



1275 Market Street
San Francisco, CA 94103
(415) 565-1456
www.scif.com

Date: March 2, 2009

AGENDA ITEM 7

TO: MEMBERS OF THE GOVERNANCE COMMITTEE

- I. SUBJECT: STATE FUND'S CORPORATE GOVERNANCE CHARTER**
- II. PROGRAM: EXECUTIVE/OFFICE OF THE GENERAL COUNSEL**
- III. RECOMMENDATION: ADOPT THE PROPOSED CORPORATE GOVERNANCE CHARTER AND RECOMMEND BOARD APPROVAL**

IV. ANALYSIS: Corporate governance refers to the manner in which boards of directors and senior management oversee their company's business and includes corporate discipline, transparency, independence, accountability, responsibility, fairness and social responsibility as well as compliance with legal and regulatory requirements.

The methodology used in the preparation of the Governance Charter began with strategic direction from the Board Chair to the General Counsel. Based on that direction, research was conducted by an attorney within State Fund's Legal Department which included a review of over 25 governance charters from various organizations including insurance companies. A review was done of the Bagley-Keene Open Meeting Act, the Public Records Act, Insurance Code 11770 as amended by AB1874 and State Fund's By-laws.

After the review of these documents, five common topics were identified and used as headings. These headings included (1) Mission/Purpose; (2) Organization; (3) Meetings; (4) Duties and Responsibilities; and (5) Powers, all of which appeared in almost all governance charters. In addition, the duties/responsibilities were broken down into four major categories which included (1) oversight; (2) advice; (3) recommendation; and (4) evaluation.

V. RESULTS/COSTS: Compiling material and recommendations for the potential charter fulfills a responsibility of the General Counsel to give support for the Board and its Committees. The development of the Governance Charter was

done by in-house counsel with a final review by outside counsel to ensure compliance with laws and regulations.

CAROL R. NEWMAN, General
Counsel

Attachment

GOVERNANCE COMMITTEE MEETING (OPEN)

AGENDA ITEM 7

ATTACHMENT 7-I

PROPOSED GOVERNANCE COMMITTEE CHARTER

PRESENTED BY: Jeanne Cain

March 12, 2009

STATE COMPENSATION INSURANCE FUND
PROPOSED Corporate Governance Committee Charter
(Adopted , 2009)

Mission/Purpose

The Governance Committee (the “Committee”) shall assist the Board of Directors (the “Board”) of State Compensation Insurance Fund (“State Fund”) in shaping corporate governance policies and practices including (1) overseeing that State Fund operates in a legal, ethical, and socially responsible manner; (2) advising and updating the Board on corporate governance trends and issues within the industry; (3) recommending to the Board, Corporate Governance Guidelines (the “Guidelines”) which, along with State Fund’s By-laws, State Fund’s Code of Business Conduct and Ethics (“Code of Ethics”), the charters of the various Board committees, Insurance Code Section 11770 et seq., as amended pursuant to AB 1874, and Government Code Sections 6251 et seq. (Public Records Act) and 11120 et seq. (Bagley-Keene Open Meeting Act), provide the framework for the governance of State Fund; and (4) monitoring and evaluating State Fund’s compliance with the Guidelines.

Organization

The Committee is a standing committee of the Board composed of not less than three (3) Directors and shall include a Chair of the Committee who shall serve until resignation, removal or a successor has been appointed pursuant to the provisions of State Fund’s By-laws.

Meetings

The Committee shall hold regular meetings no less than four (4) times per year and in accordance with the provisions of the Bagley-Keene Open Meeting Act (“Bagley-Keene”). The Committee shall also hold regular meetings on the same day as, or within one day of, the regular meetings of the Board. The Committee may hold additional meetings at the request of any Committee member, in compliance with the provisions of Bagley-Keene and State Fund’s By-laws.

- a. The Committee may, at its discretion, invite members of management and/or other Directors to attend the Committee’s meetings where necessary to further the business of the Committee. Notwithstanding the foregoing, the total number of members of the Board (including Committee members) attending the Committee’s meeting at any one time shall not equal or exceed a majority of the number of members of the Board.
- b. Unless the Committee determines otherwise, the Committee shall hold an executive session at each regularly scheduled meeting. During a portion of this executive session, the President or the General Counsel, or both, will be present. Closed sessions of the Committee may be held at any meeting pursuant to the provisions of Bagley-Keene and California Government Code section 11120 et seq., as may be amended.
- c. A majority of the Committee shall constitute a quorum. Each member of the Committee will have one vote and actions at the meeting shall be approved by a majority of the members present.
- d. Minutes shall be prepared at each meeting and filed with the minutes of State Fund’s Board.

STATE COMPENSATION INSURANCE FUND
PROPOSED Corporate Governance Committee Charter
(Adopted , 2009)

- e. The Committee Chairperson or the Chair's designee shall give a full report on the Committee's actions at the earliest scheduled Board meeting.

Duties and Responsibilities

In discharging its duties and responsibilities to shape corporate governance policies and practices, the Committee shall:

1. Oversee

- a. Oversee that State Fund operates in a legal, ethical, and socially responsible manner and that all directors, officers, and employees support State Fund's Code of Business Conduct and Ethics which is designed to promote (1) honest and ethical conduct; (2) full, fair, accurate, timely, and understandable disclosures in the periodic reports required to be filed by State Fund; and (3) compliance with applicable laws, rules, and regulations.
- b. Oversee the orientation and continuing education of the members of the Board. In this regard, the Committee shall, from time to time, recommend educational programs for the full Board, any Committee or any individual Director as the Committee may determine is necessary or appropriate.
- c. Assist in developing criteria for the assessment of the performance of the Board and management and take the lead in overseeing the evaluation of the Board and State Fund's management on no less than an annual basis.
- d. Oversee the Enterprise Portfolio Management Office's ("EPMO") material projects recommended by State Fund's management which relate to corporate governance.

2. Recommend

- a. Recommend to the Board, director nominees for appointment to the Committee or any sub-committee in compliance with the procedures outlined in State Fund's By-laws.
- b. Recommend the establishment, charter, and membership of the various committees of the Board.
- c. Recommend corporate governance guidelines for State Fund.
- d. Recommend appropriate changes to corporate governance documents such as by-laws, Code of Ethics, and as requested, the charters of the other committees' charters.
- e. Review the qualifications of members suggested to be Chairperson, and Directors of the Board, and make recommendations to the appointing authority concerning these members.
- f. Recommend changes to the charters of other State Fund Board committees.

3. Advise

- a. Advise the Board on matters related to governance as deemed appropriate by the Board.
- b. Advise the Board on corporate governance trends and issues within the industry.

STATE COMPENSATION INSURANCE FUND
PROPOSED Corporate Governance Committee Charter
(Adopted , 2009)

- c. Advise the Board with respect to Board procedures including the frequency and structure of the Board meetings.
- d. Advise the Board on qualifications for leadership positions within State Fund.
- e. Advise and assist the Board in its responsibilities relating to succession planning, particularly with respect to the President and Chief Operating Officer and other identified executive positions.

4. Evaluate

- a. Conduct a self-evaluation, on an annual basis, of the performance of the Committee and determine the adequacy of the Committee's response on matters reported to and acted upon by the Committee.
- b. Evaluate, at least annually, the adequacy of the Board's response on matters reported and recommended to the Board by the Committee.
- c. Evaluate on an annual basis whether the Board and its committees are functioning effectively.
- d. Evaluate, at least annually, the quality, sufficiency and currency of information furnished by management to the Directors in connection with Board and committee meetings and other activities of the Directors.

Powers

The Committee shall have the following powers:

- a. To obtain advice and assistance from internal or external legal, accounting or other advisors and to have direct access to advisors without the presence of any officer of State Fund.
- b. To interview and meet with any employee of State Fund without the presence of any officer of State Fund.
- c. To form and delegate authority to subcommittees.
- d. The Committee and/or Board may amend or repeal this Charter as appropriate.
- e. Such other powers as may be necessary and appropriate to fulfill the Committee's purposes.