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Date: April 26, 2013

AGENDA ITEM 7 – ACTION REQUIRED

TO: MEMBERS, GOVERNANCE COMMITTEE

- I. SUBJECT:** Annual Review of Board Delegated Authority and Approval Levels
- II. PROGRAM:** EXECUTIVE
- III. RECOMMENDATION:** **Action Required** - To approve recommended changes to Resolution to conform to Chart showing delegation to particular Board Committees.
- 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. As part of the annual review, the staff has reviewed the State Fund Corporate Guidelines related to the Delegated Authority and Approval Levels and recommends changes to the Resolution to conform to the Chart showing delegation to particular Board Committees.

Hilda Padua
Board Liaison



Resolution No. 1081

**[Proposed Revisions To Be Approved:
Governance Committee: May 8, 2013
Board of Directors: May 16, 2013**

BOARD OF DIRECTORS
STATE COMPENSATION INSURANCE FUND

RESOLUTION OF DELEGATED AUTHORITY

WHEREAS, the Board of Directors desires to reaffirm its authorization and direction to 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. The President may exercise those powers and functions and perform those duties with the same force and effect as the Board of Directors. 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

Resolution No. 1081
Resolution of Delegated Authority

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
- 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

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 May 16, 2013.

Carol R. Newman
Corporate Secretary

Date



DISCUSSION DOCUMENT FOR GOVERNANCE COMMITTEE

Issue or Matter	Proposed Delegation			
	Audit Committee	Governance Committee	Investment Committee	No Delegation – Remains with the Board
Key operational matters				X
Overall financial status and issues				X
Legal issues affecting State Fund, the Board of Directors or officers				X
Legislative issues specific to or affecting State Fund				X
Marketing plan				X
Information Technology strategic plans				X
PRESIDENT ADVISES THE BOARD/COMMITTEES ON ISSUES OR MATTERS DISCRETIONARY BOARD ACTION				
Human resources issues (currently reported to Gov Comm)		X		
Internal audits (currently reported to Audit Comm)	X			

PRESIDENT SEEKS BOARD/COMMITTEE ADVICE AND RATIFICATION OF ACTIONS PURSUANT TO DELEGATION OF AUTHORITY				
Issue or Matter	Proposed Delegation			
	Audit Committee	Governance Committee	Investment Committee	No Delegation – Remains with the Board
Appointment and setting of salaries of chief financial officer, chief operating officer, chief information technology officer, chief investment officer, chief risk officer, and general counsel (currently reviewed by Gov Comm)		X		
Investment decisions (currently reviewed by Inv Comm)			X	
Major corporate policy initiatives				X

**BOARD OF DIRECTORS APPROVES ACTIONS
UNLESS SPECIFICALLY DELEGATED TO THE BOARD COMMITTEES
COMMITTEES MAY BRING ACTION TO THE BOARD**

Issue or Matter	Proposed Delegation			
	Audit Committee	Governance Committee	Investment Committee	No Delegation – Remains with the Board
Appointment of the President/Chief Executive Officer				X
Approval of the strategic plan				X
Approval of the annual budget				X
Adoption/amendment of investment and cash management policies (currently delegated to Inv Comm)			X	
Dividend declarations				X
Acquisition and sale of real estate, and major lease transactions in excess of \$35M				X
Selection of external auditor (currently responsibility of Audit Comm)	X			
Approval of audit engagement fee (currently responsibility of Audit Comm)	X			
Approval of annual audit plan, major changes to the plan, and the annual update of the biennial audit plan (currently responsibility of Audit Comm)	X			
Adoption and approval of changes to State Fund's by-laws and committee charters				X
Conflict of Interest Code, Enterprise Risk Management Plan, Code of Ethics, Code of Conduct, other compliance policies		X		
Adoption of rate decisions				X
Selection of appointed actuary				X
Selection of investment managers			X	
Procurement contracts with aggregate value in excess of \$25M (contracts with a lesser value may still require the advice and consent of the Board or Committees pursuant to another topic listed herein)		X		
Banking management*				X

*consider for Investment Committee with amended charter