

**STATE COMPENSATION INSURANCE FUND
GOVERNANCE COMMITTEE**

MINUTES OF OPEN SESSION MEETING

September 23, 2014

The Governance Committee met on September 23, 2014 at the Hyatt Regency Hotel, 1 Old Golf Course Road, Monterey, California.

AGENDA ITEM 1: ROLL CALL

The meeting was called to order at 1:05 p.m. and the following Members were present: Lawrence E. Mulryan (Chair); Sheryl A. Chalupa; Daniel M. Curtin (joined at item 4); Sen. Michael J. Machado (Ret.); and Thomas E. Rankin.

There was a quorum.

Also present: President and CEO Vernon L. Steiner; Chief Financial Officer Peter Guastamachio; Board Liaison and Interim Corporate Secretary Hilda B. Padua; and Randall Keen of Manatt, Phelps and Phillips.

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 May 22, 2014 Open Meeting Minutes

3b. Board Member Upcoming Speeches, Articles or Webinars

Mr. Mulryan noted that there is no approval of an action for item 3b, "Board Member Upcoming Speeches, Articles or Webinars". Mr. Mulryan asked whether any Board member had any comments on the items on the Consent Calendar. Mr. Rankin noted that he is giving a speech in December for the 40th Anniversary Cal-OSHA conference. Board Liaison and Interim Corporate Secretary Ms. Padua noted that the speech will be included at the November 2014 agenda under Board Member Upcoming Speeches, Articles or Webinars.

MOTION: Mr. Rankin

SECOND: Ms. Chalupa

To approve the Consent Calendar as presented.

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

YES: 4

NO: 0

Motion carried.

AGENDA ITEM 4: GOVERNANCE, COMPLIANCE AND PRIVACY UPDATE

Chief of Internal Affairs Dante Robinson reported on the following:

2014 Code of Conduct Training and Certification

Mr. Robinson noted that Privacy and Cyber Security was selected as the 2014 training topic to reinforce State Fund's obligations and responsibilities for protecting data of State Fund's stakeholders. Included with the training is the Annual Code of Conduct Certification. As of August 20, 2014, 99.6% of employees and 75% of consultants have completed the Code of Conduct certification. Mr. Robinson also noted that 0.4% of employees are on extended leave of absence and will complete training when they return. Discussion ensued on consultants' lack of compliance and actions taken for continued noncompliance. Mr. Robinson reported that there was a lack of oversight from the Governance office and programs to monitor consultants' compliance with mandatory training. November 2014 is the target completion date for 100% consultant completion of the Code of Conduct training. Consultants who do not comply with required training will have their system access removed. A third party vendor management system is in the works to execute audits of vendors. This system would evaluate compliance of standing contracts, statements of work and vendor responsibilities. This system is in the early stages and is resource-intensive in nature. A fully instituted program is estimated to take approximately 9 months. Currently, State Fund requests a Statement on Auditing Standards No. 70 report (SAS70) on an annual basis from vendors, signifying that their control objectives and control activities have been examined by an independent accounting and auditing firm.

Ethics and Policy Hotline Reported Issues

Mr. Robinson reported that Human Resources reporting volume for 2Q 2014 increased by a factor of 1.7 compared to the same period in 2013. The 2Q 2014 reports by category included 17% suspected conflict of interest/discrimination; 22% suspected misconduct; and 61% suspected misuse/theft of time or funds. Suspected privacy/security incident report volume declined 46% compared to the 2nd quarter of 2013. This is attributed to a decrease in volume of transmissions of private information for non-business purposes.

AGENDA ITEM 5: PUBLIC COMMENT ON THE APPROPRIATENESS OF CLOSED SESSION for ITEM 8

Mr. Mulryan requested public comment on the appropriateness of Closed Session for agenda item 8, 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 1:15 p.m.

AGENDA ITEM 9: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 1:45 p.m. and the following Members were present: Mr. Mulryan (Chair); Sheryl A. Chalupa; Sen. Michael J. Machado (Ret.), and Daniel M. Curtin and Thomas E. Rankin.

There was a quorum.

Also present: President and CEO Vernon L. Steiner; Chief Financial Officer Peter Guastamachio; Board Liaison and Interim Corporate Secretary Hilda B. Padua; and Randall Keen of Manatt, Phelps and Phillips.

AGENDA ITEM 10: COMMITTEE MEMBER PRESENTATIONS

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

AGENDA ITEM 11: PROPOSALS AND SUGGESTIONS FOR NOVEMBER 20, 2014 AGENDA

Mr. Mulryan noted that the Committee requested to add as a standing agenda item an update on the CDI Triennial response and short versus long term strategic implications of the CDI report. Mr. Mulryan requested other suggestions for agenda items for the November 20, 2014 Governance Committee meeting other than the standing agenda items, of which there were none.

Mr. Mulryan also requested public comment of which there was none, and he noted that the next Governance Committee meeting is scheduled for November 20, 2014 at the State Fund Corporate Office, 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 1:50 p.m.

Respectfully submitted,

Hilda B. Padua,
Board Liaison and Interim Corporate Secretary