

**STATE COMPENSATION INSURANCE FUND
GOVERNANCE COMMITTEE**

MINUTES OF OPEN SESSION MEETING

February 14, 2019

The Governance Committee met on February 14, 2019 at the State Fund Pleasanton Office, 5890 Owens Drive (Atlantic and Pacific rooms), Pleasanton, California.

AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 8:05 a.m. and the following Members were present: Thomas E. Rankin (Acting Chair); Robin L. Baker; and David M. Lanier.

Absent: Mr. Daniel M. Curtin.

There was a quorum.

Also present: President and CEO Vernon L. Steiner; General Counsel and Corporate Secretary Margie R. Lariviere; Chief Financial Officer Peter 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. Rankin 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 15, 2018 Open Meeting Minutes**
- 3b. Board Member Upcoming Speeches, Articles or Webinars**
- 3c. Review and Approval of Board Committee Assignments for 2019**

Mr. Rankin noted that there is no approval of action for item 3b, "Board Member Upcoming Speeches, Articles or Webinars."

Mr. Rankin asked whether any Committee member had any comments on the items on the Consent Calendar of which there were none.

Mr. Rankin called for a Motion.

MOTION: Ms. Baker

SECOND: Mr. Lanier

To approve the Consent Calendar as presented.

Mr. Rankin requested public comment of which there was none. Mr. Rankin called for the vote.

YES: 3

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:

Oversight, Accountability, and Resources

State Fund's *Compliance Framework (Framework)* reflects State Fund's commitment to be an honest, legally compliant, and responsible organization. The *Framework* aligns with the United States Sentencing Guidelines' (USSG) seven essential elements of an effective compliance and ethics program:

1. Oversight, Accountability & Resources – Board and Executive Management oversight
2. Standards of conduct, Policies and Procedures – There should be standards of conduct, policies and procedures to prevent and detect criminal conduct
3. Effective Training, Communications & Awareness – Take reasonable steps to communicate effectively and provide training to State Fund staff
4. Consistent monitoring, evaluation & reporting – Partner with Internal Audit to monitor and audit the effectiveness of ethics and compliance program. Publicized systems in place for anonymous and confidential reporting.
5. Due Care in Delegating Authority – Use reasonable efforts to exclude from substantial authority those who were previously engaged in past illegal or unethical conduct. Make sure that there is an effective background check in place.
6. Consistent Promotion & Enforcement – Consistent disciplinary actions are taken against individuals who have committed misconduct.
7. Risk Assessment, Response, Continuous Improvement & Auditing – Root cause analysis of what went wrong and reasonable steps are taken to prevent and detect similar conduct.

Ms. Jaballas reported that to assist the Board in overseeing the execution of the Framework, a series of questions to ask, arranged by the Guidelines' seven elements, has been compiled and was available upon request.

Corporate Policy EC&F 2.2 Incompatible Activities Statement

Ms. Jaballas noted that at the November 2018 meeting, the Corporate Policy on Incompatible Activities was revised to include a policy statement regarding nepotism, which is expressly prohibited by the State of California because it is antithetical to a merit-based personnel system. At that time the policy was posted for 30 day employee comments and HR was in the process of addressing a comment received from an employee regarding the notification process, submitted to CalHR for approval and union review.

Ms. Jaballas reported that the notification process was changed from notifying Program Managers to supervisors (Appendix II of the policy) and requested the Committee recommend Board approval of the revised Corporate Policy EC&F 2.2 Incompatible Activities Statement and Policy as presented.

Discussion ensued on the notification process. The Committee recommended changing the language from “State Fund workforce members must notify their ‘supervisors’ to ‘any supervisor’ regarding close personal relationships with other State Fund employees and/or contractors working in the same program area, activity, or location”.

Discussion also ensued on the policy definition of “close personal relationship”. The Committee recommended alternative language subject to confirmation a definition from CalHR could be revised.

Mr. Rankin called for a Motion.

MOTION: Ms. Baker

SECOND: Mr. Lanier

To recommend to the Board approval of the revised Corporate Policy EC&F 2.2 Incompatible Activities Statement and Policy as revised.

Mr. Rankin requested public comment of which there was none. Mr. Rankin called for the vote.

YES: 3

NO: 0

Abstain: 0

Motion carried.

2018 Compliance Training – Security Awareness Training, Privacy, Code of Conduct, and Anti-Fraud

State Fund achieved its mandatory compliance goal, with a completion rate of 98% for active employees and 100% for consultants for all compliance training (Security Awareness, Privacy, Ethics, Code of Conduct, and Anti-Fraud).

Ethics and Privacy Reported Issues

The total number of hotline reports increased by 23% (109 in 2017 vs. 142 in 2018) while total number of Ethics hotline reports declined from 17 in 2017 to 10 in 2018. The decline in hotline reporting may be a result of the change in vendor effective March 1, 2018.

Similar to 2017 (99 of 109 cases), Human Resources (HR) related issues remain the most reported category in 2018:

- HR related issues (123 of 142) – 87% of total incidents reported.
- Of the 123 HR related issues, Equal Employment Opportunity complaints/issues is the highest reported category, 45% (55 of 123).

AGENDA ITEM 5: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION FOR ITEMS 8 AND 9

Mr. Rankin requested public comment on the appropriateness of Closed Session for agenda items 8 and 9, of which there was none.

AGENDA ITEM 6: PUBLIC COMMENT

Mr. Rankin requested further public comment, of which there was none. The Governance Committee immediately convened into Closed Session at 8:20 a.m.

AGENDA ITEM 10: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 10:05 a.m. and the following Members were present: Thomas E. Rankin (Acting Chair); Robin L. Baker; Daniel M. Curtin; and David M. Lanier.

There was a quorum.

Also present: President and CEO Vernon L. Steiner; General Counsel and Corporate Secretary Margie R. Lariviere; Chief Financial Officer Peter Guastamachio; Board Liaison and Assistant Corporate Secretary Hilda B. Padua; and Counsel and Assistant Corporate Secretary Judith D. Sapper.

AGENDA ITEM 11: COMMITTEE MEMBER PRESENTATIONS

Mr. Rankin requested presentations from the Committee members, of which there were none.

AGENDA ITEM 12: PROPOSALS AND SUGGESTIONS FOR MAY 23, 2019 AGENDA

Mr. Rankin requested suggestions for agenda items for the May 23, 2019 Governance Committee meeting other than the standing agenda items, of which there were none.

Mr. Rankin also requested public comment, of which there was none, and he noted that the next Governance Committee meeting is scheduled for May 23, 2019 at the State Fund Office, Pleasanton, California unless noticed for a new date and time.

ADJOURNMENT

There being no further business before the Governance Committee, the meeting adjourned at 10:10 a.m.

Respectfully submitted,

Hilda B. Padua
Board Liaison and Assistant Corporate Secretary