

**STATE COMPENSATION INSURANCE FUND  
GOVERNANCE COMMITTEE**

**MINUTES OF OPEN SESSION MEETING**

**November 15, 2018**

The Governance Committee met on November 15, 2018 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: Lawrence E. Mulryan (Chair); Robin L. Baker; Sheryl A. Chalupa; Daniel M. Curtin; and Thomas E. Rankin.

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

**AGENDA ITEM 2: ANTITRUST ADMONITION**

Mr. Mulryan 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 15, 2018 Open Meeting Minutes**
- 3b. Board Member Upcoming Speeches, Articles or Webinars**
- 3c. Review and Approval of 2019 Board and Committee Meeting Schedule and Location**
- 3d. Review and Approval of 2019 Board and Committee Agenda Items**
- 3e. Review and Approval of Board Committee Assignments for 2019**

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

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

Mr. Mulryan called for a Motion.

MOTION: Mr. Curtin

SECOND: Mr. Rankin

To approve the Consent Calendar as presented.

Mr. Mulryan requested public comment of which there was none. Mr. Mulryan 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:

##### **Corporate Policy EC&F 2.2 Incompatible Activities Statement**

The Corporate Policy on Incompatible Activities was revised to include a policy statement regarding nepotism, which is expressly prohibited by the State of California because it is antithetical to a merit-based personnel system. State Fund workforce members must notify their supervisors regarding close personal relationships with other State Fund employees and/or contractors working in the same program area, activity, or location. The policy was posted for 30 day employee comments. HR is in the process of addressing a comment received from an employee regarding the notification process. The policy will be submitted to CalHR for approval and union review.

##### **2018 Compliance Training – Security Awareness Training**

State Fund achieved its mandatory compliance goal, with a completion rate of 98% for active employees and 100% for consultants for security awareness training.

The following are the three mandatory training courses scheduled for the rest of the year.

- Privacy – Completion date – 11/30/2018
- Code of Conduct – Completion date 12/31/2018
- Anti-Fraud – Completion date 12/31/2018

##### **Ethics and Privacy Reported Issues**

The total number of hotline reports declined by 36% (22 Q2 vs. 14 Q3). Governance, Compliance and Privacy (GCP) participated in the Corporate Compliance and Ethics Week (a national event), during November 4-10, 2018. GCP highlighted and raised awareness about the Ethics & Privacy hotline during this event.

Human Resources-related issues continue to be the most reported category.

A new category, organized by reporter type, was added. The reporter types are: a) Complainant, b) Investigation, c) Management, and d) Witness. State Fund management reported the highest number of incidents (60%) while investigation referrals rank second highest (26%). Investigation referrals include referrals made by Privacy and Internal Audit.

Mr. Steiner noted that the reporting of Governance, Ethics, and HR related incidents was co-mingled with Audit and Hotline issues. He requested the staff to revise the report to separate the management reported issues from the Hotline issues. There was a discussion about the same issues being accounted for in multiple reports. For future reporting, management will discuss how to effectively categorize and account for incidents according to the subject matter. They will also look into reporting on trends by quarters and annually.

Mr. Steiner asked the Committee for approval to change the report moving forward to only report hotline complaints received. The staff will also continue to monitor the management initiated performance report and will provide an update to the Committee as needed. The Committee concurred with Mr. Steiner's recommendation.

**AGENDA ITEM 5: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION FOR ITEMS 8 THROUGH 10**

Mr. Mulryan requested public comment on the appropriateness of Closed Session for agenda items 8 through 10, of which there was none.

**AGENDA ITEM 6: PUBLIC COMMENT**

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

**AGENDA ITEM 11: CALL TO ORDER AND ROLL CALL**

The meeting was called to order at 10:55 a.m. and the following Members were present: Mr. Mulryan (Chair); Robin L. Baker; Sheryl A. Chalupa; Daniel M. Curtin; and Thomas E. Rankin.

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

**AGENDA ITEM 12: COMMITTEE MEMBER PRESENTATIONS**

Mr. Mulryan requested presentations from the Committee members. Ms. Baker reported that she attended the NACD-USC Marshall School of Business Corporate Directors Symposium last November 8, 2018 in Los Angeles, California. The symposium theme was "Governing in the Digital Age: Board Leadership Matters".

Mr. Mulryan requested if there were other presentations from the Committee members, of which there were none.

**AGENDA ITEM 13: PROPOSALS AND SUGGESTIONS FOR FEBRUARY 14, 2019 AGENDA**

Mr. Mulryan requested suggestions for agenda items for the February 14, 2019 Governance Committee meeting other than the standing agenda items. Ms. Baker requested to add on the agenda under Board development a survey and annual report of each Board member's training.

Mr. Mulryan requested if there were other suggestions for agenda items for the February 14, 2019 Governance Committee meeting, of which there were none.

Mr. Mulryan also requested public comment, of which there was none, and he noted that the next Governance Committee meeting is scheduled for February 14, 2019 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 11:05 a.m.

Respectfully submitted,

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Hilda B. Padua  
Board Liaison and Assistant Corporate Secretary