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Date: May 5, 2017

**TO: MEMBERS, GOVERNANCE COMMITTEE**

<b>I. AGENDA ITEM # AND TITLE :</b>	Open Agenda Item 3d - Annual Review and Approval of Board Delegated Authority and Approval Levels
<b>II. NAME AND PROGRAM:</b>	Judith Sapper, Legal and Hilda Padua, Board Liaison
<b>III. ACTIVITY:</b>	<input type="checkbox"/> Informational <input type="checkbox"/> Request for Direction <input checked="" type="checkbox"/> Action Proposed <input type="checkbox"/> Exploratory
<b>IV. JUSTIFICATION:</b>	<input checked="" type="checkbox"/> Standard/Required Item <input type="checkbox"/> Board Request – New Item <input type="checkbox"/> New Topic from Staff

**V. EXECUTIVE SUMMARY:**

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. The delegation of authority and approval levels is reviewed annually and recommendations are presented and approved at the May Governance Committee Open meeting and recommended to the full Board for adoption. There are recommended changes for Board adoption this year.

**VI. ANALYSIS:**

In compliance with the annual review of the State Fund Board Delegated Authority and Approval Levels, the Board adopted a Resolution affirming and revising the Delegated Authority and Approval Levels in August of 2013. In May of 2014 the Board adopted a Resolution affirming and revising the Delegated Authority and Approval Levels to conform to recently enacted legislation authorizing additional exempt positions. No changes were made in 2015 or 2016. The Board Liaison, Legal Department, and/or Executive Committee have completed their annual review of the Board Delegated Authority and Approval Levels this year and recommend reaffirming and clarifying the delegated authority for real estate transactions given the passage of time since adoption of earlier resolution language specific to the former real estate portfolio.

**VII. RECOMMENDATION:**

Adopt a Resolution affirming and revising the State Fund Board Delegated Authority and Approval Levels as presented.

**VIII. APPENDIX:**

- Draft Resolution No. 2112 Delegated Authority and Approval Levels and Chart of Delegation



Resolution No. 2112

BOARD OF DIRECTORS

STATE COMPENSATION INSURANCE FUND

[For Review and to be Approved]  
Governance Committee: May 18, 2017  
Board of Directors: May 18, 2017

**RESOLUTION OF DELEGATED AUTHORITY AND APPROVAL LEVELS**

WHEREAS, the Board of Directors has authorized and directed 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. ~~including but not limited to~~ This delegation includes the authority to execute real estate transactions up to \$35M and any procurement contracts up to \$25M. ~~as established in Resolution number 966.~~ The President may exercise those powers and functions and perform those duties with the same force and effect as the Board of Directors.

BE IT FURTHER RESOLVED that, notwithstanding the foregoing, the President shall continue to obtain the consent of the Chair of the Board of Directors prior to entering into any real estate transaction;

BE IT FURTHER RESOLVED that the President may delegate to the Chief Financial Officer, Chief Operating Officer, or other executive designee, the exercise of those powers, functions, and duties delegated by the Board, during the absence or unavailability of the President; such power or authority to be administered consistent with the requirements of this Resolution. A copy of each such delegation made pursuant to this Resolution shall be delivered to the Corporate Secretary of State Fund to be retained as part of the official records. The Board Chair shall provide written consent to the exercise of the delegated power and authority.

BE IT FURTHER RESOLVED that 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, chief of internal affairs, chief of claims operations, chief actuary, medical director, and general counsel, and the setting of their salaries
- Investment decisions
- Major corporate policy initiatives

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, (in excess of \$35M ~~except as delegated to the President pursuant to Resolution number 966~~)
- 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 \$25M; (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

#### BOARD of DIRECTORS of the STATE COMPENSATION INSURANCE FUND



**DISCUSSION DOCUMENT FOR GOVERNANCE COMMITTEE**

<b>NO DELEGATION – ISSUES DECIDED BY THE BOARD</b>
<b>Issue or Matter</b>
Key operational matters
Overall 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
Appointment and setting of salary of President
Approval of the strategic plan
Approval of the annual budget
Dividend declarations
Acquisition and sale of real estate, and major lease transactions in excess of \$35M
Adoption and approval of changes to State Fund’s by-laws and committee charters
Conflict of Interest Code, Enterprise Risk Management Plan, Code of Ethics, Code of Conduct, other compliance policies
Adoption of rate decisions
Selection of appointed actuary

<b>PRESIDENT SEEKS BOARD/COMMITTEE ADVICE AND RATIFICATION OF ACTIONS PURSUANT TO DELEGATION OF AUTHORITY</b>				
Issue or Matter	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, chief of internal affairs, chief claims operations officer, chief actuary, medical director, and general counsel				X
Investment decisions			X	

**ACTIONS**  
**SPECIFICALLY DELEGATED TO THE BOARD COMMITTEES**  
**(COMMITTEES MAY BRING ACTION TO THE BOARD)**

Issue or Matter	Delegation			
	Audit Committee	Governance Committee	Investment Committee	
Adoption/amendment of investment and cash management policies			X	
Selection of external auditor	X			
Approval of audit engagement fee	X			
Approval of annual audit plan, major changes to the plan, and the annual update of the biennial audit plan	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	