

**STATE COMPENSATION INSURANCE FUND
GOVERNANCE COMMITTEE**

MINUTES OF OPEN SESSION MEETING

FEBRUARY 16, 2012

The Governance Committee met on February 16, 2012 at 333 Bush Street, San Francisco, California.

AGENDA ITEM 1: ROLL CALL

The meeting was called to order at 10:00 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; Deputy Chief Counsel and Assistant Corporate Secretary Judith D. Sapper; and Board Liaison and Assistant Corporate Secretary Hilda B. Padua.

AGENDA ITEM 2: APPROVAL OF NOVEMBER 17, 2011 OPEN MEETING MINUTES

MOTION: Ms. Chalupa

Second: Senator Machado

To approve the minutes of the November 17, 2011 Open Meeting of the Governance Committee 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 3: RECOMMENDATION ON BOARD TRAINING FOR MARCH 29 & 30, 2012

Valerie Lampson, Learning & Development Manager, presented the recommendation for the Board training on March 29-30, 2012 mandated by Insurance Code Section 11770(e). Ms. Lampson noted that a cost comparison of venues was undertaken and the Fairmont Sonoma was selected because its price was within State Fund's approved per person cost and below the average cost of the other bidders. The attendees will be the Board of Directors, Executive Committee Members, Chief of Internal Affairs and Board Liaison. The training will be done in both open and closed sessions as warranted by content. The National Association of Corporate Directors (NACD), a primary presenter on corporate directorship issues, customized an agenda specific to State Fund

needs, and will be joined by other trainers in this two day session. The completion of training will result in a "Governance Fellow" designation by NACD.

Ms. Lampson also provided information on the upcoming NACD Directorship Spring Forum to be held in New York on June 11-12, 2012 and NACD Board Leadership Conference to be held in Maryland on October 14-16, 2012.

AGENDA ITEM 4: UPDATE ON DILIGENT BOARDBOOK

Hilda Padua, Board Liaison and Assistant Corporate Secretary reported that all Executives, Board Members, Assistant Corporate Secretaries and administrative support staff have been trained to use the Diligent online portal. The Board books for the February 2012 meeting were compiled using this new tool, and members have had access to Diligent Boardbooks on their iPads in the course of the meetings. General Counsel Carol Newman noted the tool provides increased security for transfer of information to the Board Members. Ms. Padua encouraged Board members to continue to provide feedback with the use of the Diligent Boardbooks.

AGENDA ITEM 5: UPDATE GOVERNANCE AND COMPLIANCE

Barbara Simmons, Program Manager of Governance, Compliance and Privacy reviewed the Compliance Framework. All governance reports are grounded in this framework. Ms. Simmons gave an update regarding the Governance Office initiatives, including the Privacy Office launch. State Fund's Privacy Office has developed Information Privacy and Privacy Breach Response protocols and support structure, including notification templates, in order to assure State Fund is informed, prepared and nimble in identifying and responding to any confidential data disclosure. It was also noted that continuing work on updating State Fund guidelines remains on track.

AGENDA ITEM 6: BOARD MEMBER UPCOMING SPEECHES OR ARTICLES

Ms. Padua noted that there were no reported upcoming speeches or articles.

AGENDA ITEM 7: PUBLIC COMMENT ON THE APPROPRIATENESS OF CLOSED SESSION ITEMS 10-16.

Mr. Mulryan requested public comment on the appropriateness of closed session agenda items 10-16, of which there was none.

AGENDA ITEM 8: PUBLIC COMMENT

Mr. Mulryan requested further public comment of which there was none. The Governance Committee immediately convened into Closed Session at 10:30 a.m.

AGENDA ITEM 17: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 12:10 p.m. following the conclusion of the Closed Session and the following Members were present: Lawrence E. Mulryan, Chair; Sheryl A. Chalupa; Daniel M. Curtin (joining at item 19); 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; Deputy Chief Counsel and Assistant Corporate Secretary Judith D. Sapper; and Board Liaison and Assistant Corporate Secretary Hilda B. Padua.

AGENDA ITEM 18: RECOMMENDATION ON PERFORMANCE AWARDS PROGRAM

Mr. Mulryan reported that the Governance Committee and the Board have been evaluating the best opportunities to establish a performance results-oriented culture at State Fund. The Governance Committee will recommend expanding eligibility for performance awards. The resolution will be presented in the Open Board meeting on Friday, February 17, 2012.

AGENDA ITEM 19: PROPOSALS AND SUGGESTIONS FOR MAY 17, 2012 AGENDA

Mr. Mulryan requested suggestions for agenda items for the May 17, 2012 Governance Committee meeting other than the standing agenda items. It was suggested there be a discussion of the IT organization, changes and development, implementation, and risk management for the next Governance Committee and Board meetings. A proposal was made to consider rescheduling the Governance Committee meeting dates and times.

Mr. Mulryan also requested public comment of which there was none, and he noted that the next Governance Committee meeting is scheduled for May 17, 2012 at 10:00 a.m. in San Francisco, California unless noticed for a new time.

ADJOURNMENT

There being no further business before the Governance Committee, the meeting adjourned at 12:15 p.m.

Respectfully submitted,

Hilda Padua,
Board Liaison and Asst. Corporate Secretary