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Date: November 2, 2009

AGENDA ITEM 8

TO: MEMBERS OF THE GOVERNANCE COMMITTEE

FROM: CAROL R. NEWMAN, GENERAL COUNSEL

- I. SUBJECT: BOARD DELEGATION OF AUTHORITY TO PRESIDENT**
- II. ACTION PROPOSAL FOR RESOLUTION OF RETAINED AND DELEGATED BOARD AUTHORITY**

III. BACKGROUND ON PROPOSED RESOLUTION

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 audited the employers payrolls; 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.

State Fund has Corporate Management Guidelines that appear to be outdated and need to be changed to reflect those functions the Board of Directors desires to retain under prior approval and those matters delegated to the President but must come back to the board for ratification or reporting.

IV. ANALYSIS AND RECOMMENDATIONS

Over the course of several years, the Board has delegated to the President certain powers, functions and duties conferred by law on the Board of Directors. The Board receives regular updates; grants ratification of certain actions; or retains for its approval final decisions, all of which are outlined in the attached proposed resolution. It would seem to be helpful and useful to the Board and to the President to have a simple and straightforward delegation of duties, with appropriate referral and/or deference to the Board on major policy issues and expenditures that is located in one resolution.

It is recommended that the Governance Committee review the proposed resolution; make necessary changes and consider a recommendation to the full Board for adoption of the Governance Committee's proposed resolution.

Carol R. Newman
General Counsel and Corporate Secretary

GOVERNANCE COMMITTEE MEETING (OPEN)

AGENDA ITEM 8

ATTACHMENT 8-I

BOARD DELEGATION of AUTHORITY to PRESIDENT

PRESENTED BY: Carol Newman

November 12, 2009

P R O P O S E D
BOARD OF DIRECTORS
STATE COMPENSATION INSURANCE FUND

RESOLUTION OF DELEGATED AUTHORITY

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. The President may exercise those powers and functions and perform those duties with the same force and effect as the Board of Directors. The President shall continue to regularly advise the Board of Directors on the following topics:

- Major pending litigation by or against State Fund, the Board of Directors or officers
- Major pending legislation specific to or affecting State Fund
- Group administrative fee contracts
- Broker commission plans
- IT strategic updates
- Recognition programs, including cost benefit analysis on the effectiveness of the programs

BE IT FURTHER RESOLVED that, notwithstanding the foregoing, the President shall continue to obtain the advice and consent of the Board of Directors on the following topics:

- Appointment of the chief financial officer, chief operating officer, chief information technology officer, chief investment officer, chief risk officer, 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 of State Fund's public accountants
- Approval of the annual budget
- Adoption and amendment of investment and cash management policies
- Dividend declarations
- Acquisition and sale of real estate, and major lease transactions
- Selection of an external auditor (currently delegated to the Audit Committee)
- Approval of audit engagement fees

- Approval of the annual audit plan, major changes to the plan, and the annual update of the biennial audit plan
- 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
- Adoption of rate decisions
- Selection of appointed actuary
- Selection of investment advisors
- Procurement contracts with a total aggregate value in excess of [\$_____]; 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

AYES:

NOES: