

**STATE COMPENSATION INSURANCE FUND
GOVERNANCE COMMITTEE**

MINUTES OF OPEN SESSION MEETING

March 2, 2017

The Governance Committee met on March 2, 2017 at the State Fund Vacaville Office, 1010 Vaquero Circle (Learning Center), Vacaville, California.

AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 8:30 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 A. 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 November 17, 2016 Open Meeting Minutes**
- 3b. Board Member Upcoming Speeches, Articles or Webinars**
- 3c. Review and Approval of Audit and Governance Committee Charters**

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: Ms. Chalupa

SECOND: Mr. Curtin

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:

New Travel Restriction Law Effective January 1, 2017

- AB 18870 – The bill supports California’s position on fairness, equality and non-discrimination, which prohibits agencies from requiring employees to travel to states passing laws after June 26, 2015 that discriminate based on gender identity, orientation, or expression; and requiring approval for travel to the same states.

Own Risk and Solvency Assessment (ORSA) Report

State Fund filed its ORSA report with the Department of Insurance on December 16, 2016. The ORSA report will be referenced in the “Oversight to Critical Risk Areas” section of the 2017 Corporate Governance Annual Disclosure.

2016 Compliance Training

The workforce goal for compliance training was achieved at 99.3% compliance rate for 2016 courses (Code of Conduct, Anti-Fraud, and Security Awareness). The contingent worker compliance rate was at 97%. Physical and logical access was disabled for 14 contingent workers, after which 11 accounts have been re-activated following training completion.

2016 versus 2015 Hotline Analysis

The Hotline volume from 2015 to 2016 has declined by 25% and management referrals increased by 72%. The same trend occurred in 3Q and 4Q 2016; with hotline reports declining by 16% and management reports increasing by 17%.

Ms. Jaballas noted that the hotline report volume is influenced in part by the reduced number of suspected privacy incident reports: 23 in 2015 versus 13 in 2016. The Privacy Office observed a 50% decline (118 in 2015 to 59 in 2016) in preventable internal privacy incident reports. The reduction in suspected or reported privacy incident reports can be attributed to privacy awareness messaging and quality assurance programs implemented by Claims and Workers’ Compensation Legal Department.

Human Resources (HR) related issues continue to be the most reported category at 78% (624 out of 801) in 2016. 80% of HR reports were related to performance, inappropriate/offensive behavior, and attendance issues. This trend aligns with other industries as reported in the 2015 Navex Global Ethics and Compliance Hotline Benchmark report.

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 8:35 a.m.

AGENDA ITEM 11: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 11:25 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 A. 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, of which there were none.

AGENDA ITEM 13: PROPOSALS AND SUGGESTIONS FOR MAY 18, 2017 AGENDA

Mr. Mulryan requested suggestions for agenda items for the May 18, 2017 Governance Committee meeting other than the standing agenda items. Ms. Padua noted that the proposed agenda items are for Closed Session.

Mr. Mulryan also requested public comment, of which there was none, and he noted that the next Governance Committee meeting is scheduled for May 18, 2017 at State Compensation Insurance Fund, 333 Bush Street, 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 11:30 a.m.

Respectfully submitted,

Hilda B. Padua
Board Liaison and Assistant Corporate Secretary