

**STATE COMPENSATION INSURANCE FUND
GOVERNANCE COMMITTEE**

MINUTES OF OPEN SESSION MEETING

MAY 17, 2012

The Governance Committee met on May 17, 2012 at the State Compensation Insurance Fund Headquarters, Board Room, 333 Bush Street, San Francisco, California.

AGENDA ITEM 1: ROLL CALL

Ms. Sheryl Chalupa noted that Chair Lawrence E. Mulryan sends his regrets that he will not be able to attend the meeting and as is provided in State Fund's by-laws, as the longest serving Board member, Ms. Chalupa will be Acting Chair for the meeting. Ms. Chalupa requested Ms. Padua to call roll.

The meeting was called to order at 8:30 a.m. and the following Members were present: Sheryl A. Chalupa (Acting Chair); Daniel M. Curtin, Sen. Michael J. Machado (Ret.); and Thomas E. Rankin.

Absent: Lawrence E. Mulryan, Chair, by prior arrangement

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; Assistant Chief Counsel and Assistant Corporate Secretary Vera C. De Martini; and Board Liaison and Assistant Corporate Secretary Hilda B. Padua.

AGENDA ITEM 2: ANTITRUST ADMONITION

Ms. Chalupa called attention to and requested confirmation that the Governance Committee members read State Fund's Antitrust Admonition included in each Committee member's meeting materials.

AGENDA ITEM 3: APPROVAL OF FEBRUARY 16, 2012 OPEN MEETING MINUTES

MOTION: Mr. Rankin

Second: Mr. Curtin

To approve the minutes of the February 16, 2012 Open Meeting of the Governance Committee as presented.

Ms. Chalupa requested public comment of which there was none. Ms. Chalupa called for the vote.

YES: 4

NO: 0

Motion carried.

AGENDA ITEM 4: GOVERNANCE AND COMPLIANCE UPDATE; CODE OF CONDUCT/SUPPORTING POLICIES

Barbara Simmons, Program Manager of Governance, Compliance and Privacy reviewed the Compliance Framework. Ms. Simmons reported that the Code of Conduct and its supporting policies were reviewed as part of the 2012 Compliance Plan. Compliance Week was celebrated the week of May 8th to increase compliance awareness. She also noted that proposed Corporate Policy and Code of Conduct revisions align with current law, reflect organizational changes during the past year, and respond to employee feedback. The changes include re-emphasizing compliance accountability for all workforce members, the availability of anonymous reporting procedures, and zero tolerance for retaliation. Additions to the Code of Conduct include an Ethics Decision Tree, Protecting and Respecting Information and an expanded Conflicts of Interest section. All eight (8) key policies were reviewed and the following policy revisions are recommended:

- Sexual Harassment – Section 6: updated definition of sexual harassment to align with current law.
- Equal Employment Opportunity – Sections 2.1 & 6: updated definition of “protected group” to align with current law.
- Privacy and Confidentiality – Added Sections 2.2.1, Private Information Collection & Use, and 2.2.6, Safeguards; revised Section 2.3.2 by adding “stored or transmitted on or through State Fund’s Information System.”
- Complaint Reporting & Anti-Retaliation – Added definitions for retaliation and use of official authority; re-organized policy statements to present a logical complaint reporting progression.
- Business Ethics – Clarified Section 2.2: Avoiding the Appearance of Impropriety.

Discussion ensued regarding a proposal to change the title of State Compensation internal Policies from “Corporate” to “Enterprise” Policies.

Ms. Chalupa called for a Motion.

MOTION: Mr. Rankin

SECOND: Mr. Curtin

To recommend to the Board of Directors to approve the Code of Conduct as amended, change the title of State Compensation Insurance Fund’s internal policies from “Corporate” to “Enterprise” Policies, and the remainder of the Code and Supporting Policies as presented.

Ms. Chalupa requested public comment of which there was none. Ms. Chalupa called for the vote.

YES: 4

NO: 0

Motion carried

AGENDA ITEM 5: REVIEW OF COMMITTEE SIZE

Ms. Chalupa called on Ms. Carol Newman to present the Review of Committee Size.

Ms. Newman reported that the Audit Committee reviewed the current committee composition in accordance with best practices. The State Fund By-Laws and Committee charters support the best practices for committee organization. Ms. Newman also reported that the Audit Committee discussed the opportunities and risks associated with increasing the Audit Committee composition as well as limitations imposed by the Bagley-Keene Open Meeting Act. The Audit Committee recommends that the President of State Compensation Insurance Fund be authorized to pursue legislation to exempt the State Compensation Insurance Fund's Board and its Committees from the Bagley-Keene Open Meeting Act requirements with particular attention to the Audit Committee's need to be exempt because of its duty to identify and minimize risk to State Compensation Insurance Fund. Discussion ensued. The Governance Committee recommended deferring the discussion to a later time.

AGENDA ITEM 6: BOARD MEMBER UPCOMING SPEECHES OR ARTICLES

Ms. Chalupa called on Ms. Padua to report on Board member upcoming speeches or articles.

Ms. Padua reported that on April 25, 2012, Board member William M. Zachry spoke at the Pacific Claims Executive Association in Monterey, CA on the topic of "Evidence Based Medicine". Mr. Zachry will also speak at the National Workers' Compensation Conference in Los Angeles in November 2012 on the topic "File Reviews And Double Play". In addition, Board Member Thomas E. Rankin will be part of the panel to discuss California Workers' Compensation at the California Defense Attorneys' Association conference in Las Vegas on June 1, 2012.

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

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

AGENDA ITEM 8: PUBLIC COMMENT

Ms. Chalupa requested further public comment of which there was none. The Governance Committee immediately convened into Closed Session at 8:50 a.m.

AGENDA ITEM 17: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 11:10 a.m. following the conclusion of the Closed Session and the following Members were present: Sheryl A. Chalupa, Acting Chair; Daniel M. Curtin; 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; Assistant Chief Counsel and Assistant Corporate Secretary Vera C. De Martini; and Board Liaison and Assistant Corporate Secretary Hilda B. Padua.

AGENDA ITEM 18: PROPOSALS AND SUGGESTIONS FOR AUGUST 16, 2012
AGENDA

Ms. Chalupa requested suggestions for agenda items for the August 16, 2012 Governance Committee meeting other than the standing agenda items. Ms. Newman noted the Committee members requested the review of committee charters, Committee Agendas, By-Laws; Enterprise Risk Management (ERM) definitions and heat map; and a detailed agenda for the Strategic Board meeting in October 2012 be placed on the agenda.

Ms. Chalupa also requested public comment of which there was none and she noted that the next Governance Committee meeting is scheduled for August 16, 2012 in 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 11:15 a.m.

Respectfully submitted,

Hilda B. Padua,
Board Liaison and Asst. Corporate Secretary