tankersley presented a session titled *Creating & Sustaining Board Value: Corporate Strategy and Risk Oversight*, addressing what directors must understand in order to engage in strategic issues, provide risk oversight, and enhance decision-making. The session then examined the Board's role in corporate strategy: how

and when to engage, the planning process, and monitoring the company's strategy. Part of the discussion centered on getting a consensus as to growth vs. profit, defining a strategic issue, and handling the strategy differently in each committee. Finally, the group discussed the Board's responsibilities for risk oversight as an element of corporate strategy. This section was carried over into the morning of the second day of training.

AGENDA ITEM 5: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION FOR ITEMS 7, 9 AND 10

There was no public present. Ms. Chalupa requested public comment on the appropriateness of closed session for items 7, 9 and 10 of which there was none.

AGENDA ITEM 6: PUBLIC COMMENT

Ms. Chalupa requested for any public comment of which there was none.

Ms. Chalupa adjourned the meeting at 11:05 a.m. to immediately reconvene in Closed Session.

AGENDA ITEM 11: CALL TO ORDER AND ROLL CALL

The Board reconvened into open session. The following members were present: Sheryl A. Chalupa, Chair; Robin Baker; Daniel M. Curtin Marvin Kropke; Sen. Michael J. Machado (Ret.); Lawrence Mulryan; Jack Neureuter; Thomas E. Rankin; and Scott K. Reid.

AGENDA ITEM 12: SUMMARY OF DIRECTOR EDUCATION

This item was held.

There being no further business, Ms. Chalupa adjourned the meeting.

Respectfully submitted,

Hilda Padua
Board Liaison and Interim Corporate Secretary