

**STATE COMPENSATION INSURANCE FUND
GOVERNANCE COMMITTEE**

MINUTES OF OPEN SESSION MEETING

February 14, 2013

The Governance Committee met on February 14, 2013 at the State Compensation Insurance Fund Headquarters, Board Room, 333 Bush Street, San Francisco, California.

AGENDA ITEM 1: ROLL CALL

The meeting was called to order at 8:30 a.m. and the following Members were present: Lawrence E. Mulryan (Chair); Sheryl A. Chalupa; Daniel M. Curtin; Sen. Michael J. Machado (Ret.); and Thomas E. Rankin.

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 Governance Committee members read State Fund's Antitrust Admonition, which is included in each Committee member's meeting materials.

AGENDA ITEM 3: CONSENT CALENDAR

Under agenda item 3b, Mr. Mulryan acknowledged the diverse background and experience of the current Board and emphasized its strong strategic oversight. Mr. Mulryan recognized the recent re-appointment of Sen. Michael Machado and Mr. Danny Curtin as Board members for additional terms through January 1, 2018, and January 15, 2017, respectively. Mr. Mulryan thanked Sen. Machado, Mr. Curtin and all the Board members for their continued service to State Fund, despite expiration of some of their terms and the existence of a vacancy. Mr. Mulryan noted that he evaluated the Board Committee appointments that were made last year based on Board member experience and interest and concluded that continuation of the existing committee memberships supports the Board's effectiveness. Mr. Mulryan recommended extending the 2012 appointments for calendar year 2013.

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

MOTION: Ms. Chalupa

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

Motion carried.

AGENDA ITEM 4: BOARD MEMBER UPCOMING SPEECHES OR ARTICLES

Mr. Mulryan called on Ms. Padua to report on Board member upcoming speeches or articles.

Ms. Padua noted that the report is included in the Committee meeting materials and requested if there were any questions of which there were none.

AGENDA ITEM 5: GOVERNANCE AND COMPLIANCE UPDATE

Program Manager of Governance, Compliance and Privacy Barbara Simmons noted that the Code of Conduct expresses and reinforces State Fund's values, behavior expectations, and standards promoting honest and ethical dealing to prevent and detect illegal conduct. Corporate Policies comprise State Fund's written business operation standards which also promote conduct to prevent and detect illegal conduct.

Ms. Simmons reported that State Fund's 2012 Code of Conduct compliance rate as of February 13, 2013 is 99.99% and only one active employee has not completed the training. The annual training and certification period concluded on January 30, 2013. It is expected that the report at the May meeting reflect 100% compliance. The 2012 Code of Conduct and key supporting Corporate Policies are available to employees internally and to the public on State Fund's website.

As part of the 2013 Compliance Plan, the Code of Conduct and its supporting policies were reviewed. Policy and Code revisions align with current law, reflect organizational changes made during the past year, and respond to employee feedback. All eight (8) key policies were reviewed and the following policy revisions are recommended:

- 2013 Code of Conduct Add New Training Subject – “Raising Concerns Without Retaliation,” which is available through State Fund's Compliance and Ethics Leadership Council subscription..
- 2013 Code Changes - simplifies Ethics Decision guidance and places additional emphasis on reporting concerns and State Fund's commitment to no retaliation. Adds language about expanded online anonymous reporting methods for raising Ethics and Privacy concerns or questions.
- Sexual Harassment and Equal Employment Opportunity - aligns definitions with current changes to the law.
- Business Ethics and Complaint Reporting - adds language about expanded availability of reporting concerns.
- Statements of Economic Interests – revised to include required consultant compliance.
- Privacy and Confidentiality - alignment with Fair Information Practices Principles to reflect the maturing of Privacy at State Fund.
- Use of State Fund facilities - clarifies restrictions of employee use related to personal sales of goods or services in workspaces.

Ms. Simmons further reported that Specialized Privacy road show presentations are currently being conducted for business units in order to increase awareness of the importance of data privacy. Privacy messaging to the organization is ongoing to improve privacy awareness and protection of private information.

Mr. Mulryan called for a Motion.

MOTION: Mr. Rankin

SECOND: Ms. Chalupa

To recommend to the Board of Directors approval of the Code of Conduct and supporting policies as presented.

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

YES: 5

NO: 0

Motion carried

AGENDA ITEM 6: PUBLIC COMMENT ON THE APPROPRIATENESS OF CLOSED SESSION ITEMS 9-11.

Mr. Mulryan requested public comment on the appropriateness of closed session agenda items 9-11, of which there was none.

AGENDA ITEM 7: PUBLIC COMMENT

Mr. Mulryan requested further public comment of which there was none. The Governance Committee immediately convened into Closed Session at 8:50 a.m.

AGENDA ITEM 12: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 12:05 pm and the following Members were present: Mr. Mulryan (Chair); Sheryl A. Chalupa; Daniel M. Curtin; Sen. Michael J. Machado (Ret.), and Thomas E. Rankin.

There was a quorum.

Also present: President and Chief Executive Officer Tom 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 13: COMMITTEE MEMBER PRESENTATIONS

Mr. Mulryan asked if there were any Committee Member presentations, of which there were none.

AGENDA ITEM 21: PROPOSALS AND SUGGESTIONS FOR MAY 16, 2013 AGENDA

Mr. Mulryan requested suggestions for agenda items for the May 16, 2013 Governance Committee meeting other than the standing agenda items, 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 May 16, 2013 in San Francisco, California unless noticed for a new date and time.

ADJOURNMENT

There being no further business before the Governance Committee, the meeting adjourned at 12:10 p.m.

Respectfully submitted,

Hilda B. Padua,
Board Liaison and Asst. Corporate Secretary