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Date: May 15, 2014

TO: MEMBERS, GOVERNANCE COMMITTEE

I. AGENDA ITEM # AND TITLE :	Open Agenda Item 3e – Consent Calendar: Annual Review of Board Delegated Authority and Approval Levels
II. NAME AND PROGRAM:	Hilda Padua, Board Liaison and Randall Keen, Manatt, Phelps and Phillips
III. ACTIVITY:	<input type="checkbox"/> Informational <input checked="" type="checkbox"/> Request for Direction <input type="checkbox"/> Action Proposed <input type="checkbox"/> Exploratory
IV. JUSTIFICATION:	<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. A Resolution affirming and revising the Delegated Authority and Approving Authority Levels was adopted in August of 2013. The delegation of authority and approval levels are reviewed annually. Staff recommends a Resolution that conforms to recently enacted legislation authorizing additional exempt positions.

VI. 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 and Approval Levels 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 delegated authority and approval levels were affirmed in August 2013 and a new Resolution of Delegated Authority and Approval Levels was adopted to conform to the Chart of delegated matters showing delegation to particular Board Committees.

In 2011, the Board (via Resolution No. 966) delegated authority to the President to enter into certain real estate transactions, including the termination of lease agreements, disposal of State Fund-owned real estate, and the purchase or lease of property in San Francisco, Vacaville, and other regional locations in California. The Board required that the President obtain the consent of the Board Chair prior to entering into any of these transactions, and further required Board approval for any transaction requiring an expenditure of more than \$35 million.

VII. RECOMMENDATION:

As part of the annual review, the staff recommends an update to the Resolution of Delegated Authority and Approval Levels to reflect the additional positions available for appointment and setting of salary.

VIII. APPENDIX: Proposed Resolution of Delegated Authority and Approval Levels ; Chart of Delegated Matters



Resolution No. _____

**[Proposed Revisions To Be Approved:
Governance Committee: May 22, 2014
Board of Directors: May 22, 2014**

BOARD OF DIRECTORS
STATE COMPENSATION INSURANCE FUND

RESOLUTION OF DELEGATED AUTHORITY AND APPROVAL LEVELS

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, including but not limited to the authority to execute real estate transactions 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 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

Resolution No. _____

Resolution of Delegated Authority and Approval Levels

- 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 (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 \$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

State Compensation Insurance Fund
Governance Committee – May 22, 2014

Open Agenda Item 3e – Consent Calendar: Annual Review of Board Delegated Authority and Approval Levels

Resolution No. ____
Resolution of Delegated Authority and Approval Levels

- 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, Hilda B. Padua, Acting 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 22, 2014.

Hilda B. Padua
Corporate Secretary

Date



DISCUSSION DOCUMENT FOR GOVERNANCE COMMITTEE

NO DELEGATION – ISSUES DECIDED BY THE BOARD
Issue or Matter
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

PRESIDENT SEEKS BOARD/COMMITTEE ADVICE AND RATIFICATION OF ACTIONS PURSUANT TO DELEGATION OF AUTHORITY				
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 of claims operations, 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	