

GOVERNANCE COMMITTEE MEETING (OPEN)

AGENDA ITEM 6

ATTACHMENT 6-I

MINUTES OF September 10, 2009 OPEN GOVERNANCE COMMITTEE
MEETING

PRESENTED BY: Jeanne Cain

November 12, 2009

**STATE COMPENSATION INSURANCE FUND
GOVERNANCE COMMITTEE**

MINUTES OF OPEN SESSION MEETING

SEPTEMBER 10, 2009

The Governance Committee met on September 10, 2009 in the Auditorium of the Milton Marks Conference Center, State Building, 455 Golden Gate Avenue, San Francisco, California.

AGENDA ITEM 1: ROLL CALL

The meeting was called to order at 10:10 a.m. and the following Members were present: Sheryl Chalupa, Acting Chair and Daniel Curtin. Sen. Michael Machado was absent. Jeanne Cain, Chair was absent (by prior arrangement). Ms. Sheryl Chalupa was appointed Acting Chair for this meeting by Ms. Cain. Mr. Curtin had no objection.

There was a quorum.

Also present: President and CEO Jan Frank; Chief Risk Officer Doug Stewart; General Counsel and Corporate Secretary Carol Newman; and Assistant Chief Counsel and Assistant Secretary Judith Sapper.

AGENDA ITEM 2: PUBLIC COMMENT ON THE APPROPRIATENESS OF CLOSED SESSION ITEMS 3 AND 4

Ms. Chalupa requested public comment of which there was none.

The Governance Committee immediately convened into Closed Session.

AGENDA ITEM 3: APPROVAL OF JULY 9, 2009 and AUGUST 25, 2009 CLOSED GOVERNANCE COMMITTEE MINUTES Closed Session.

AGENDA ITEM 4: BOARD STRATEGIC MEETING UPDATE Closed Session.

AGENDA ITEM 5: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 11:00 a.m. following the conclusion of the Closed Session and the following Members were present: Sheryl Chalupa, Acting Chair; Daniel Curtin; and Alternate Sen. Michael Machado (Ret.). Jeanne Cain, Chair was absent (by prior arrangement).

There was a quorum.

Also present: President and CEO Jan Frank; Chief Risk Officer Doug Stewart; General Counsel and Corporate Secretary Carol Newman; Assistant Chief Counsel and Assistant Corporate Secretary Judith Sapper; and Randall Keen of Manatt, Phelps & Phillips LLP.

AGENDA ITEM 6: APPROVAL OF THE JULY 9, 2009 AND AUGUST 25, 2009 OPEN GOVERNANCE COMMITTEE MEETING MINUTES

MOTION: Mr. Curtin Second: Sen. Machado (Ret)

To approve the minutes of the July 9, 2009 and August 25, 2009 Open Governance Committee Meeting minutes as presented.

AYES: 3 NOES: 0 Motion carried

AGENDA ITEM 7: BOARD EDUCATION AND TRAVEL REIMBURSEMENT POLICY

Ms. Chalupa called upon Ms. Newman, General Counsel to present the recommended Board Education and Travel Reimbursement Policy. Ms. Newman distributed the proposed Board Education and Travel Reimbursement Policy. Ms. Newman reported that the Board members are exempt by statute from DPA imposed rules concerning education and travel reimbursement but the Governance Committee directed at the last meeting to use DPA rules as a guidepost to avoid allegations of economic waste. Board reimbursement must be for actual and necessary travel expenses incurred in the performance of his or her duties as a member of the Board under the Insurance Code provisions regarding State Fund. Ms. Newman and the Governance Committee members then reviewed the recommended State Fund Board of Directors Education and Travel Reimbursement Policy in detail including the process for reimbursement. After lengthy discussion the Governance Committee members requested the pre-approved training be updated for each Board meeting as part of the Consent Calendar; provide clarity regarding reimbursement in the event of cancellation of travel and lodging due to State Fund business; removal of some recommended training because the registration fees were too high; and to review the policy next year and at least every three years thereafter.

MOTION: Mr. Curtin Second: Sen. Machado (Ret)

To recommend to the full Board of Directors adoption of the State Fund Board of Directors Education and Travel Reimbursement Policy with the recommended changes made by the Governance Committee.

AYES: 3 NOES: 0 Motion carried

AGENDA ITEM 8: DISCRETIONARY REWARD AND RECOGNITION PROGRAMS

Ms. Chalupa called upon Mr. Andreas Acker, Senior Vice President of Human Resources to present on the Discretionary Employee Recognition Awards. Mr. Acker referred the Governance Committee to the materials on State Fund's Recognition Programs that were provided to the Board and are posted on State Fund's worksite. Mr. Acker then described the PACE award which was the past employee recognition program which has been replaced by the Bravo, Encore, Leadership and Executive "On the Spot" awards to provide opportunity to reward and recognize performance in a more meaningful way. Mr. Acker reported on the development of the awards using cross functional focus groups from State Fund. He then reported on each of the awards in

detail; the cost for the total program of approximately .2% of salaries and the process for being granted an award. Mr. Acker and the Governance Committee members then had a full discussion regarding these discretionary awards. The Governance Committee directed Mr. Acker report back to this Committee regarding the cost benefit analysis for maintaining these performance awards.

MOTION: Mr. Curtin Second: Sen. Machado (Ret)

To recommend to the full Board of Directors adoption and ratification of the State Fund's Recognition Programs with an annual report on the effectiveness of the Programs to be provided to the Governance Committee.

AYES: 3 NOES: 0 Motion carried

AGENDA ITEM 9: BOARD EVALUATION PROCESS-RFP STATUS

Ms. Chalupa called upon Ms. Sapper, Assistant Chief Counsel and Assistant Secretary to report on the Board Evaluation Process. Ms. Sapper provided a background for board evaluations that included the Governance Committee's charter to conduct such evaluations to improve the Board's effectiveness as well as the direction from the Governance Committee to explore the retention of a third party to conduct confidential evaluations. She then outlined the timeframe if this were to move forward by January 2010. There was lengthy discussion by the Governance Committee regarding the vendor selection; process; reporting out; purpose and timing of the engagement. There was concurrence that a good board evaluation would provide a foundation for the Board to develop as a stronger and more effective Board but the evaluation should be delayed because of other more urgent matters for staff and the benefit of doing such an evaluation with a full Board. The Governance Committee requested Ms. Sapper to provide more information at the November, 2009 meeting about the Board evaluation purpose and process.

AGENDA ITEM 10: CONSIDERATION OF NEW COMMITTEES

Ms. Chalupa called upon Ms. Sapper, Assistant Chief Counsel and Assistant Secretary to report on the consideration of a new Labor Relations Committee of the Board. Ms. Sapper reported that the same methodology was used by Ms. Linda Platisha, in-house Counsel that was used for the establishment of the Governance Committee and its charter. She reported over 50 different companies including other State Funds were reviewed to determine the role of the Board in labor relations. She reported that it would be unique for State Fund to establish a formal Labor Relations Committee. Ms. Sapper reported on the proactive role State Fund's Human Resources Department takes with the various unions that represent State Fund's rank and file employees. The Governance Committee had a lengthy discussion regarding the role of the Board in labor relations matters recognizing the labor relations expertise on the current State Fund Board. The Governance Committee concurred that the establishment of a Labor Relations Committee should not be recommended to the full Board and there was no interest in circumventing the normal management labor negotiations process. The

Governance Committee requested that State Fund President and Senior Vice President of Human Resources provide a status report regarding State Fund's labor relations and consider opportunities where members of the Board may be able to support State Fund's labor relations efforts.

AGENDA ITEM 11: COMMITTEE MEMBER PRESENTATIONS

There was no presentation for this standing agenda item and no public comment.

AGENDA ITEM 12: PROPOSALS AND SUGGESTIONS FOR NOVEMBER 2009

AGENDA

In addition to the standing Agenda items the Governance Committee directed the Corporate Secretary to include agenda item(s) on Board self evaluation and labor relations. Ms. Chalupa requested public comment of which there was none.

AGENDA ITEM 13: PUBLIC COMMENT

Ms. Chalupa requested public comment of which there was none.

The next Governance Committee meeting is scheduled for November 12, 2009 at 10:00 a.m. in San Francisco, California.

ADJOURNMENT

There being no further business before the Governance Committee, the meeting adjourned at 12:20 p.m.

Respectfully submitted,

Carol R. Newman
Corporate Secretary