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Date: March 2, 2009

GOVERNANCE COMMITTEE AGENDA ITEM 8

TO: MEMBERS OF THE GOVERNANCE COMMITTEE

- I. SUBJECT: RECOMMENDATION FOR BOARD TRAINING PROGRAM & ACCEPTANCE OF BOARD ORIENTATION MANUAL**
- II. PROGRAM: EXECUTIVE/OFFICE OF THE GENERAL COUNSEL**
- III. RECOMMENDATION: ADOPT A TRAINING PROGRAM & AUTHORIZE STATE FUND TO SECURE PROVIDERS AND ADOPT THE BOARD ORIENTATION MANUAL**
- IV. ANALYSIS: (See attachments)**
- V. RESULTS/COSTS:**

Training Program

Training Proposal was completed by using in-house resources. Training will be provided at the most favorable terms and cost.

Board Orientation Manual

Manual was completed by in-house resources with support from a certified Project Management Professional (PMP).

CAROL R. NEWMAN, General Counsel

Attachments

GOVERNANCE COMMITTEE MEETING (OPEN)

AGENDA ITEM 8

ATTACHMENT 8-I

PROPOSED BOARD TRAINING PROGRAM APPROACH

PRESENTED BY: Jeanne Cain

March 12, 2009

**Recommendation
to the
Governance Committee and Board of Directors
for
Board of Director Training
Presented at the March 12, 2009 Committee and March 13, 2009 Board Meetings

Approach and Strategy**

Overview

Recently enacted legislation SB 1145 increased the State Fund Board of Directors from 5 to 11. This legislation also mandated specific Board training that must be conducted by persons or entities not affiliated with State Fund in the areas of:

- Duties and Obligations of members of a Board of Directors
- Corporate Governance
- Ethics
- Board of Directors Legal issues
- Insurance
- Finance and Investments and
- Information Technology

Training Objective

The objective of the training is to increase the effectiveness of the Board with continuous training to ensure Board best practices are being utilized.

Training Format Options

As an initial matter, all training must be noticed to the public and be open for the public's attendance. Other public boards hold their training in open session and it is rare for any media or public to attend.

1. Focused presentation for all Board members in a 1.5-2 day session to be held in San Francisco in April 2009. This option would provide the foundational basis for Board training for State Fund's current Board members at the earliest possible opportunity. Note, these sessions could be unbundled and structured for presentations as individual modules through webinars of 1.5-2 hours each over a set period of time though the public would need to be invited and the lines would be open for their participation. State Fund is evaluating whether this option is possible given the need for opportunity for the public to participate.

If possible, the webinar option should be considered as new Board members are appointed. If this option were chosen, the recommendation is to locate various providers from public accounting firms, law firms, universities or other qualified professionals. It is recommended the Board authorize State Fund to negotiate the most favorable terms and costs. If this option were chosen, it is expected to be the least expensive and under State Fund's competitive bidding threshold guidelines. Never-the-less, if so authorized, State Fund would request recommended training modules and cost from at least 3 providers. (Refer to **Attachment 1** for the Proposed Training Schedule with overview of the training objectives for each module.)

2. Each Board member could attend a specific conference event. This option would likely result in higher costs than option 1 because of the required travel, registration fees and attendance for longer durations. In addition, the events are structured as intense training for boards which immerse the participant in specific topics and/or several topics but they would not be all inclusive of the legislatively mandated training. This would likely result in needing to attend more than one conference event, or combining with Option 1 for select modules. This

approach would result in different perspectives which the Board may desire but could also have unintended consequences of misaligning the Board around a particular topic. Board members may attend the same conference events so long as they are careful not to conduct or be perceived as conducting State Fund business in violation of Bagley-Keene requirements. This option does not require posting to the public.

If this option were chosen, it is recommended that the Board authorize State Fund to receive Board member attendance records as self-reported or from the provider of the conference. (Refer to **Attachment 2** for Board Training Conferences in 2009.)

3. Engage a single provider who would develop and customize the training to cover all the legislatively mandated topics. This option most likely would trigger State Fund's competitive bidding process and, as such, if this option is chosen it is recommended that the Board authorize State Fund to proceed with a competitive bidding process and negotiate the most favorable terms and cost.

It is expected that this option would be the most expensive because the:

- (i) Scope of the training should consider the need to train the current Board as well as additional members as they are appointed, and
- (ii) Board may wish to add future training to the scope of work in order to have the complete cost of the training were this option selected.

This option, would take more time to engage a single provider because of the bidding process which would result in delaying the delivery until June at the earliest. This approach may not provide optimal diversity of thought, as there would be a single provider covering all topics, rather than identifying experts from the respective fields for the topics. This option could be more limiting for future training considerations on these topics. (Refer to **Attachment 3** for the Customized Training Provider Listing.)

Recommended Providers

State Fund recommends contacting the following caliber of providers to be considered for the Board Training:

Education Services

- ◆ UC Berkeley – Professors
- ◆ IMS-online (Institute for Management Studies)
- ◆ Stanford University – Executive Program

Financial Services

- ◆ Conning & Company
- ◆ Deloitte Touche Tohmatsu
- ◆ Ernst & Young
- ◆ KMPG
- ◆ Price Waterhouse Coopers

Law Firms

- ◆ Dewey & LeBoeuf
- ◆ Gibson, Dunn & Crutcher, LLP
- ◆ Locke Lord Bissell & Liddell LLP
- ◆ Manatt, Phelps & Phillips, LLP

Professional Associations

- ◆ ISACA – Information Systems Audit & Control Association

- ◆ IIA (Institute of Internal Auditors)
- ◆ PMI (Project Management Institute)
- ◆ ITGI (IT Governance Institute)
- ◆ AICPA (American Institute of Public Accountants)

Continuous Training

The Board should consider additional training that could be part of the Open Board and Committee meetings every other month or as stand-alone sessions through webinars. Please note: this would require public notice and opportunity for the public to participate in the training.

Compliance

It is recommended that the Board track the training and an update be provided to the Governance Committee regarding Board Member participant, training topic, provider, and date. The Training Report would be first presented at the May 2009 Governance Committee meeting, and then presented at September and November 2009 Governance Committee meetings.

Board of Directors – Proposed Training Schedule
1.5 → 2 day local approach
Month nn, 2009

DAY 1

- 8:30 to 9:00am** **Opening Comments/Agenda**
Speaker Name - TBD
 ♦ **What is State Fund?** History, Statutory Framework, Vision, and Public Mission
- 9:00 to 10:30am** **Insurance**
Speaker Name(s) – TBD
 ♦ **Overview of Industry**
 - Summary of Property & Casualty insurance; Distribution Channels
 ♦ **State Fund and the WC industry**
 - Other Providers; Market share; WC Associations
 ♦ **Regulatory Agencies**
 - Department of Insurance (DOI)
 - Workers' Compensation insurance Rating Bureau (WCIRB)
 - Workers' Compensation Appeals Board (WCAB)
 ♦ **Rates and Policy Forms**
 - How rates and forms are regulated
- 10:30 to 10:45am** **BREAK**
- 10:45 to 12:00pm** **Workers' Compensation Laws and Regulations**
Speaker Name(s) – TBD
 ♦ **Statutory**
 - Privacy, Gramm-Leach Bliley, etc
 ♦ **Regulatory**
 - California & NAIC
 ♦ **Case Law**
 - Important Decisions
- 12:00 to 1:00pm** **LUNCH**
- 1:00 to 2:30pm** **Board Duties, Obligations and Legal issues**
Speaker Name(s) - TBD
 ♦ **Board Form and Function**
 - Key Functions (Oversight, Compensation, etc)
 - Aligning the Board and Senior Management
 - Committee use to maximize Board productivity
 ♦ **Fiduciary Duties** (Care, Loyalty, and Disclosure)
 - Board Responsibilities – Impact of legislation, regulation, and litigation.
 - Director Vulnerability – New and raised expectations
 - Business Judgment Rule

Board of Directors – Proposed Training Schedule
1.5 → 2 day local approach
Month nn, 2009

2:30 to 3:45pm

Ethics

Speaker Name - TBD

◆ **Conflicts of Interest**

- Fair Political Practices Commission (FPPC)
- Gifting (meals, miscellaneous items, vacations, money, etc)
- Recusal rules and procedures

◆ **Board of Director Ethics**

- Fostering an ethical culture through leadership
- Improving communications and the Ethics investigation processes
- Audit of Ethics processes

◆ **SB1145 Requirements**

- Bagley-Keene Open Meeting Act
- California Public Records Act (CPRA)

3:45 to 4:00pm

BREAK

4:00 to 5:30pm

Corporate Governance

Speaker Name(s) – TBD

◆ **Enterprise Risk Management (ERM)**

- Best Practices for establishing strategy
- Integration of Governance with Risk Management
- Driving to a “risk awareness” corporate culture

◆ **Best Practices**

- Governance Committee role and responsibilities
- Governance in relationship to Compliance
- Minimum legal and financial policy oversight and reporting
- Emerging Requirements and Needs
- Audit Process

Board of Directors – Proposed Training Schedule
1.5 → 2 day local approach
Month nn, 2009

DAY 2

- 9:00 to 10:30am** **Finance and Investment**
Speaker Name – TBD
- ◆ **Investment**
 - Investment Committee role and responsibilities
 - Overview of Insurance Investment Laws and Regulations
 - Understanding Investment strategies in turbulent economic conditions
 - ◆ **Finance**
 - Reading the Financial Statements
 - Insurance Company Financial Statements
 - Not-for-Profit Tax Rules
 - ◆ **Audit Requirements**
 - Audit Committee role and responsibilities
 - Duties to third party auditors (external, DOI, and DOL)
- 10:30 to 10:45am** **BREAK**
- 10:45 to 12:00pm** **Information Technology**
Speaker Name – TBD
- ◆ **Overview of Information Technology today and in the future**
 - ◆ **IT Governance and Controls**
 - Compliance/Control Practices
 - Performance Metrics
 - ◆ **Privacy and Security**
 - Role of IT

POTENTIAL TRAINING PROVIDERS

Provider	Date	Cost	Topics
BOARD TRAINING PROVIDERS			
Directors' Consortium: Stanford Graduate School of Business , Palo Alto, California	February 23-27, 2009. Will be offered in subsequent years.	\$7,500 to \$8,700 pp for 3-4 day session	<p>Course Elements:</p> <p>(1) directors' roles and responsibilities in current corporate governance environment</p> <p>(2) frameworks and strategies for critical decisions about corporate strategy, CEO evaluation and succession, compensation, financial policy, and financial reporting</p> <p>(3) frameworks for legal and prudent strategies to navigate today's litigious environment.</p> <p>Optional Finance Day: Financial Accounting Foundations</p> <p>Optional full-day session at the beginning of the program provides foundation in finance and accounting basics to expand existing background or as concentrated refresher from a board-level perspective. Topics include basic accounting principles, such as the relationships among the balance sheet, the income statement, and the statement of cash flows.</p>
The Conference Board: The Mid-American Club, 200 E. Randolph Street, #80, Chicago, IL 60601	March 26, 2009	\$3,500 pp	<p>(1) Directors' Forum: Oversight & Ethics in a Time of Crisis: Preparing to meet challenges that arise focusing on oversight and monitoring in a changed environment, ethics, sustainability, and reputational risk. (1 hr 15m).</p> <p>(2) Compensation Committee: Compensating Executives During Economic Downturn. (1 hr 15m).</p> <p>(3) Recent Developments for Audit Committees: Oversight priorities for audit committees, interactions with auditors in financial reporting; preparation for IFRS, keys to committee effectiveness and efficiency; advance planning for unexpected crisis.</p> <p>(4) Sustainability and Governance for the Long Term: Creating long term prosperity and value. How to approach sustainability issues and the issues involved. (1hr 15m)</p> <p>(5) Enterprise Risk Management & Strategize Performance: Addressing concerns about quality of risk intelligence; board role in enterprise risk assessment; identifying chief risks companies face in today's business environment; making risk awareness part of corporate culture.</p> <p>(6) Improving Board Effectiveness: Board and committee evaluation tools; aligning board and senior management with long and short-terms company strategies; optimizing board and management working relationships; s</p> <p>(7) Director Liability and D&O Insurance: Protecting directors from liability and risk of loss; indemnification arrangements, D&O insurance policy coverage and exclusions; state of the D&O insurance markets. (1 hr, 15m).</p> <p>(8) Shareholder Forum. (1 hr, 15m).</p>
Harvard Business School Executive Education: The Ritz-Carlton, Half Moon Bay, California	March 30 to April 2, 2009	\$7,750 pp	<p>(1) Board Composition, Roles, and Responsibilities: Designing board structure; selecting directors; choosing the right number and type of outside directors; committee use to maximize board productivity and cooperation between board and management team; directors' legal responsibilities; enhancing board's role in strategic planning, goal setting, and initiating positive change; formulating external financial reporting and disclosure strategy; handling company opportunities or crises.</p> <p>(2) Effective Meetings, Informed Decision Making: identifying information and metrics enabling board to understand and monitor company strategy; structuring board/committee meetings; leading efficient dynamic, constructive board meetings.</p> <p>(3) Monitoring, Measurement, and Compensation: evaluating CEO performance and compensation; succession planning; evaluating board and its members; determining director compensation and stock ownership.</p>

POTENTIAL TRAINING PROVIDERS

Provider	Date	Cost	Topics
<p>UCLA Anderson School of Management: 110 Westwood Plaza, Los Angeles, California</p>	<p>May 18-20, 2009 and October 19-21, 2009</p>	<p>Day 1: \$1,295 Day 2-3: \$3,950</p>	<p>Day 1: <u>Day 1 Foundational Topics - Becoming a Director:</u> Current governance challenges; responsibilities of today's boards of directors; monitoring SEC reporting requirements; understanding director reporting & trading rules; building and leveraging effective board of directors; bulletproofing and documenting director actions; reviewing key accounting considerations.</p> <p><u>Program Core Days 2 & 3:</u> Involving board in corporate strategy; maintaining director and chair independence; globalization and governance; identifying, disclosing, and managing enterprise risk; detecting and preventing accounting fraud; managing mergers, acquisitions, joint venture, and alliances; ensuring effective audit, compensation, and nomination and governance committees; when social issues become strategic.</p>
<p>Director Training Academy ("DTA"), Ontario Canada: www.directortrainingacademy.com or call us at (519) 259-5296. DTA has developed a one day seminar and two-day program in director training to provide strategies and tools to assist directors in fulfilling their responsibilities to make informed board decisions.</p>	<p>Two (2) day course. Upcoming training dates not currently available.</p>	<p>\$1,979.25 pp</p>	<p>(1) <u>Module 1 – Board Structure and Responsibilities:</u> Board structure, mandate, protocol and responsibilities; Board information reports and communication; Requirements for Board training; committees and responsibilities; Ethics and social responsibility;</p> <p>(2) <u>Module 2 - Legal & Regulatory Requirements:</u> Incorporated v. unincorporated organizations; Directors legal responsibilities and liabilities; Indemnification issues; D&O liability insurance; Mitigating liability through risk management;</p> <p>(3) <u>Module 3 - Risk Management & Governance:</u> Governance in context of directors' responsibilities; Concepts of governance, risk assessment and risk management; Internal control systems supporting good governance; Best practices for risk management and governance; Ethic and conflicts of interest.</p> <p>(4) <u>Module 4 - Financial Reporting Oversight and Compliance:</u> Financial reporting and regulatory compliance requirements; Certification requirements: Internal control and risk assessment;</p> <p>(5) <u>Module 5 - Strategy & Planning:</u> Strategic planning and its benefits; Board's role in strategic planning; Strategic planning cycles, process and models.</p> <p>(6) <u>Module 6 - Communication:</u> Efficient and effective communications; Key uses of information flow; communicating in emergency circumstances; Effective communications in external Board and corporate public announcements;</p> <p>(7) <u>Module 7 - Ethics and Business Conduct:</u> Preparing, communicating and enforcing conflict of interest and ethics policies supporting good governance; Approaches and tools to enforce and monitor ethical practices; Importance of ethics in promoting positive corporate culture; Corporate ethical conduct in external relationships - community interaction, business reputation, media relations;</p> <p>(8) <u>Module 8 - Information Technology Governance:</u> Defining IT governance, its responsibilities/benefits; IT governance measurables; Best IT governance practices; IT security; Business continuity/disaster recovery.</p>
<p>Program includes course delivery, case studies and final examination leading to training certification. Interactive experience will challenge participants' business perspectives and enhance board participation.</p>			

POTENTIAL TRAINING PROVIDERS

Provider	Date	Cost	Topics
Corporate Compliance and Ethics Institute PLI (Practicing Law Institute) California Center, 685 Market Street, San Francisco, California 94105. (415) 498-2800.	April 30 to May 1, 2009	\$1,595 pp Group Disc 4 to 14.	(1) What Makes Compliance Program Successful: Key elements of a best practices compliance program - risk assessment, policies, training, documentation, auditing, Federal Sentencing Guidelines' definition, program enhancement with fewer resources; Ethics and compliance strategy and practices; Ethical underpinnings of compliance program (1 hr). (2) New Legal Issues and Hot Topics in corporate Compliance: Case update; Insights from Siemens case; Standards for director and officer liability; Prosecutors and compliance programs - standards of corporate prosecutions, attorney-client privilege waiver, deferred prosecution agreements; Rules for government contractors, Regulatory update; Records management, e-discovery and litigation (1 hr). (3) Compliance Risk Assessments: Design risk assessment to obtain highest value information; Who should be at table; Effective interview and fact gathering techniques; Assessing risks created by third party agents, suppliers, consultants; Avoiding risks identified, considering ethical consequences, legal privilege, litigation; Risk assessment hypotheticals (1 hr 15m). (4) Elements of an Effective Compliance Program: Codes of conduct, effective policy writing, certifications and questionnaires, creating policy content (1 hr). (5) Effective Communications and Training: Communication functions, compliance officer's communications and training, e-learning techniques, communication tools shaping a more ethical environment; budget sensitive training, "tone at the top," training hypotheticals (1 hr 15 min). (6) Program Structure and Partnering with Other Departments: Dealing with compliance violations, working with Communications and HR to create culture of ethics, Internal Audit and other department involvement, program structure best practices (1 hr). (7) Role of the Board: reporting procedures, oversight of compliance program and internal investigations, board training requirements (1 hr 15 min). (8) Dealing with Concerns through Investigation: managing help lines and dealing with whistleblowers, guidelines for internal and governmental investigations, adopting protocols to avoid risk, promoting compliance program to government investigators, maintaining attorney-client and other privileges (1 hr 15m). (9) Cross-Border Governance, Compliance & Regulatory Trends (1hr 15 min); (10) Effective Audits, Measuring Effectiveness of Compliance Program: role of Internal Audit, assess audit results, reporting and follow-up, privilege and other considerations, compliance metrics, ethics surveys, compliance issues and annual goal setting (1 hr 15m).
National Association of Corporate Directors ("NADC"), Laguna Beach, California	September 17- 18, 2009	\$3,500 pp (member) \$4,500 pp (non-member)	Curriculum Elements : Comprehensive 2-day course basic background for effective directorship. or (1) board evaluation and reign in current environment (2) director roles and responsibilities in contact of building board value (3) Audit committee quality, composition and performance (4) effective principles for evaluating executive compensation and managing CEO succession (5) directors' fiduciary duties (6) evolving director liability issues (7) how to scrutinize financials and spot red flags (8) framework for improving communications (9) what to ask independent auditors and outside consultants and when use of consultants appropriate (10) improve board effectiveness through governance practices in board evaluations, transparency and disclosure and right "tone at the top."

POTENTIAL TRAINING PROVIDERS

Provider	Date	Cost	Topics
Directors Forum (Corporate Directors' Forum at the University of San Diego): 5998 Alcalá Park, San Diego, CA 92110 (619) 260-4600	Last offered January 25-26, 2009. Courses available again in 2010	\$1,995 per person	<u>Course Topics:</u> (1) Shareholder Hot Topics (1 hr 15 min); (2) Do you know who your shareholders are? (1 hr 15 min) (3) The future of corporate governance in the next five years (1 hr 15 min) (4) IFRS Sound Principles (37 min) (5) Compensation - pay practices under fire (37 min) (6) Risk assessment and the questions directors should be asking (1 hr 15 min) (7) Selecting and training directors - role of governance and nominating committees (1 hr 15 min).
Corporate Directors Enterprise: Center for UC Berkeley Executive Education, Haas School of Business. Berkeley, California	April 6-7, 2009	\$2,000 pp	<u>Day One Course Topics:</u> (1) Duties of directors and effective board leadership (2) Sarbanes-Oxley and corporate governance rules (3) Effective crisis management (4) Director and executive recruiting and board composition (5) Litigation and director liability issues. <u>Day Two Course Topics:</u> (1) Audit committee (2) Compensation Committee (3) Corporate social responsibility and shareholder activism (4) Enterprise Risk management - the board's first priority (5) Succession planning
Kellogg School of Management: Northwestern University, James L. Allen Center, Evanston, Illinois	May 3-6, 2009 or December 6-9, 2009	\$8,950 pp	<u>Course Topics:</u> (1) <u>Improving Director's Financial Literacy:</u> Strategic understanding of inter-relationships of financial reports, Improve decision-making skills concerning disclosures, strategy formulation, and compensation; (2) <u>Corporate Governance:</u> Board organization and functions, Functions of important committees; (3) <u>Accounting and the Audit Function:</u> Duties of the audit committee, Dealing with internal and external auditors, and management, Case analysis of a recent audit failure; (4) <u>Corporate Finance and Capital Budgeting:</u> How investment decisions are made, Basics of mergers and acquisitions; (5) <u>Responding to Crises:</u> Strategic thinking and communication in high-stress situations, Scanning business practices for political and social risks, Managing stakeholders, public opinion, media relations, and public officials Integrating crisis management into overall business strategy; (6) <u>Group Interaction and Negotiation:</u> Getting your perspective "on the table," Strategies for resolving conflict, focusing on value creation and claiming, Important parameters of a negotiation, Strategies to influence other board members, Taking full advantage of the board's expertise; (7) <u>Compensation:</u> Roles, responsibilities and policy development of the compensation committee; (8) <u>Legal Liabilities and Corporate Law:</u> Fiduciary responsibilities, Directors and Officers insurance.

POTENTIAL TRAINING PROVIDERS

Provider Board Training Individual Topic Modules	Date	Cost	Topics
ETHICS MODULE Society of Corporate Compliance & Ethics, Planet Hollywood Resort & Casino, Las Vegas, NV	September 13-16, 2009	\$1,174 pp	Course Topics: (1) Compliance 101 - methods for implementing and managing compliance programs; (2) Risk assessments; (3) Managing FCPA Issues in Global Organizations/Due Diligence; (4) Measuring Program Effectiveness – What Works and What Doesn't; (5) Compliance Programs for Government and Municipalities; (6) Compliance Officers Roundtable; (7) Optimize Your Code of Conduct; (8) Conducting Internal Investigations; (9) Compliance 101 for Federal Contractors; (10) Privacy Officers Roundtable.
Corporate Compliance and Ethics Institute, PLI (Practicing Law Institute) California Center, 685 Market Street, San Francisco, California 94105. (415) 498-2800.	April 30-May 1, 2009	\$1,595 pp	(1) What Makes Compliance Program Successful :(1 hr); Group Disc (2) New Legal Issues and Hot Topics in corporate Compliance (1 hr) ; when booking 4 (3) Compliance Risk Assessments (1 hr 15 min); or more. (4) Elements of an Effective Compliance Program (1 hr); (5) Effective Communications and Training (1 hr 15 min) ; (6) Program Structure and Partnering with Other Departments (1 hr); (7) Role of the Board (1 hr 15 min); (8) Dealing with Concerns through Investigation (1 hr 15 min); (9) Cross-Border Governance, Compliance and Regulatory Trends (1hr 15 min); (10) Effective Audits, Measuring Effectiveness of Compliance Program (1 hr 15 min).
FINANCE MODULE Santa Clara University, Leavey School of Business, Santa Clara, California	March 10-11, 2009 June 9-10, 2009	\$975 pp	Finance and financial reporting for non-financial managers. Role financial information plays in resource allocation; function of financial reporting and environment in which it operates; key issues involving accounting for business combinations; how to read and analyze corporate financial statements; basic managerial and cost accounting terms and concepts; relationship among costs, volume, and profitability; identify the relevant costs in incremental decision making
National Association of Corporate Directors ("NACD"), Omni Shoreham Hotel 2500 Calvert Street, NW Washington, DC 20008	Oct. 18, 2009	\$1,645 pp	Scrutinizing Financial Statements Seminar: Details of financial statements and their analysis in order to monitor performance, challenge results, assess projected performance, and drive value creation. Review of both traditional accrual-based financial statements and analysis, as well as modified "economic" (cash-based) statements and analysis (7 hr)

POTENTIAL TRAINING PROVIDERS

Provider	Date	Cost	Topics
<p>Corporate Directors Enterprise: Center for UC Berkeley Executive Education, Haas School of Business. Berkeley, California</p>	<p>April 6-10, 2009 November 2-6, 2009</p>	<p>\$5,100 pp (Send 3 for cost of 2)</p>	<p><u>Financial Analysis for Non Financial Executives:</u> (1) Financial Insight: What past financial results reveal about your firm and your competitors - Linking business decisions and strategy to financial statements; Financial Statements - Income Statement, Balance Sheet, Cash Flow Statement; Financial Statement Analysis - Returns, Ratios, and Trends; Competitor Analysis - Strengths and weaknesses; Stock market response to financial results. (2) Financial Foresight: How to make decisions that maximize your firm's future profitability - Valuation, net present value, discounted cash flow, and cost of capital. Forecasting pro forma financial statements; Operating Leverage, cost allocation and capacity utilization; Evaluating investment projects and business opportunities; Decisions such as outsourcing, product mix, pricing, and capital budgeting; Valuing acquisitions and companies. (3) Financial Oversight: How to use financial tools to control operations and track your firm's current financial results - Evaluating business unit and managerial performance; Tracking customer and business segment profitability; Analyzing budget results and adjusting operations; Balanced Scorecards for long-run synergistic focus; Managing growth, productivity, and risks. (7 hr / day).</p>
AUDIT MODULE			
<p>KPMG Audit Committee Institute, Chicago IL http://www.kpmg.com/aci/events.asp</p>	<p>May/June 2009 June 25-26, 2009</p>	<p>Price not Set</p>	<p><u>Audit Committee Practices/Processes</u> <u>Upcoming Events:</u> Audit Committee Roundtable Series (Spring 2009) May/June 2009 Registration Details coming soon Audit Committee Fundamentals Save Date: June 25-26, 2009 Four Seasons Hotel, Chicago, IL Registration Details coming soon</p>

POTENTIAL TRAINING PROVIDERS

Provider	Date	Cost	Topics
Harvard Business School - Executive Education , Western Avenue, Boston MA	July 27-29, 2009 November 16-18, 2009	\$5,000 pp	<u>Course Topic: Audit Committees in a the New Era of Governance:</u> (1) Dealing with heightened demand for greater oversight and higher level of financial and accounting expertise. (2) Audit committees improving transparency for investors. (3) How to meet expectations for improved financial reporting and disclosure. (4) How to better manage their relationships with directors, corporate management, and internal and external auditors. (5) What should audit committee charters contain, and how can these committees be designed to fulfill their responsibilities?
UCLA Anderson School of Management , Los Angeles, California	May 20, 2009	\$395 pp	<u>Advanced Audit Committee Module:</u> (1) <u>The Basics - a Review of Roles and Responsibilities:</u> Audit committee reform - Sarbanes-Oxley recommendations; Stock Exchange Governance Listing Standards; PCAOB Auditing Standard No. 2; SEC Proposal Item 407 - increased disclosure. (2) <u>Beyond the Basics: Practices for Improved Effectiveness:</u> Risk intelligence, risk profiles, organizational risk, financial risks vs. financial reporting risks; Fraud risk factors and assessment, anti-fraud programs, monitoring activities; Assessing earnings quality - risk of restatement, "fuzziness" of financial reporting, continuum of earnings quality; Monitoring corporate culture - communicating the company code of ethics, board and senior management commitments, cultural risk assessment. (3) <u>Hard Lessons:</u> SEC overview - Sarbanes-Oxley 404 reporting; Recent enforcement actions and investigations; Top 10 reporting issues; Blocks to audit effectiveness. (2.5 hr)
National Association of Corporate Directors ("NACD") , Omni Shoreham Hotel 2500 Calvert Street, NW Washington, DC 20008	Oct. 28, 2009	\$1,570 pp	<u>Audit Committee Effectiveness Seminar:</u> (1) Examine principles of audit committee excellence to provide the necessary tools for practicing proactive risk oversight in both good times and bad. (2) Implementing the right standards for audit accountability ensures the corporation's viability is well-protected over time. (3) Review of leading practices for structure, member criteria, agenda-setting, risk oversight and execution. (7 hr)
INFO TECHNOLOGY MODULE KPMG Audit Committee Institute, Chicago IL http://www.kpmg.com/aci/it.asp#2007_it_governance	May/June 2009 June 25-26, 2009	Price not Set	<u>Exploring Audit Committee's Role in IT Governance</u> <u>Upcoming Events:</u> Audit Committee Roundtable Series (Spring 2009) May/June 2009 Registration Details coming soon Audit Committee Fundamentals Save Date: June 25-26, 2009 Four Seasons Hotel, Chicago, IL Registration Details coming soon

POTENTIAL TRAINING PROVIDERS

Provider	Date	Cost	Topics
Corporate Compliance and Ethics Institute, PLI (Practicing Law Institute) California Center, 685 Market Street, San Francisco, California 94105. (415) 498-2800.	June 1-2, 2009	\$1,595 pp	Privacy and Data Security Law Institute (Tenth Annual) - critical issues of information privacy, security and data protection. (1) Federal and state legislation, regulations and decisions regarding privacy and security. (2) International developments in data protection law and impact on U.S. companies. (3) Privacy in the workplace, workplace communications and monitoring. (4) Best practices in managing security breach risks. (5) Legislative developments in information security requirements. (6) Responding to government requests for information; Liability for privacy breaches. (7) Ethical and privilege issues for lawyers in using information technology. (8) Implementation of Red Flags Rules, identity management and online authentication. (9) Privacy law and evolving online data collection and marketing techniques. (10) Privacy and security law five years from now.
MIT Sloan School of Management , Cambridge, MA	March 30-31, 2009 July 13- 14, 2009 November 9-10, 2009	\$2,600 pp	<u>IT for the Non-IT Executive</u> Course Topics: (1) Context and Key IT Concepts & Managing the IT Portfolio (3.5 hr) (2) Business-IT Alignment IT Risk, Business Consequences (3.5 hr) (3) Sourcing Strategies for 21st Century Organizations IT Enabled Change: The Human and Cultural Dimension (3.5 hr) (4) How Top Performing Firms Govern IT, What Makes CIOs (and their units) Effective (3.5 hr)

Customized Training – Potential Provider Listing

Provider:	MIS Training Institute 498 Concord Street Framingham, MA 01702-2357 508-879-7999
Contact:	1) Anthony Belleza, Principle 2) Daniel Carney, Coordinator 508-532-3629 DCarney@mistin.com
Price:	\$10,000 to \$20,000
Comment:	Highly recommended by the executive officers, many of whom have attended previous training sessions with this firm. Mr. Belleza states that he has a library of written materials to supplement his presentation.
Provider:	The Directors Network, Inc. New York 212-754-3086 212-754-3087 Fax
Contact:	Stephanie Joseph, President 917-327-8000 (Cell) sjoseph@directorsnetwork.com
Price:	TBD
Comment	Associated with Deloitte and the Michigan Ross School of Business. Offers comprehensive training for Board of Directors
Provider:	The Conference Board, Inc. 845 Third Avenue New York, New York 10022-6679 212-759-0900 212-980-7814 (Fax)
Contact:	Paul DeNicola, Associate Director 212-339-0345
Price:	\$35,000 to \$38,000
Comment:	This is a membership organization that also provides services to non-members at higher prices. Membership fees start at \$10,000 for companies making \$1 billion per year, and rise from there. It offers comprehensive training.

Customized Training – Potential Provider Listing

Provider:	Practicing Law Institute 810 Seventh Avenue New York, New York 10019 800-260-4754 800-321-0093
Contact:	Larry Fleischman lfleischman@pli.edu
Price:	TBD
Comment:	This organization claims to be the world's largest provider of executive education. The "private Label" customized programs are directed toward very large audiences, typically on line. However, Mr. Fleischman indicated that our project could be outsourced to one of the many smaller training groups that he does business with.
Provider:	Stanford Directors Forum Stanford Graduate School of Business 518 Memorial Way Stanford, CA 94305-5015 650-723-3341 650-723-3950 (Fax)
Contact:	Clara Dye 650 387-7572 dyeclara@gsb.stanford.edu
Comment:	Also provides boot camp at \$7,500 each
Provider:	Harvard Business School Executive Education Morgan Hall 337 Soldiers Field Road Boston, MA 02163 617-495-6413 617-496-6413 (Fax)
Contact:	Professor Jay Lorsch 617-495-6413 jlorsch@hbs.edu
Price:	TBD
Comment:	The school provides customized training programs, but indicates it expects groups of between 50 to 70 participants. It also provides boot camps at \$7,750 each.

Customized Training – Potential Provider Listing

Provider:	Kellogg School of Management Executive Education James L. Allen Center 2169 Campus Drive Evanston, IL 60208-2800 847-467-7000
Contact:	Stephen Burnett, Associate Dean Of Executive Education 847-467—7000 Execed@kellogg.northwestern.edu
Price:	TBD
Comment:	The school offers customized training covering all of the subject areas we require
Provider:	UCLA – Anderson School of Business Collins Center for Executive Education 110 Westwood Plaza, Suite A101D Box 951464 Los Angeles, CA 90095-1464 310-206-7539
Contact:	Ron Richards 310-825-2356
Price:	TBD
Comment:	The school provides customized training programs, but usually for larger audiences. However, Mr. Richards seemed quite willing to work with whatever needs we have. The school also provides a 3 day boot camp for \$5,245.00.

GOVERNANCE COMMITTEE MEETING (OPEN)

AGENDA ITEM 8

ATTACHMENT 8-II

BOARD ORIENTATION MANUAL

PRESENTED BY: Jeanne Cain

March 12, 2009



Board of Directors Orientation Manual

March 13, 2009
v1.0

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Change Management Log

Date	Description	Resource
March 13, 2009	v1.0 Board Orientation Manual	Debra Yarger

Board Members

Biographies

JEANNE CAIN

Jeanne Cain serves as executive vice president of the California Chamber of Commerce where she oversees the development of public policy and strategy for issues such as transportation, water, energy, tax, litigation, education, employee benefits, and insurance.

Cain is also the Chair of the State Compensation Insurance Fund, a Board Member of both the Civil Justice Association of California and the Pacific Business Group on Health, and a member of the California Housing Consortium's Board of Governors.

Prior to coming to the Chamber, Cain was vice president of the American Insurance Association, where she led the association's western regional operations overseeing all state government affairs for the 10-state region. Before joining the association, Cain worked for four years as vice president of government relations for the California Chamber of Commerce serving as chief legislative advocate and specialist on health care issues. She has over 20 years of government experience that includes service in Governor Pete Wilson's administration as legislative secretary and deputy chief of staff, and deputy secretary of program and fiscal affairs and associate secretary of legislative affairs in the Health and Welfare Agency. Before accepting her appointment with the Wilson administration, Cain was the deputy director for administration and fiscal integrity at the Major Risk Medical Insurance Board.

In addition, Cain's job tenure included working for the California Department of Finance and for the Fiscal Committee of the California Assembly. Both positions required a strong working knowledge of the budget process, including bond financing.

Cain, of Rocklin, is a graduate of California State University, Sacramento with a Bachelor of Arts degree.

SHERYL CHALUPA

Sheryl Chalupa has served Goodwill Industries of South Central California as President and Chief Executive Officer since April 2001. Before joining Goodwill Industries, Chalupa served as Executive Director of Girl Scouts – Joshua Tree Council.

Chalupa holds a Master's Degree in Public Administration and a Bachelor's Degree in Political Science, both from California State University, Bakersfield. Additionally, she holds a Certificate in Nonprofit Management from Case Western Reserve University in Cleveland and is a Certified Executive with Goodwill Industries International.

With Goodwill Industries, Chalupa currently serves as a member of the Goodwill Industries International Board of Directors and Chair of the Goodwill Industries International Conference of Executives. Her involvement with the community includes membership in the Bakersfield Rotary Club and service on the boards of the Greater Bakersfield Chamber of Commerce, WESTEC (Westside Energy Services & Education Center), the CSUB Alumni Board, and CSUB Public Policy and Administration Advisory Board. In 2007, Governor Arnold Schwarzenegger appointed her to the State Compensation Insurance Fund Board of Directors.

A native of McFarland, Chalupa is married with three grown daughters, and one granddaughter.

JOHN DUNCAN

John Duncan, for the second time in his career, has been appointed Director of the California Department of Industrial Relations (DIR).

Duncan has had a distinguished career in both state and federal service including an appointment as special assistant to former U.S. Secretary of Defense, Caspar Weinberger. He assisted the Secretary in writing "Fighting for Peace," an autobiographical account of the Secretary's years at the Pentagon. In 1987, he received the Secretary of Defense Award for Outstanding Public Service. His current state government appointment - by Governor Arnold Schwarzenegger on August 9, 2007 - follows previous service to DIR that included chief deputy director and then DIR director from 1995 to 1999. From 1991, he was DIR deputy director of communications.

As DIR Director, Duncan oversees a department with 2,700 employees and a \$382 million budget. DIR is composed of eight divisions/programs including the Division of Labor Standards Enforcement (Labor Commissioner's Office) which enforces labor law in California, investigates wage claim disputes and discrimination complaints; the Division of Occupational Safety and Health (Cal/OSHA) which monitors safety and health in the workplace through standards enforcement, consultation assistance to employers and training programs; the Division of Apprenticeship Standards which administers California law governing standards for wages, hours, working conditions and the specific skills required for state certification at the journey level of apprentice able occupations; the Division of Labor Statistics and Research which publishes information on economic, employment, workplace safety and health statistics; and the Division of Workers' Compensation which monitors administration of workers' compensation claims and assists in resolving disputes over claims for workers' compensation benefits.

Duncan also serves as the administrator of apprenticeship and as an ex-officio member of the State Compensation Insurance Fund Board of Directors.

Prior to his current appointment, he was Chair of the Public Employment Relations Board (PERB) from March 2004 and was a member of Governor Schwarzenegger's transition team where he was charged with handling issues and personnel for the Labor and Workforce Development Agency. Duncan has also had significant private sector experience in labor and regulatory matters. He was president of Duncan Consulting, Inc. where he designed communications strategy for corporate, legal and governmental clients and specialized in navigating labor-related regulatory issues. He was also president and COO of Magnitude Information Systems, specializing in software and internet solutions for preventing workplace injuries, for several years.

As part of his federal service, Duncan was an assistant to the secretary at the U.S. Department of Defense and special assistant to the deputy assistant secretary of defense for International Security Affairs, East Asia and Pacific Affairs.

He is a graduate of the University of California, Berkeley, with a bachelor's degree in history and of Harvard University's John F. Kennedy School of Government with a master's in public administration. Duncan is a board member of the Yosemite National Institute and the immediate past president of the Industrial Relations Association of Northern California, and a former chair of the California Employment Training Panel.

VINCENT MUDD

Vincent Mudd, San Diego State University alumni, is the president and chief executive officer of San Diego Office Interiors, a business he has owned since 1994. Vincent, his wife Catherine, and their talented staff have built San Diego Office Interiors into an award winning office interiors firm.

Mudd and his team created *office intelligence*® a *turn-key* process that offers a unique and veritable one-stop service for companies that are building new offices, lab space or bank branches. As a general contractor, licensed design firm, low voltage sub-contractor, project management company, modular construction expert and a provider of ergonomic FF&E products, San Diego Office Interiors can take an empty shell and create, permit, build and furnish the entire facility – one stop – therefore saving San Diego Office Interiors customers more time and more money. Services include: LEED Certified interior design and planning, tenant improvement construction, voice, data and network infrastructure, construction management, furniture and equipment acquisition, and facility management services. Mudd believes that there is a nexus between sustainability, profit and productivity that can be best achieved by designing and building to LEED, LEAN and Six-Sigma standards. The business case is simple; sustainable planning, design, and construction can be accomplished easily; increases operational efficiency and will add money to your bottom line.

A master of creative options, bleeding edge ideas, and problem solving, Mudd leads San Diego Office Interiors in meeting the specific needs of each customer through delivery of its unique mix of products and services.

Mudd's deeply rooted principles of commitment, trust and the empowerment of people shine through not only in the day-to-day operations and management of his successful business, but also in his civic leadership and community activities. Governor Schwarzenegger appointed Mudd to the State Compensation Insurance Fund Board of Directors in 2004, the largest workers' compensation insurer in the world. He also holds executive board positions with the San Diego Regional Chamber of Commerce, the San Diego Regional Economic Development Corporation, the American Red Cross, the YMCA, the Campanile Foundation at San Diego State University, the Workplace Alliance, San Diego's Healthcare Coalition, KPBS Financial Advisory Committee, Big Brothers & Big Sisters, and is a member of the City of San Diego Charter Review Committee as well as a member of San Diego's largest Rotary Club - Rotary Club 33.

Mudd received the "Most Admired Company" award by the Office Furniture Dealer Alliance, has been honored as "Man of the Year" by Big Brothers and Big Sisters, and was inducted into the Junior Achievement "Business Hall of Fame." He was also awarded the "Healthcare Industry Supporter of the Year" by UCSD. In 2007, Vincent and San Diego Office Interiors won Ernst & Young's Entrepreneur of the Year Award in Consumer & Business Products and were inducted into the National Hall of Fame in the Real Estate and Construction Category.

FRANK QUINLAN

Frank Quinlan, of Corona del Mar, was appointed by Governor Arnold Schwarzenegger to State Fund's Board of Directors in October 2007.

Quinlan earned a Juris Doctorate from Southwestern University, Los Angeles and a Master of Laws (in taxation) from Boston University. Since 1982, Quinlan, admitted to practice law in California and Colorado, has served as a (founding) partner in the law firm Kester & Quinlan, L.L.P. From 1979 to 1982, Quinlan was a special agent for the Federal Bureau of Investigation. He served in the United States Marine Corps Reserve from 1970 to 2002 and retired as a brigadier general.

Quinlan has served as a proud member of the Board of Trustees of the Marine Corps University Foundation; Marine Corps Reserve Officers Association; Society of Former Special Agents FBI; the University of California-Irvine School of Social Ecology Associates; the Attorney-Client Relations Committee of the Orange County, California Bar Association; and the Corona del Mar, California High School Foundation.

DANIEL CURTIN

Daniel Curtin, Director of the California Conference of Carpenters and Chairman of the Industrial Welfare Commission was appointed by Governor Arnold Schwarzenegger to the State Fund Board of Directors in January 2009. He also serves as a member of the Board for the California Economic Development Commission.

Curtin has worked for the California Conference of Carpenters where he has served as Director since 2001, and previously served in the same position from 1992 to 1999. From 1999 to 2001, Curtin was the Chief Deputy Director for the Department of Industrial Relations

With 25+ years of labor experience as an organizer and advocate, Curtin also holds a Bachelor's of Science degree from City College of New York, and resides in Carmichael, California.

MICHAEL MACHADO

Former State Senator Michael Machado represented San Joaquin, Yolo, Solano, and parts of Sacramento County in the Legislature from 1994-2008. During his tenure in the Legislature his expertise focused in the areas of the state budget, water, finance and taxation, and oversight of state agencies.

Machado's notable legislative initiatives included Proposition 13, Safe Drinking Water, Clean Water, Watershed Protection and Flood Protection Bond, finance and mortgage reform to address the foreclosure crisis (SB1137), improved flood control (SB5), and Central Valley air quality (SB999). He chaired the Senate Committee on Banking, Finance, and Insurance, and the Budget Subcommittee on Budget and Fiscal Review of State Agencies. He also served on the Natural Resource and Water committee, and the committee on Revenue and Taxation.

With an undergraduate degree in Economics from Stanford University, and a master in Agricultural Economics from the University of California at Davis, Machado also served in the United States Navy during the Vietnam conflict. Prior to entering the Legislature, he served on the board of a Fortune 500 California Food Processor.

In addition, Machado owns and operates a family farm in Linden. He and his wife reside in Linden, and have three children.

STEVE RANK

Steve Rank is the Director of Western Region for the Ironworker Management Progressive Action Cooperative Trust (IMPACT) and resides in Roseville, California. Rank is a graduate of Central Missouri State University with a Bachelor of Science in Construction Engineering Technology.

In 1990, Rank was the National Safety Director for the Ironworking Contractors Insurance Program, a captive insurance company developed for high risk ironworking contractors. He was appointed to the Occupational Safety and Health Administration (OSHA) Steel Erection Negotiated Rulemaking Advisory Committee for the revision of the Federal OSHA Subpart R Steel Erection Standard. Rank successfully developed a series of training modules on steel erection, precast concrete erection, and reinforcing steel installation for the National Iron Workers Training Fund and the NEA - The Association of Union Constructors.

Rank worked with labor and management representatives in California in 2002, to develop the California Ironworkers Collectively Bargained Workers Compensation Program. He helped to facilitate alliance agreements with the American International Group, SeaBright Insurance Company, Old Republic Construction Program Group, and Zurich Construction to improve claims administration, safety performance, and underwriting qualifications for California employers and workers. In 2003, California Governor, Gray Davis, appointed Rank (as a labor representative) to serve as Chairman of the California Occupational Safety and Health Standards Board. Governor Arnold Schwarzenegger reappointed Rank to the California Occupational Safety and Health Standards Board, in 2007.

State Fund Background

History

About State Fund

Established by the California Legislature in 1914, State Compensation Insurance Fund is a self-supporting, non-profit enterprise that provides workers' compensation insurance to California employers at cost with no financial obligation to the public.

State Fund adjusters, professional loss control representatives, and industrial hygiene and ergonomics specialists are located in offices throughout the state. Our employees provide full services for employers and their injured workers and work to keep costs down. More than 200 employer associations offer coverage through State Fund.

State Fund has become a model for the industry and other states by stressing stability, offering coverage at cost, and providing required benefits promptly and fairly. Today's emphasis on customized loss control services, medical cost management, and anti-fraud efforts has found a ready audience among California employers looking to get the maximum value for their workers' compensation dollar.

Red-Letter Dates, Plus a Few Notable Events

1911 - Employers seek protection from injury-related litigation, and workers seek assurance of financial support while recovering from work-related injuries. As a result, reformers adopt the Roseberry Act, a voluntary workers' compensation plan. But few employers opt into the system, leading to calls for stronger laws.

1913 - The Legislature passes the Boynton Act, which creates a no-fault workers' compensation system and mandates that all employers (with a few exceptions) provide such coverage for their employees. Among its many provisions, the Act establishes a "minimum rate" law to ensure that premiums charged will be sufficient to provide financial stability for the system.

1914 - State Compensation Insurance Fund, established by the Boynton Act, opens its doors at 525 Market Street in San Francisco. Its mission is to provide an available market for workers' compensation insurance at fair rates, and to serve as a model for all carriers. In accordance with the Boynton Act, State Fund provides coverage at cost while remaining self-supporting. Though the Act appropriates \$100,000 to launch the organization, State Fund never uses any of that seed money. Nevertheless, State Fund finishes its first year with \$547,161.24 in premium.

1915 - The Industrial Accident Commission recommends the hiring of a traveling medical inspector to "diminish the abuse, now frequent, of over-stay in hospitals" by injured workers. These over-stays, often on the advice of doctors, are causing increased costs.

1918 - State Fund's overhead costs equal 11.79 percent of net premiums received. Meanwhile, as several State Fund employees leave work to fight in World War I, management solicits replacement office workers aged 16 to 20 for a monthly salary of \$40.

1922 - Management issues a memo to State Fund department heads noting that staff members are using an average of 43 pencils each per year. Subsequently, to control skyrocketing costs, each employee receives only two pencils at a time, and submits stubs of used pencils before receiving replacements.

1929 - The Legislature increases the maximum weekly indemnity payments for an injured worker from \$20.83 to \$25.00. In the event of a work-related death of a worker with no dependents, a carrier must not only pay \$150 in funeral expenses but also contribute \$300 to a fund that the Industrial Accident Commission manages. The Insurance Commissioner orders a 4.1 percent rate increase to offset these new costs.

1933 - The State of California announces it has insufficient funds to meet current disbursements, and that it will issue interest-bearing warrants in lieu of checks. However, State Fund continues to make timely payments to injured workers, medical providers, and policyholders, as well as salary payments to its own employees.

1935 - At the height of the Great Depression, 18 private workers' compensation insurance carriers suffer insolvency, and approximately \$2 million in industry claims go unpaid. State Fund, however, continues to pay benefits timely

1939 - Rates are reduced 8.8 percent. State Fund now employs 475 people, of whom 349 work out of the San Francisco office and 126 are based in Los Angeles.

1945 - New legislation creates a Board of Directors for State Fund, moving it further away from direct State administration.

1952 - Mutual Insurance Agents of California passes a resolution calling on Governor Earl Warren to prohibit State Fund from issuing any policy unless the risk first receives declinations from two private carriers.

1955 - State Fund announces the creation of an Electronic Data Processing Study Team to determine whether this new technology can be integrated into the Fund's processes. As a result of this study, State Fund purchases an IBM 702 four years later.

1960 - State Fund moves into its new Home Office at 525 Golden Gate Ave., San Francisco. Built for \$4.3 million, the facility will house 500 State Fund employees in its top five floors and lease the bottom two floors to tenants.

1965 - State Fund begins dispersing claims-adjusting duties to District Offices in order to bring services "much closer to the persons to be served."

1968 - State Fund "flattens" its organizational structure by giving increased authority to District Managers.

1972 - State Fund exchanges a parcel of property it owns at 11th and Market Streets for a lot at 9th and Market in San Francisco.

1977 - State Fund moves into its newly completed, 16-story Home Office building at 9th and Market Streets.

1989 - The Legislature adopts reforms designed to reduce medical and legal expenses.

1993 - Governor Pete Wilson signs a new round of reforms to reduce costs and curb abuse of workers' compensation. The legislation repeals the minimum-rate law, effective in 1995. The new "open rating" plan sets off a period of intense competition among private insurers. While other carriers slash rates to below cost to win increased market share, State Fund maintains adequate rates. As a result, many thousands of employers leave State Fund to obtain lower-priced policies from private carriers.

1996 - As part of his Competitive Government Initiative, Governor Wilson commissions a consulting actuary firm to study the feasibility of "privatizing" State Fund. The business community roundly denounces privatization, and the governor abandons the proposal.

2003 - As result of the severe under pricing since 1995 spurred by open rating, 28 private carriers have either suffered insolvency or have stopped writing workers' compensation policies in California. Fulfilling its constitutional mandate to provide an available market, State Fund writes policies for many thousands of employers unable to find coverage elsewhere.

2004 - State Fund marks its 90th year of providing workers' compensation insurance -- and only workers' compensation insurance; in California -- and only in California.

2005 - State Fund establishes an enhanced Medical Provider Network (MPN) to comply with 2004 reform provisions. New MPN is designed to enhance access to medical treatment for injured workers and reduce medical treatment costs for employers. Over 10,000 health care providers at 10,000 facilities become part of MPN.

2006 - Competition returns to California's workers' comp market as savings from 2004 reform materialize. State Fund begins to shed market share, increases reserves and surplus and strengthens financial position.

Board of Directors launches thorough internal review of operations and management operations.

State Fund continues to focus on enhancing services and products. E-service tool "State Fund Online" is launched to give brokers, policyholders and group administrators 24/7 on-line access to claims and policy information.

Two members resign from State Fund's board over conflict of interest concerns.

2007 – Board of Directors appoints first State Fund President and CEO from private industry.

California Department of Insurance (CDI) reviews State Fund operations and provides recommendations. State Fund begins transformative change as it strengthens corporate governance and focuses on improving transparency and accountability within the organization.

State Fund expands a broad and popular employer education and outreach program that delivers hundreds of free health and safety seminars to employers throughout California.

2008 – Legislature passes State Fund governance laws that expand the Board of Directors, creates additional exempt executive positions and makes State Fund subject to California Public Records and Bagley-Keene Opening Meeting Acts.

State Fund opens a new “green” campus facility in Vacaville showcasing sustainable resources and cost effective innovative technology to help reduce energy consumption, shrink carbon footprint, and introduce more environmentally friendly practices into the workplace.

State Fund establishes Public Record Office to respond to public’s requests for information.

Board of Directors holds its first public meeting in November under the Bagley-Keene Open Meeting Act.

Authority to Exist

Constitutional

The California Constitution in Article XIV, Section 4, specifically provides authority for State Compensation Insurance Fund. The complete text is cited on the attached page, but the provisions significant to State Fund are that it is the express and binding social public policy that:

- The Legislature was expressly vested with plenary power, unlimited by any provision of the Constitution, to create, and enforce a complete system of workers' compensation that includes adequate provisions for the comfort, health and safety and general welfare of injured workers irrespective of the fault of any party;
- The complete system includes full provision for adequate insurance coverage against liability to pay or furnish compensation to injured workers;
- Full provision for regulating that insurance coverage in all aspects, including the establishment and management of a state compensation insurance fund;
- An administrative body with all the requisite governmental functions will be vested with the power, authority and jurisdiction to determine any dispute or matter arising under the workers' compensation system;
- Substantial justice in all cases shall be accomplished expeditiously, inexpensively, and without encumbrance;
- All the provisions for a complete system of workers' compensation may be combined in one statutory scheme; and
- Ratification and confirmation of the creation and existence of the state compensation insurance fund and all the functions vested in it.

CALIFORNIA CONSTITUTION
ARTICLE XIV, Section 4

“The Legislature is hereby expressly vested with plenary power, unlimited by any provision of this Constitution, to create, and enforce a complete system of workers' compensation, by appropriate legislation, and in that behalf to create and enforce a liability on the part of any or all persons to compensate any or all of their workers for injury or disability, and their dependents for death incurred or sustained by the said workers in the course of their employment, irrespective of the fault of any party. A complete system of workers' compensation includes adequate provisions for the comfort, health and safety and general welfare of any and all workers and those dependent upon them for support to the extent of relieving from the consequences of any injury or death incurred or sustained by workers in the course of their employment, irrespective of the fault of any party; also full provision for securing safety in places of employment; full provision for such medical, surgical, hospital and other remedial treatment as is requisite to cure and relieve from the effects of such injury; full provision for adequate insurance coverage against liability to pay or furnish compensation; full provision for regulating such insurance coverage in all its aspects, including the establishment and management of a state compensation insurance fund; full provision for otherwise securing the payment of compensation; and full provision for vesting power, authority and jurisdiction in an administrative body with all the requisite governmental functions to determine any dispute or matter arising under such legislation, to the end that the administration of such legislation shall accomplish substantial justice in all cases expeditiously, inexpensively, and without encumbrance of any character; all of which matters are expressly declared to be the social public policy of this State, binding upon all departments of the state government.

The Legislature is vested with plenary powers, to provide for the settlement of any disputes arising under such legislation by arbitration, or by an industrial accident commission, by the courts, or by either, any, or all of these agencies, either separately or in combination, and may fix and control the method and manner of trial of any such dispute, the rules of evidence and the manner of review of decisions rendered by the tribunal or tribunals designated by it; provided, that all decisions of any such tribunal shall be subject to review by the appellate courts of this State. The Legislature may combine in one statute all the provisions for a complete system of workers' compensation, as herein defined.

The Legislature shall have power to provide for the payment of an award to the State in the case of the death, arising out of and in the course of the employment, of an employee without dependents, and such awards may be used for the payment of extra compensation for subsequent injuries beyond the liability of a single employer for awards to employees of the employer.

Nothing contained herein shall be taken or construed to impair or render ineffectual in any measure the creation and existence of the industrial accident commission of this State or the state compensation insurance fund, the creation and existence of which, with all the functions vested in them, are hereby ratified and confirmed.”

Statutory

The following Insurance Code sections relate specifically to State Fund:

- 11770 – State Fund is continued in existence, to be administered by its board of directors, for purpose of transacting workers' compensation insurance, including insurance against the expense of defending any suit for serious and willful misconduct against an employer or his/her agent.
- 11771 – State not liable beyond assets of State Fund for any obligations in connection therewith.
- 11771.5 – Any advertising of State Fund shall include the following disclaimer: "The State Compensation Insurance Fund is not a branch of the State of California."
- 11773 – The Fund shall be organized as a public enterprise fund.
- 11774 – Assets of the fund shall be applicable to payment of losses sustained on account of insurance and to payment of salaries and other expenses charged against it.
- 11775 – Fund shall be fairly competitive with other insurers, and it is intent of Legislature that Fund shall ultimately become either more or less than self-supporting.
- 11778 – Fund may transact workers' compensation insurance to the same extent as any other insurer. Fund is subject to powers and authority of Insurance Commissioner to same extent as any other insurer, except where specifically exempted.
- 11781 – Principal office of State Fund is located in San Francisco.
- 11781.5 – State Fund may acquire and own real property for a branch office in Los Angeles, and may construct suitable buildings on it.
- 11783 – State Compensation Insurance Fund may sue and be sued, enter into contracts and obligations, and invest moneys belonging to the Fund.
- 11873 – Except as specifically included, State Fund shall not be subject to the provisions of the Government Code applicable to State Agencies generally and collectively.
- 11873 (c) – Positions funded by State Fund are exempt from any hiring freezes and staff cutbacks otherwise required by law.

Relationship with Other State Agencies

State Agencies

California Department of Insurance (CDI)

The CDI is the state regulatory agency with authority over how the insurance industry conducts business within California. It exercises regulatory authority in the areas of enforcement, consumer protection, licensing, criminal investigations, certificates of authority, conservation and liquidation, rate regulation, and financial surveillance.

Commission on Health and Safety and Workers' Compensation (CHSWC)

CHSWC is a joint labor-management body created by the workers' compensation reform legislation of 1993, and is within the DIR. The Commission has equal representation with the Chair changing every year to labor or management. It is charged with overseeing the health and safety and workers' compensation systems in California, and recommending administrative and/or legislative modifications to improve their operation.

Statutory basis:

Labor Code Sec. 77 (a): "The commission shall conduct a continuing examination of the workers' compensation system, as defined in Section 4 of Article XIV of the California Constitution, and of the state's activities to prevent industrial injuries and occupational diseases."

Department of Industrial Relations (DIR)

The Department of Industrial Relations was established to improve working conditions for California's wage earners, and to advance opportunities for profitable employment in California. The DIR reports to the Secretary of California's Labor and Workforce Development Agency, a component of the Executive Branch of California government. State Fund is a division of the DIR.

Statutory basis:

Labor Code Sec. 56: "The work of the department [DIR] shall be divided into at least six divisions known as the Division of Workers' Compensation, the Division of Occupational Safety and Health, the Division of Labor Standards Enforcement, the Division of Labor Statistics and Research, the Division of Apprenticeship Standards, and the State Compensation Insurance Fund."

Labor Code Sec. 57.5: "All duties, powers, and jurisdiction relating to the administration of the State Compensation Insurance Fund shall be vested in the Board of Directors of the State Compensation Insurance Fund."

Division of Workers' Compensation (DWC)

The Division of Workers' Compensation is a division of the DIR. It monitors the administration of workers' compensation claims, and provides administrative and judicial services (through the Workers' Compensation Appeals Board) to assist in resolving disputes that arise in connection with claims for workers' compensation benefits. The DWC mission is to minimize the adverse impact of work-related injuries on California employees and employers. The DWC routinely audits claims of workers' compensation insurers, including State Fund. State Fund attorneys often appear before the Workers' Compensation Appeals Board as part of the claims adjudication process.

Statutory basis:

Labor Code Sec. 111 (a): "The Workers' Compensation Appeals Board, consisting of seven members, shall exercise all judicial powers vested in it under this code. In all other respects, the Division of Workers' Compensation is under the control of the administrative director..."

Department of Personnel Administration (DPA) and State Personnel Board (SPB)

California's state government personnel functions are split between the DPA and the SPB. Prior to the creation of DPA in 1981, SPB was the sole personnel agency in the executive branch. DPA represents the Governor as the "employer" in all matters pertaining to California State personnel employer-employee relations including salaries and benefits, job classifications, and training, determined through the collective bargaining process for most employees under the Ralph C. Dills Act. The mission of the State Personnel Board (SPB) is to provide an innovative, merit-based civil service system that fosters a talented and diverse state workforce to provide premier public service to all Californians.

Quasi-State Agencies

Workers' Compensation Insurance Rating Bureau (WCIRB)

The WCIRB is a California unincorporated, nonprofit association comprised of all companies licensed to transact California workers' compensation insurance in California, and State Fund is a member. The WCIRB is a licensed rating organization and the designated statistical agent of the California Insurance Commissioner.

Statutory basis:

Insurance Code Sec. 11750.3: "A rating organization may be organized pursuant to this article and maintained in this state for the following purposes: [t]o provide reliable statistics and rating information with respect to workers' compensation insurance and employer's liability insurance...to collect and tabulate information and statistics for the purpose of developing pure premium rates to be submitted to the commissioner for issuance or approval...to formulate rules and regulations in connection with pure premium rates and the administration of classification and rating systems...to inspect risks for classification or rate purposes...to initiate test audits of insured employer's payrolls and insurer's audits of those payrolls..."

Trade Associations

American Association of State Compensation Insurance Funds (AASCIF)

AASCIF is an association of workers' compensation insurance companies from 27 different states, plus 10 workers' compensation boards in Canada. State Funds, collectively, have a mission that is forthright and clear: to take a position of leadership in the provision of service to employers and injured workers and in the reformation and improvement of workers' compensation. State Fund is a participating member of AASCIF.

California Workers' Compensation Institute (CWCI)

CWCI is a private, nonprofit organization of insurers licensed to write workers' compensation in California, as well as public and private self-insured employers, who serve as associate members. The primary function of CWCI is to generate reliable, objective data that can be used to identify and monitor system-wide trends, assist members in assessing their own operations, and to analyze key issues of interest to the workers' compensation community and public policymakers. State Fund is a member of CWCI.

Executive Committee

Organization Chart

(Refer to Appendix, Exhibit A – Organizational Chart)

Roles and Responsibilities

Chief Executive Officer/President (CEO)

- Act as a liaison between the Board of Directors and the organization.
- Appoint the Executive Vice Presidents and Vice Presidents.
- Approve all long-term investments.
- Approve all legislative positions.
- Assures the organization and its mission, programs, products and services are consistently presented in strong, positive image.
- Leadership role through membership on the Governing Committee of the Workers' Compensation Insurance Rating Bureau and the California Workers' Compensation Institute.

Executive Vice President (EVP)

- Serve as a communication link between the Executive Committee and the programs they serve.
- Act on behalf of the President as required.
- Monitor the fiscal condition of the State Fund by integrating information concerning reserves, projected expenses, earnings, losses, cash flow and other financial management information for the effective corporate fiscal planning and control.
- Monitor assigned programs for the achievement of planned results and compliance with policy, guidelines, and standards.

Chief Financial Officer (CFO)

- Oversees all company accounting practices, including accounting departments, preparing budgets, financial reports, tax, and audit functions.
- Directs financial strategy, planning and forecasts; conferring with president, VP of sales and department heads.
- Supervises investment and raising funds for business.
- Studies, analyzes and reports on trends, opportunities for expansion and projection of future company growth.

General Counsel (GC)

- Serve as Secretary to the Board of Directors.
- Provide legal counsel, preventative legal guidance and advice, and services in all matters pertaining to the practice of law.
- Assist in the preparation and review of agendas for Board meetings.
- Perform special functions as requested by the Board of Directors.

Chief Information Officer (CIO)

- Responsible for the information technology and computer systems that support enterprise goals.
- Proposes the information technology an enterprise will need to achieve its goals and then works within a budget to implement the plan.
- Involved with analyzing and reworking existing business processes, with identifying and developing the capability to use new tools, with reshaping the enterprise's physical infrastructure and network access.

Chief Operating Officer (COO)

- Oversee and manage all aspects of the day-to-day operations and monitors performance against goals.
- Develop and administer operational and administrative policies, standards and practices.
- Develop and administer financial systems and effective internal controls including budget setting and tracking, expenditure approvals processes, record-keeping and reporting, and the preparation of accurate and timely monthly financial statements.
- Ensure compliance with any and all requirements for funders and regulatory bodies.

Chief Risk Officer (CRO)

- Enables the efficient and effective governance of significant risks, and related opportunities, to a business and its various segments.
- Accountable to the Executive Committee and The Board for enabling the business to balance risk and reward.
- Ensure that the organization is in full compliance with applicable regulations.

Chief Investment Officer (CIN)

- Responsible for a company's investment tactics and strategy.
- Leading and supervising a company's investment team that may include analysts, traders, brokers, research team, and portfolio managers.
- Take decisions for special deals, and ensure that the risks arising from such deals are within the policy framework of the company.

Biographies

JANET D. FRANK, President/CEO

Janet Frank joined State Fund as President, CEO and member of the Executive Committee on October 8, 2007.

She came to State Fund from CNA Financial - the fifth largest insurance firm in the country - where she had worked since 2001. At CNA Financial, Frank served as the Executive Vice-President of North American Field Operations which included four U.S. regions and Canada. Her responsibilities included field operations, risk control and distribution. Under her guidance, these operations generated more than \$6.5 billion.

Prior to that, Frank was the Vice President of underwriting; financial and actuarial; and underwriting services at the St. Paul Companies. She also held a regional vice president role in the St. Paul Companies.

Frank began her career in the insurance industry with Reliance Insurance where she held various positions. This was followed by her tenure at both Chub and Fireman's Fund where she advanced with increasing management responsibilities.

Throughout her career in the insurance industry, Frank has demonstrated an impressive track record of results and capabilities for strategic planning and process improvement – all of which make her a tremendous asset to State Fund. In addition, her strong leadership skills, style, and experience are key advantages.

Frank received her Executive MBA from the University of Denver's Daniels School of Business. She also completed the Advanced Executive Education Program at the Wharton School of Business at the University of Pennsylvania.

Responsibilities

As Chief Executive Officer, Frank reports directly to the Board of Directors and is responsible for day-to-day operations of State Fund.

CAROL NEWMAN, General Counsel

Carol Newman has served as General Counsel and Corporate Secretary for State Fund since Oct. 2008 and Nov. 2008, respectively.

She has more than 25 years of high-level corporate legal, regulatory and compliance experience with private insurance companies. Immediately prior to joining State Fund, Newman was Of Counsel and a Member of the Insurance Regulatory Practice Group with Sonnenschein Nath & Rosenthal, LLP. Newman served as Vice-President and Associate General Counsel for Fireman's Fund Insurance Company from 1998-2007 leading strategic legal initiatives and acting as chief counsel at various times to corporate and extra-contractual litigation, underwriting, marketing, information technology, finance, human resources and discontinued operations.

Newman began her career in the insurance industry as an attorney for RLI Corp in 1983. The following year she rose to the position of General Counsel and Corporate Secretary. Prior to this position, she served as an Assistant State's Attorney in Peoria County, Illinois and as a public service attorney representing tenants in subsidized housing.

From 1986-1998, she served as General Counsel for Interstate National Corporation and quickly added responsibility as Senior Vice President and Corporate Secretary where she was principal legal advisor to the Board of Directors, President and Senior Executives. While at Interstate she established the Legal Department and was responsible for corporate compliance, regulatory and government affairs and was head of Human Resources for ten years developing and implementing new human resources strategies.

Newman received a Bachelor's degree in Social Work and her Juris Doctorate degree from the University of Illinois. She has completed one year of an MBA program from Bradley University and has participated in numerous training opportunities throughout her career. She has presented on a variety of insurance regulatory topics and has testified before state and federal administrative hearings. Newman is licensed to practice in California and Illinois.

Responsibilities

As General Counsel and Corporate Secretary, Newman is responsible for all State Fund legal issues including providing counsel and guidance to the Board on governance and compliance matters which encompasses providing legally compliant documentation for all Board and Committee Meetings. In addition, she is responsible for providing legal counsel and guidance to ongoing operations through her leadership and management of the Legal Department regarding State Fund's legal rights, duties and obligations under law, regulation and policies established by the Board and President. Newman has an administrative reporting relationship with the Senior Vice President of Internal Affairs who oversees Internal Audit, Fraud, Privacy and Public Records Office. Newman reports directly to the Board of Directors with an administrative reporting relationship to the President and CEO.

HARRISON JEROME, Chief Operating Officer

Harrison Jerome, Chief Operating Officer was appointed a member of the executive committee in 2007.

Jerome joined State Fund in 1981 as an underwriter in the Fresno District Office. In 1985 he became a loss control consultant and four years later became the Assistant Claims Manager for the Fresno Claims Department. In addition to his management duties, Jerome served as the district's fraud liaison. Working closely with the Fresno County District Attorney's Office, Jerome played a key role in State Fund's first fraud conviction in Fresno County.

In 1996 Jerome was promoted to Field Services Manager, and in 2001 advanced to Manager of State Fund's Claims Processing Center.

Jerome received his Bachelor of Arts degree in Economics from California State University, Fresno.

Responsibilities

As COO, Jerome is responsible for the oversight of all operational aspects of the organization to insure that State Fund has the proper operational controls, administrative and reporting procedures to insure financial strength and operating efficiency.

LINDA HOBAN, President – Field Operations South

Linda Hoban serves as President, Southern California Field Operations and was first appointed to the Executive Committee in January 2007.

She began her career with State Fund in 1979 as an auditor in the Ventura District Office. Hoban then moved to Claims in 1983. She quickly became an expert in claims and was subsequently promoted to Assistant Claims Manager in the Woodland Hills office in 1986.

In 1991, Hoban was promoted to Claims Manager of the West Los Angeles District Office. Four years later she was appointed Medical Manager for Claims/Rehabilitation.

Hoban has served on a variety of task forces that involve healthcare-related issues and claims department structure. She played an instrumental role in the design and development of the State Fund-Kaiser Permanente Alliance. Between 1995 and 2001, Hoban was responsible for the operation and evaluation of the Alliance Program as well as the development of other managed care products.

In December 2001, Hoban was promoted to Program Manager of the Glendale Claims Adjusting Center.

Hoban earned a Bachelor of Arts degree in English literature from Rutgers University.

Responsibilities

As the President of Southern California Field Operations, Hoban leads a team of regional Vice Presidents who manage field policy operations for offices in Los Angeles, Oxnard, Orange County, San Bernardino and San Diego. Hoban also oversees State Fund's Customer Service Center.

CONNIE RAICHE, President – Claims Operations

Connie Raiche, President of Claims Operations was appointed a member of the Executive Committee on Jan. 3, 1994.

She began her career with State Fund in Long Beach Claims in Sept. 1970 as a claims adjuster. In 1975, Raiche became the Assistant Claims Manager. This was followed by her promotion to Claims Manager of the Woodland Hills District office in 1979. Not long after, she was asked by the Executive Committee to take over as Claims Manager of the Los Angeles District Office.

Raiche became the Ventura District Manager in 1984. In 1989, Raiche relocated to the Bay Area after being named Claims/Rehabilitation Manager.

She received her Bachelor of Arts degree in education from Kent State University in Ohio.

Responsibilities

Raiche is responsible for all of State Fund's claims operations.

DOUG STEWART, Chief Risk Officer

Doug Stewart joined State Fund in November 2007 as a consultant focusing specifically on State Fund's operations, marketing and distribution. Following the passage of SB 1145, he was appointed in an exempt employee position as State Fund's Chief Risk Officer.

Stewart brings more than 35 years of experience in the insurance industry in the areas of claims, underwriting, marketing, sales, distribution, and risk management.

He has worked for Industrial Indemnity Company; United States Fidelity and Guaranty Company; CNA Insurance Company; The Hartford; Crum & Forster Insurance Company; and Travelers Indemnity Company. Within his profession he holds the designations of Chartered Property Casualty Underwriter and Accredited Advisor in Insurance.

Stewart received a Bachelor of Arts degree in Economics from the University of California, Santa Barbara and a Master of Business Administration from Santa Clara University.

Responsibilities

As Chief Risk Officer, Stewart serves on the executive committee and is responsible for developing a comprehensive and integrated approach for risk management across State Fund's operations. In addition to his Chief Risk Officer duties, Stewart is responsible for Underwriting, Marketing, Safety & Health, and Ethics & Compliance.

JAMES NEARY, EVP – Actuarial/Chief Advisor

James Neary, Executive Vice President, was appointed a member of the Executive Committee on April 1, 1995.

Neary has worked for State Fund since 1973 when he joined the Santa Rosa District Office as a claims adjuster and supervisor. In 1978 he relocated to the Home Office as the Employee Benefits Officer in the Human Resources department. He later became a Supervising Personnel Analyst. In 1983, Neary was appointed Assistant Insurance Services Manager.

In 1987, Neary was promoted to the Executive Office as the Corporate Planning and Research Officer, and appointed Actuarial Services Officer in 1989.

Neary received a Bachelor of Arts from St. Patrick's College and an MBA in Finance from the University of California, Berkeley. He is a Chartered Property Casualty Underwriter (CPCU) and a member of the CPCU Society. Neary has also undertaken actuarial and reinsurance studies.

Responsibilities

Neary is currently responsible for State Fund's actuarial and reinsurance programs, serves as an advisor to the President, and represents State Fund on a number of industry committees. His actuarial responsibilities include recommendations on pricing, reserving, and policyholder dividends and coordinating the work of State Fund's consulting actuaries. He is responsible for the design and placement of State Fund's reinsurance program. He is a contributor to and signatory of State Fund's financial statements. He represents State Fund on the Workers Compensation Insurance Rating Bureau's (WCIRB) Actuarial and Governing committees, and is State Fund's liaison to the Workers Compensation Research Institute (WCRI).

TOM CLARK, President – Field Operations North

Tom Clark, President of Northern California Field Operations was appointed a member of the Executive Committee on Feb. 1, 2008.

Clark joined State Fund in 1980 as an auditor in the San Diego District Office. In 1982 he joined sales. Clark was appointed Assistant Claims Manager of the San Diego Office in 1988; this was followed by his promotion to Claims Manager of the Stockton District Office in 1991. Two years later he became the Field Services Manager in Stockton.

In 1994, Clark was selected to launch Claims Management Services, State Fund's third-party administrator program. Clark was promoted once again in 2001 to Marketing's Program Manager in San Francisco. Clark returned to Stockton in 2006 after being appointed District Manager. He then became Sacramento District Manager in 2007.

Clark received his Bachelor of Science degree in behavioral science and business from Westminster College in Salt Lake City and his Master of Public Administration from San Diego State University.

Responsibilities

As the President of Northern California Field Operations, Clark leads a team of regional Vice Presidents who manage field policy operations that stretch from Eureka to Bakersfield.

REBECCA WANTA, Chief Information Officer

Becky Wanta serves as Chief Information Officer having first been appointed in a consulting capacity in June 2008. With the passage of SB 1145, Wanta joined State Fund in an exempt employee position.

Wanta brings with her more than 25 years of experience as a senior executive in information technology. Becky specializes in building bridges between technology and business needs. Prior to joining State Fund, Wanta served as the North American CIO for Best Buy, where she was responsible for the design, development and implementation of a technology strategy to support the company's business needs.

She also served as the Global Chief Technology Officer for PepsiCo where she led the transformation of IT as a quality service provider. She implemented strategies that resulted in significantly lowered costs and increased productivity.

Wanta also served as Executive Vice President and CTO for Wells Fargo achieving an impressive cost savings while creating a business-centered/technology enabled culture. As CTO for the Money Store, she steered technology initiatives to become more focused on customer needs.

She received MBA degrees from the Pacific Coast Banking School at the University of Washington and Golden Gate University. She earned a Bachelor's in Management Information Systems from Chapman University.

Responsibilities

As CIO, Wanta is responsible for establishing and directing the long term goals, policies and procedures for State Fund's information technology. She is also responsible for determining the organization's long term systems needs and hardware acquisitions to accomplish State Fund's business objectives.

JAY STEWART, Chief Financial Officer

Jay Stewart serves as Chief Financial Officer having been first appointed in a consulting capacity in Dec. 2007. With the passage of SB 1145, Stewart has continued in the role in an exempt position.

Stewart brings with him more than 30 years of experience in the insurance industry with keen insight in the areas of senior management consulting, external auditing, and corporate risk control.

Prior to joining State Fund, Stewart worked for both the Texas and Mississippi Public Utilities Commissions, Johnson & Higgins Insurance Brokers, Argonaut Insurance Company and Subsidiaries, California Casualty Management Company, and Majestic Insurance Company.

Stewart earned a Bachelor of Science degree in Accounting from California State University, Los Angeles, and a Master of Business Administration from California State Polytechnic College. He is also a Certified Public Accountant.

Responsibilities

As CFO, he is responsible for directing State Fund's overall financial policies – including financial forecasting, accounting, budget and tax reporting.

PETER GUSTAMACHIO, Chief Investment Officer

Peter A. Guastamachio joined State Fund as Chief Investment Officer on February 23, 2009. Guastamachio has more than 30 years experience in the financial and investment sectors including 11 years in the worker's compensation industry. His management experience includes portfolio/investment, financial risk, and treasury. Recently, he served as Vice President-Assistant Portfolio Manager for Bank of the West in Walnut Creek, CA. Bank of the West is a \$65B regional bank with a \$9B investment portfolio. Guastamachio was also Assistant Treasurer/Investment Director at Argonaut Insurance where he was responsible for all treasury, investment, and investment accounting operations. Prior to his insurance experience, he worked as an investment banker with Bangert, Dawes, Reade, Davis & Thom, Inc. of San Francisco and spent 8 years in the brokerage industry with Sutro & Company, Inc., and Dean Witter Reynolds, Inc.

Guastamachio received his Bachelor of Science degree from the University of California, Berkeley and an MBA from the Graduate School of Business at St. Mary's College.

Responsibilities

As Chief Investment Officer, Guastamachio will provide important leadership in maintaining the objectives and quality of the State Fund's investment portfolio.

Foundational Documents

By-laws, as of November 21, 2008

(Refer to Appendix, Exhibit B – By-Laws)

State Fund Promise

The State Fund brand promise is “to make possible and protect”.

State Fund Mission, Vision, and Values Statements

Mission

State Fund exists to provide California’s businesses a strong and stable choice for their workers’ compensation insurance while making California’s workplaces safer and helping injured employees return to work – all with no financial obligation to the public.

Vision

To be recognized by our customers, regulators, and the insurance industry as the gold standard of workers’ compensation carriers; to underwrite the California dream by providing services that are responsive to our clients’ evolving needs.

Values

- Honesty
- Integrity
- Accountability
- Excellence in customer service
- Long-term commitment to the State of California

State Fund Key Messages

State Fund is a stable provider of workers' compensation insurance and a vital asset to California businesses. We help keep California's entrepreneurial spirit vibrant.

State Fund underwrites Californians' dreams and protects their businesses

- Broad skill set offering diverse and comprehensive products and services.
- In it for the long haul – we've never pulled out of the market due to an economic downturn and we never will.
- Since 1914, State Fund has helped keep the entrepreneurial spirit alive in California.
- Accessible and accepting of all – whether it be new ventures, hard-to-place industries or large businesses.

State Fund is a vital and necessary provider for employers and employees

- State Fund provides peace of mind for employers and employees.
- Adjusters, loss control representatives, and industrial hygiene and ergonomics services are available statewide.
- California's employers can depend on State Fund to be there with an open door providing the coverage and services employers need.

State Fund is a vital asset and unique state resource

- Strong and stable investment income and policyholder surplus along with \$20 billion in assets anchor State Fund financial stability.
- With almost 200,000 policyholders and writing \$1.7 billion in premium State Fund is California's largest workers' compensation provider, and is one of the largest w/c carriers in the nation.
- A unique resource to California, serving both large and small California businesses.
- Solid leadership and focused direction.
- A sophisticated business partner that California employers can trust.

State Fund makes it easier for brokers to provide outstanding service to their clients

- A seasoned and experienced staff of professionals.
- Always there - State Fund offers 24/7 online access to policy data, claim, and commission information services through State Fund Online.
- State Fund offices are all California based – from Eureka to San Diego, you can count on reliable and friendly service.

Board Members Duties, Rights, and Responsibilities

The composition, training, and compensation of the Board are governed by Insurance Code section 11770, recently amended by Assembly Bill 1874 effective January 1, 2009. Other Insurance Code and Government Code sections establish the duties, functions, rights and responsibilities of the Board Members.

Duties and Qualifications – under Insurance Code

Insurance Code 11770 (b), the Board of Directors of State Fund is composed of eleven members comprised in the following manner:

- Nine Board Members are appointed by Governor, one who must be from organized labor. The Governor also appoints the Board Chairman.
- One member is appointed by the Speaker of the California Assembly. This appointee must come from organized labor.
- One member is appointed by the Senate Committee on Rules who shall have been a previous State Fund policyholder, or an officer or employee of a policyholder, for at least one year and continuing during his or her term.
- The Director of Industrial Relations is an ex-officio, non-voting member of the Board and shall not be counted for purposes of a quorum.

Terms of Board Members vary between two and five years, with most serving five years.

The Board shall create an Audit committee, an Investment committee, a corporate Governance committee, and other committees as determined to be necessary.

Additional Insurance Codes also apply to Board duties and qualifications, such as:

Insurance Code 11781

- Board may perform all acts necessary or convenient in exercise of any power, authority or jurisdiction over the fund...as fully and completely as the governing body of a private insurance carrier.

Insurance Code 11784

- President may enter into contracts of workers' compensation insurance, sell annuities covering compensation benefits, decline to insure risks in which minimum requirements of accident prevention not complied with or beyond safe carrying of fund. Otherwise, shall not refuse to insure any risk under state law, tendered with premium therefore. President may also audit payroll of those applying for insurance.

Insurance Code 11785

- Board shall appoint a president, chief financial officer, chief operating officer, chief information technology officer, chief investment officer, chief risk officer, and general counsel. Board shall set salary for each position.

Insurance Code 11787

- Board may delegate to President any power, function, or duty conferred by law on Board in connection with administration, management and conduct of business and affairs of the fund. President may exercise those powers with same force and effect as Board, subject to its approval.

Insurance Code 11797, 11800

- Board may deposit all moneys in excess of current requirements and not otherwise invested in authorized financial institutions.
- Provides that the Board may invest and reinvest all moneys in excess of current requirements in the same manner as provided for private insurance carriers pursuant to Article 3, commencing with Section 1170, of the Insurance Code. Unlike other insurance carriers who have authority to invest under Article 4, State Fund's investments are generally limited to:
 - Federal, Canadian, or Puerto Rican obligations,
 - State, County, Municipal, and School district bonds,
 - Insured mortgages,
 - Collateral trust bonds and notes,
 - Farm loan bonds,
 - Home loan securities,
 - State warrants, and
 - Accounts in insured banks or savings and loan associations.

In particular, Article 4 allows other insurance carriers to invest in domestic and non-domestic corporate obligations, certificates of deposit, asset backed securities, US and Canadian equities, preferred stocks, mutual funds, money market funds and hedging vehicles (derivatives).

Insurance Code 11820

- Board shall establish the rates to be charged by State Fund for its insurance coverage.

Insurance Code 11860

- Each quarter, President shall make report to the Governor of business done by State Fund, and statement of Fund's resources and liabilities at close of previous quarter.
- State Fund shall hire a recognized firm of certified public accountants to audit annually its books and records.

Training – Insurance Code

Statutory Requirements

Insurance Code 11770(e)

Each member of the board of directors shall attend training approved by the board of directors that covers topics, including, but not limited to:

- The duties and obligations of members of a board of directors,
- Corporate Governance,
- Ethics,
- Board of Director legal issues,
- Insurance,
- Finance and Investment, and
- Information Technology.

The training shall be conducted by persons or entities not affiliated with the State Compensation Insurance Fund.

Duties and Qualifications – under Law of Public Officials

Oath of Office

(Refer to Appendix, Exhibit C – Oath of Office.)

Code of Conduct

The State Fund Code of Conduct is a comprehensive, overreaching document that addresses all aspects of State Fund business conduct to further promote a transparent and open organization. With that stated goal, this Code of Conduct (Appendix, Exhibit D – Code of Conduct) builds on and incorporates existing State Fund policies addressing

- Equal Employment Opportunity
- Sexual harassment
- Use of business resources through our Systems User Information Notice
- Legal business requirements
- Compliance with existing MOUs
- Health and Safety requirements
- Threat management
- Employee Assistance Program (EAP)
- Statements of Economic Interest, and avenues for reporting concerns such as the Whistleblower protection Act and the State Fund Integrity of Action program, as well as
- Incompatible and unethical activities (Current Incompatible and Unethical Activities guidelines are presented are two separate documents. (Refer to Appendix, Exhibit E – Incompatible Activities and Exhibit F – Unethical Activities.).

Conflict of Interest and Statement of Economic Interest Form (700)

(Refer to Appendix, Exhibit G – Conflict of Interest and Statement of Economic Interest Form.)

Disclosure of Related Party Transactions

State Fund is required to disclose related party transactions in its financial statements. Board Members must understand the nature of related party transactions and disclose them when appropriate. Documentation will be requested at Board member appointment and once per year to obtain yearend financial statement information. (Refer to Appendix, Exhibit H – Disclosure of Related Part Transactions.)

Training – State Officials

Ethics Orientation

The Ethics Orientation for State Officials is training mandated by the State of California for all employees required to file Statements of Economic Interests (SEI).

The Office of the Attorney General and the Fair Political Practices Commission has developed a training program to fulfill this requirement. The Ethics Training that you are required to take as a State Fund Employee is shown on the left side of the Attorney Generals' Website under **Ethics Training**. There are two versions of the course available, an "Interactive Course" and a "Non-Interactive Course".

You can access the training by clicking on the following link:

<http://caag.state.ca.us/ethics/index.htm>

Once you complete the course, you will have an opportunity to print the Ethics Orientation Certificate of Completion. You will need to **print, sign and date the Ethics Orientation Certificate of Completion**. An original signature is required. State Fund is required to identify and to maintain the records of the individuals mandated by law to complete this Ethics Orientation. Please be advised that these records are designated "public records" (and subject to the California Public Records Act) and will be subjected to inspection and copying at any time for a period of 5 years after course completion.

To Print Your Certificate of Completion when using non-interactive accessible course:

1. In the Certificate of Completion section at the end of the program, access the Certificate of Completion through the "click here" link provided.
2. Type in your Name, Date Course Completed, Agency and Position in the appropriate fields.
3. Print Certificate of Completion.
4. Sign certificate. An original signature is required.

Compliance for 2009 Biennial Filing:

If you are completing your biennial filing, you shall receive the training by 12/31/2009.

When Assuming Office For The First Time that Requires Ethics Orientation Training:

1. You shall complete the online training within six (6) months of your date of appointment.
2. You are to return a signed acknowledgement that you have received the information on this required training.
 - a. Click link to access and print the Receipt for Mandated Ethics Orientation Materials.
3. Sign and date the receipt.
4. Submit signed and dated Receipt for Mandated Ethics Orientation Materials and Ethics Orientation Certificate of Completion to State Fund Executive Office.

Bagley-Keene Open Meeting Act

Newly appointed Board Members must undergo training on the Bagley-Keene Open Meeting Act. Written material will be provided under separate cover.

California Public Records Act

State Fund was previously exempt from the California Public Records Act requirement of making government records available for inspection by the public. Recent legislation, Senate Bill 1145 (2008), repealed State Fund's exemption.

The Public Records Act contains numerous exemptions from disclosure of records to the public. Many of the existing provisions apply to all public agencies including State Fund, such as the exemptions for pending litigation and material that is governed by the attorney-client privilege or attorney work product doctrine. In addition, Senate Bill 1145 included exemptions expressly applicable to State Fund for disclosure of records relating to:

- Claims that contain confidential medical information or personally identifiable information;
- Discussions, deliberations, communications and negotiations with contracting vendors;
- Impressions, opinions, recommendations, research, work product, theories, closed meeting minutes and strategy on the development of rates, contracting strategy, underwriting or competitive strategy;
- Obtaining workers' compensation insurance;
- Trade secrets, including instruction, advice, or training by State Fund to Board Members and employees regarding the Special Investigation Unit, Internal Audit Unit, informational security, marketing, rating, pricing, underwriting, claims handling, audits, and collections;
- Material on pending internal audits and investigations or containing proprietary information or information requested in writing to be kept confidential; and
- Contracts within one year of execution and information on rates within three years of execution.

Board and Committee Meetings

Schedule

Board of Directors

Regular meetings of the Board are held on the 2nd Thursday and Friday of January, March, May, July, September, and November of each calendar year.

Committees

Committee meetings require notice to the Public under Bagley-Keene Open Meeting Act and are currently set to occur immediately preceding the Board of Directors meeting.

Locations

Thursday afternoon and Friday meetings at Hiram W. Johnson State Building, Milton Marks Conference Center, 455 Golden Gate Avenue, San Francisco (*parking garage underground at Civic Center—pay*). Cell Phone reception can be difficult in areas of the conference center. For your convenience, if you need to phone and find you are not connecting, you will be welcome to phone DIR Director John Duncan's executive assistant [Redacted pursuant to Government Code Section 6254.3] who will get your message to the meeting. [Redacted pursuant to Government Code Section 6254.3]

Thursday late afternoon-evening meeting at State Compensation Insurance Fund, 1275 Market Street (*corner of Market and 9th*), 16th Floor, San Francisco (*parking garage at State Fund, enter on 9th Street, for State Fund vehicles including Board Members*). [Redacted pursuant to Government Code Section 6254.3]

Time

Audit Committee beginning at 1 p.m., Thursday

Governance Committee – 2 p.m. to 4 p.m., Thursday

Investment Committee beginning at 3 p.m., Thursday

Board of Directors beginning at 4 p.m., Thursday and 8:30 a.m., Friday

Logistics

Please plan and secure your own travel arrangements whether by air and/or car. A hotel reservation at the state government rate will be available to you, subject to your confirmation, to stay [Redacted pursuant to Government Code Section 6254.3]

All actual and necessary travel expenses, including airfare, hotel (up to the state government rate, plus tax), meals, parking, mileage, tolls, and taxi fares, incurred in order to attend meetings will be reimbursed. Please submit original itemized receipts showing your payment along with the completed Travel Expense Claim form to State Fund Executive Office. (*Refer to Director Compensation and Expense Reimbursement section, for detail.*)

Committee Membership and Charters

Composition of Board Committees

Audit Committee	Investment Committee	Governance Committee
<i>Frank Quinlan, Chair</i>	<i>Vince Mudd, Chair</i>	<i>Jeanne Cain, Chair</i>
Vince Mudd	Frank Quinlan	Dan Curtin
Steve Rank	Sen. Mike Machado	Sheryl Chalupa
Alt: Sheryl Chalupa	Alt: Steve Rank	Alt: Sen. Machado

Audit

The Audit Committee shall assist the Board of Directors in fulfilling its responsibility for oversight of the quality and integrity of the State Fund accounting, auditing, and financial reporting practices and the management of State Fund's financial risk. The Committee's main role is to assure compliance with significant legal, ethical, and regulatory requirements through review of independent public accounting firms and the performance of State Fund's Internal Audit department. (Refer to Appendix, Exhibit H – Audit Committee Charter.)

Governance

The Governance Committee shall assist the Board of Directors in shaping corporate governance policies and practices by advising the Board of corporate governance trends and issues within the industry. The Committee's main role includes:

- Overseeing that State Fund has guidelines, processes, and procedures in place for it to operate in a legal, ethical, and socially responsible manner;
- Providing the framework for governance through the Corporate Governance Guidelines and State Fund's By-Laws, and Code of Business Conduct and Ethics; and
- Monitoring and evaluating State Fund's compliance with the Guidelines.

(Refer to Appendix, Exhibit N – Governance Committee Charter.)

Investment

The Investment Committee shall assist the Board of Directors in fulfilling its investment oversight responsibilities by advising the Board on issues related to State Fund's Investment Policy Statement and providing direction on items related to investments. The Committee's main role is to oversee State Fund capital and financial resources, and monitoring the work of the Chief Investment Officer and external Investment Managers. (Refer to Appendix, Exhibits I – Investment Committee Charter, and Exhibit J – Investment Policy Resolution.)

Director Compensation and Expense Reimbursement

Board Member compensation and expense reimbursement is governed by Insurance Code section 11770(d).

- Each Board Member appointed by the Governor, Speaker of the Assembly, and Senate Committee on Rules shall be paid an annual compensation of fifty thousand dollars (\$50,000), to be automatically adjusted for inflation beginning January 1, 2010.
- Each Board Member shall receive actual and necessary traveling expenses incurred in the performance of duties as a Member and, with the exception of ex-officio members, one hundred dollars (\$100) for each day of actual attendance at Board meetings.

State Fund has recommended that Board Member compensation will be paid twelve (12) times per year through the State Controllers Office. Compensation payments will be paid towards the end of each scheduled monthly pay period. The request for this pay schedule has been submitted to the Department of Personnel Administration (DPA) and State Fund is not authorized to issue the compensation until DPA issues an Exempt Pay Letter.

Attendance pay of \$100 per day (per attending member) will also be issued through the State Controllers Office after notification from State Fund Human Resources department. **State of California Direct Deposit Enrollment form STD 699** will be available to facilitate direct deposit activity. These forms are to be returned to State Fund Executive Office for submission to Human Resources.

To receive reimbursement for travel expenses incurred in the performance of their duties, each Board Member completes **State Fund Travel Expense Claim Form e5050**. Original itemized receipts must accompany the form. Each Board Member must sign, date, and submit the form packet to State Fund Executive Office for authorization signature and processing by State Fund's Fiscal and Investment Services office. Reimbursement checks will be sent to the Members from the State Fund Executive Office. Travel reimbursement is not eligible for direct deposit.

Travel Expense Claim Form is attached (Refer to Appendix, Exhibit – K), along with a copy of the **Privately Owned Vehicle Insurance Certification** (Refer to Appendix, Exhibit – L). These forms must be completed in order to claim mileage (effective January 1, 2009 the reimbursement rate is 55 cents per mile, to mirror the IRS published reimbursement rate).

Also attached is **State Fund Form 5493 Travel Expense Reimbursement Guide** (Refer to Appendix, Exhibit - M), a summary of State Fund's travel program for represented and non-represented employees and related forms, which correspond to State Fund employees' claims.

Summary of Protection – Directors and Officers

By-Law Indemnification

Section 31 of the Board's By-Laws, contains a detailed provision for State Fund's indemnification of Board Members against actual and reasonable expenses in any threatened, pending or completed or proceeding, whether civil, criminal, administrative or investigative ("proceeding"), as a Member of State Fund's Board.

Significant conditions for indemnification are:

- Those indemnification expenses include attorneys' fees and expenses of establishing a right to indemnification, judgments; fines, settlements approved in advance by State Fund, and other amounts actually and reasonably incurred in connection with a proceeding when acting in good faith and in State Fund's best interests;
- Board Members must give the Secretary of State Fund written notice of a claim for indemnification as soon as practicable;
- State Fund retains the right to assume the defense of a Member in any proceeding with counsel approved by the Members; and
- The By-Laws do not require State Fund to indemnify a Member where California or Federal laws expressly prohibit indemnification or relief from liability; or in certain proceedings initiated by the Member; judicial determinations that a Member's proceeding to enforce this indemnification provision lacked good faith; or where State Fund's liability insurance carrier has paid for expenses or liability directly to the Member.

Statutory Limitation on Directors' Liability

Insurance Code section 11172 limits the liability of a Board Member from any claim or suit as follows:

"There shall not be any liability in a private capacity on the part of the board of directors or any member thereof, or any officer or employee of the fund for or on account of any act performed or obligation entered into in an official capacity, when done in good faith, without intent to defraud and in connection with the administration, management or conduct of the fund or affairs relating thereto."

Board Members Materials (captured over time)

Board and Committee Meeting Minutes

All minutes of open meetings will be posted for the public on State Fund's website ten days prior to the next meetings as required by the Bagley-Keene Open Meeting Act. The Board and Committee chairs will receive draft copies of the minutes to approve the content before the minutes are finalized. Board and Committee Members will receive copies of closed session meeting minutes related to their specific assignments in their official Board packets to review for approval before the next meeting. The Board packets will also include the open meeting minutes of all committees for general information since the minutes will have been made available to the public

One-way Transmissions of Information

Board and Committee Members will routinely receive reading material and staff memoranda with information that is not related to a particular meeting agenda item in between Board and Committee meetings. State Fund circulates the information in a manner restricting discussion or consensus building among Members to prevent violation of Bagley-Keene requirements for holding meetings. The communication normally advises Members that they should not discuss the contents with other Members. Limited communication with staff is allowed. After review of the information, Members may inform staff that they would like the material to be placed on an upcoming meeting agenda. While most of the material is confidential and falls within specific statutory exemptions from disclosure under Bagley-Keene and the California Public Records Act, portions may be subject to disclosure to the public.

Financial Statements

Board Members will be provided with the summary and detailed financial statements, quarterly and annually for the period most recently closed. Together with the financial information, State Fund will provide an accompanying narrative report. Annual financial statements and financial statement for regulatory filing will be submitted for Board review and approval, as required.

Information provided will typically include (but not limited to) the following elements, and will show results versus prior budget periods, as applicable:

- Illustrative Financial Highlights
- Income Statements
- Operating Results
- Quarterly Earnings Trends
- Peer Comparisons
- Balance Sheet
- Supplemental Operation Data
 - Premium Analysis
 - Combined Ratio Analysis
 - Loss Ratio Analysis
 - Underwriting Results
 - Investment Results
 - Cash Flow Analysis

Appendix

Exhibit A – Organizational Chart

Exhibit B – By-laws

Exhibit C – Oath of Office

Exhibit D – Code of Conduct

Exhibit E – Incompatible Activities

Exhibit F – Unethical Activities

Exhibit G – Conflict of Interest / Statement of Economic Interest Form

Exhibit H – Audit Committee Charter

Exhibit I – Investment Committee Charter

Exhibit J – Investment Policy Resolution

Exhibit K – Travel Expense Claim Form

Exhibit L – Privately Owned Vehicle Insurance Certification

Exhibit M – State Fund Form 5493 Travel Expense Reimbursement Guide

Exhibit N – Governance Committee Charter

2009 Board of Directors Meeting Schedule

Thursday, January 15 to Friday, January 16
Publication January 5

Thursday, March 12 to Friday, March 13
Publication March 2

Thursday, May 14 to Friday, May 15
Publication May 4

Thursday, July 9 to Friday, July 10
Publication June 29

Thursday, September 10 to Friday, September 11
Publication August 31

Thursday, November 12 to Friday, November 13
Publication November 2

2009 Committee (Audit, Governance-TBD, and Investment) Meeting Schedule

Thursday, January 15
Publication January 5

Thursday, March 12
Publication March 2

Thursday, May 14
Publication May 4

Thursday, July 9
Publication June 29

Thursday, September 10
Publication August 31

Thursday, November 12
Publication November 2

Exhibit A – Organizational Chart

EXECUTIVE ORGANIZATIONAL CHART – 2009
January 1, 2009

BOARD OF DIRECTORS

**President
Chief Executive Officer
Janet Frank**

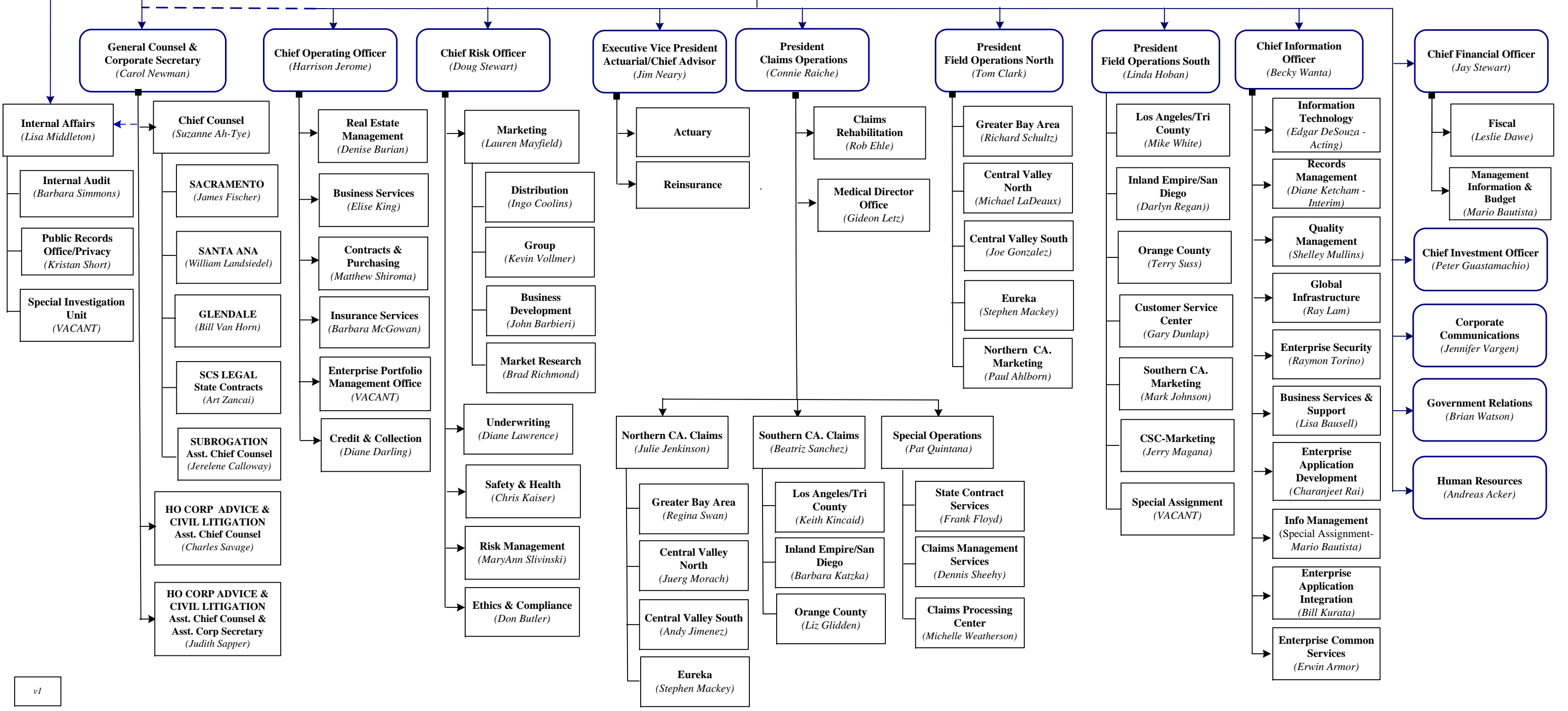


Exhibit B – By-laws

STATE COMPENSATION INSURANCE FUND
OF THE
STATE OF CALIFORNIA

AMENDED AND RESTATED BY – LAWS

1. Abbreviation. Wherever in these By-Laws the name “State Fund” is used, it shall mean State Compensation Insurance Fund of the State of California; and wherever “Board” is used, it shall mean the Board of Directors of State Fund.

2. Governing Body. All powers of State Fund shall be exercised by, or under the authority of, the Board, as provided in Section 11781 of the California Insurance Code (hereinafter referred to as the “Insurance Code”), as may be amended from time to time.

3. Board Membership. The Board of Directors of State Fund is composed of eleven (11) voting members (hereinafter referred to as the “Voting Members”), to be appointed as follows:

3.1 The Governor of California shall appoint nine (9) members. One of the members appointed by the Governor shall be from organized labor. The remaining members appointed by the Governor shall have substantial experience in positions involving workers’ compensation, legal, investment, financial, corporate governance and management, accounting, or auditing responsibilities with entities of sufficient size as to make their qualifications relevant to an enterprise of the financial and operational size of State Fund.

3.2 The Speaker of the Assembly shall appoint one (1) member who shall represent organized labor.

3.3 The Senate Committee on Rules shall appoint one member who shall have been a policyholder of State Fund, or an officer or employee of a State Fund policyholder, for one year immediately preceding the appointment, and who must continue in this status during the period of his or her membership.

3.4 At all times the Board shall have a member with auditing background for the purposes of fulfilling the responsibility of the Chair of the Audit Committee.

4. Ex officio Member. The person holding the office of Director of Industrial Relations shall be an ex officio, nonvoting member of the Board, and shall not be counted as a member of the Board for the purpose of establishing a quorum. As used herein, the term “members” shall mean the voting members and the ex officio member.

5. Term of Office. The initial terms of office of the Voting Members shall be as specified in Section 11770 of the Insurance Code, as may be amended from time to time. Thereafter, the term of office of the Voting Members shall be five (5) years and they shall hold office until the appointment and qualification of their successors.

6. Chairperson. As provided in Section 11770 of the Insurance Code, as may be amended from time to time, the Governor shall appoint the Chairperson. The Chairperson may, at his/her discretion, appoint a Vice Chairperson from among the Voting Members.

7. Principal Office. The principal office of State Fund is at 1275 Market Street, San Francisco, California.

8. Place of Meetings. Regular and special meetings of the Board shall be held at the principal office of State Fund or at such other place as shall be designated in the notice of the meeting.

9. Regular Meetings. Regular meetings of the Board shall be held at 9:00 a.m., or such other time as shall be designated in the notice of the meeting, on the second Thursday of the months of January, March, May, July, September, and November of each calendar year, or on such other days as may be determined from time to time by the Board.

With the approval of a majority of the Voting Members present at a Board meeting, any scheduled regular meeting may be advanced or postponed to another date.

10. Special and Emergency Meetings. Special and emergency meetings of the Board may be called pursuant to the provisions of the Bagley-Keene Open Meeting Act, California Government Code section 11120 et seq., as may be amended from time to time, and shall be held at the principal office of State Fund or at such other place as shall be designated in the notice of the meeting.

11. Notice of Special and Emergency Meetings. Notice of the time and place of special and emergency meetings of the Board shall comply with the provisions of the Bagley-Keene Open Meeting Act, California Government Code section 11120 et seq., as may be amended from time to time.

12. Closed Sessions. Closed sessions of the Board may be held at any regular, special or emergency meeting pursuant to the provisions of the Bagley-Keene Open Meeting Act, California Government Code section 11120 et seq., as may be amended from time to time.

13. Adjournment. A majority of the Voting Members present, whether or not constituting a quorum, may adjourn any meeting to another time and place.

14. Notice of Adjournment. Notice of the time and place of holding an adjourned meeting shall be provided in compliance with the provisions of the Bagley-Keene Open Meeting Act, California Government Code section 11120 et seq., as may be amended from time to time.

15. Attendance. Attendance of Board members at regular, special or emergency meetings may be by conference telephone, electronic video screen communication or electronic transmission, in compliance with the provisions of the Bagley-Keene Open Meeting Act, California Government Code section 11120 et seq., as may be amended from time to time.

16. Quorum. A majority of the appointed number of Voting Members shall constitute a quorum for the transaction of business, except to adjourn as herein provided, and provided that at no time shall a quorum be established with less than five (5) Voting Members. Every act or decision done or made by a majority of the Voting Members present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Voting Members, if any action taken is approved by at least a majority of the required quorum for such meeting.

17. Committees of the Board. In addition to the standing committees of the Board of Directors provided for in Sections 18 to 21 herein, the Board may, by resolution adopted by a majority of the authorized number of Voting Members, designate one or more committees, be they permanent or ad hoc. Each committee shall consist of two or more members to serve at the pleasure of the Board. The Board may designate one or more members as alternate members of any committee, who may replace any absent member at any meeting of the committee. The appointment of members or alternate members of a committee requires the vote of a majority of the appointed number of Voting Members. The Chair of each committee shall be appointed by the Chairperson of the Board, subject to the approval of a majority of the Board of Directors then in office. Any such committee, to the extent provided in the resolution of the Board, shall have all the authority of the Board, except with respect to:

- (a) the filling of vacancies on the Board or in any committee;
- (b) the fixing of compensation of the members for serving on the Board or on any committee;
- (c) the amendment or repeal of By-laws or the adoption of new By-laws;
- (d) the amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable; or
- (e) the appointment of any other committees of the Board or the members thereof.

18. Standing Committees Generally. The standing committees of the Board of Directors shall be: (a) the Audit Committee, (b) the Investment Committee, and (c) the Corporate Governance Committee. All standing committees are designated for one (1) year and the members thereof shall be discharged at the first meeting of the Board of Directors in each year.

19. Audit Committee. The Audit Committee shall be a standing committee of the Board. The Chair of the Audit Committee shall be a member with auditing background. The Chairperson of the Board shall name to the Audit Committee such members as the Chairperson of the Board shall determine such that at all times the membership of the Audit Committee meets all legal and other applicable requirements. The Audit Committee shall (a) appoint a registered public accounting firm to be retained by State Fund for the purpose of preparing and issuing an annual audit report and performing such other services as may be required by State Fund and (b) have such other responsibilities and authority as designated from time to time by resolution of the Board.

20. Investment Committee. The Investment Committee shall be a standing committee of the Board. The Chairperson of the Board shall name to the Investment Committee such members as the Chairperson of the Board shall determine such that at all times the membership of the Investment Committee meets all legal and other applicable requirements. The Investment Committee shall have such responsibilities and authority as designated from time to time by resolution of the Board of Directors or as otherwise prescribed by applicable law.

21. Corporate Governance Committee. The Corporate Governance Committee shall be a standing committee of the Board. The Chairperson of the Board shall name to the Corporate Governance Committee such members as the Chairperson of the Board shall determine such that at all times the membership of the Corporate Governance Committee meets all legal and other applicable requirements. The Corporate Governance Committee shall have such responsibilities and authority as designated from time to time by resolution of the Board of Directors or as otherwise prescribed by applicable law.

22. Removal. Any committee member may be removed, with or without cause, by the Chairperson of the Board or by a majority of the appointed number of Voting Members.

23. Vacancies. Vacancies in any committee howsoever arising may be filled by the Chairperson of the Board. Committee members appointed pursuant to this Section shall serve for the unexpired portion of the term of the committee member whose death, resignation or removal gave rise to the applicable vacancy, and until his or her successor shall have been elected and qualified, subject however, to such replacement committee member's earlier death, resignation or removal.

24. Meetings and Action of Committees. Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of these By-laws, Section 8 (Place of Meetings), Section 9 (Regular Meetings), Section 10 (Special and Emergency Meetings), Section 11 (Notice of Special and Emergency Meetings), Section 12 (Closed Sessions), Section 13 (Adjournment), Section 14 (Notice of Adjournment), and Section 15 (Attendance), with such changes in the context of those By-laws as are necessary to substitute the committee and its members for the Board of Directors and its members. The Board of Directors may adopt rules for the governance of any committee not inconsistent with the provisions of these By-laws and with the provisions of the Bagley-Keene Open Meeting Act California Government Code section 11120 et seq., as may be amended from time to time.

25. Minutes. Minutes shall be kept of all regular, special and emergency Board and committee meetings, and shall show the names of the members who are present and a succinct statement of each matter brought before the Board for consideration, together with a record of the number of Aye and No votes thereon, unless a member asks that his/her vote be specifically recorded.

26. President. The President of State Fund shall have the powers and duties conferred on him/her by law, and such other or additional powers, functions and duties as the Board may from time to time delegate to him/her. In the interim between meetings, the President is authorized to conduct all of the business and affairs of State Fund, subject to the approval of the Board. At each regular meeting of the Board, the President shall submit the latest quarterly Financial Statement, shall report on the business transacted since the previous regular meeting and report on such other matters as the Board may require. In the absence of the President, an Executive Vice President or the Chief Operating Officer or Chief Financial Officer shall perform the duties of the President.

27. Secretary and Assistant Secretary. The Voting Members shall elect a person to serve as Secretary of State Fund. The Secretary shall attend meetings of the Board and its committees, and be responsible for the keeping of proper minutes of such meetings. The Secretary will be the custodian of the minutes and the records of the Board, and will perform such other duties as may be assigned to him/her from time to time. The Voting Members may also elect one or more persons to serve as Assistant Secretary. The Assistant Secretary shall have such powers and duties as the Voting Members may from time to time prescribe. In the absence of the Secretary, or an Assistant Secretary, the Chairperson shall designate a Secretary, pro tem.

28. Chairperson. At all meetings of the Board and its committees, the Chairperson or Vice Chairperson of the Board (or committee), or in his/her absence the member present who has served the longest as a member of the Board, shall preside.

29. Inspection by the Board of Directors. Every member of the Board shall have the absolute right at any reasonable time to inspect all books, records, and documents of every kind

and the physical properties of State Fund. This inspection by a member of the Board may be made in person or by an agent or attorney and the right of inspection includes the right to copy and make extracts of documents.

30. Robert's Rules of Order. At the Chairperson's discretion, the most current edition of Robert's Rules of Order may be used as the authority governing all meetings of the Board when not in conflict with these By-Laws.

31. Indemnification of Members and Other Agents.

(a) Indemnification – Third Party Proceedings. State Fund shall indemnify any person (the "Indemnitee") who is or was a party or is threatened to be made a party to any proceeding (other than an action by or in the right of State Fund to procure a judgment in its favor) by reason of the fact that Indemnitee is or was i) a member, ii) officer, or iii) appointed by the Board of Directors as President, Chief Financial Officer, Chief Operating Officer, Chief Information Technology Officer, Chief Investment Officer, Chief Risk Officer, or General Counsel of State Fund (collectively, a "Board Appointee"), by reason of any action or inaction on the part of Indemnitee while a member, officer or Board Appointee against actual and reasonable expenses (including subject to Section 31(e), attorneys' fees and any expenses of establishing a right to indemnification pursuant to this Section 31 or under California law), judgments, fines, settlements (if such settlement is approved in advance by State Fund, which approval shall not be unreasonably withheld) and other amounts actually and reasonably incurred by Indemnitee in connection with such proceeding if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of State Fund and, in the case of a criminal proceeding, if Indemnitee had no reasonable cause to believe Indemnitee's conduct was unlawful. The termination of any proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in or not opposed to the best interests of State Fund, or with respect to any criminal proceedings, would not create a presumption that Indemnitee had reasonable cause to believe that Indemnitee's conduct was unlawful.

(b) Indemnification – Proceedings by or in the Right of State Fund. State Fund shall indemnify Indemnitee if Indemnitee was or is a party or is threatened to be made a party to any threatened, pending or completed action by or in the right of State Fund to procure a judgment in its favor by reason of the fact that Indemnitee is or was a member, officer or Board Appointee by reason of any action or inaction on the part of Indemnitee while a member, officer or Board Appointee against expenses (including subject to Section 31(e), actual and reasonable attorneys' fees and expenses of establishing a right to indemnification pursuant to this Section 31 or under California law) and, to the fullest extent permitted by law, amounts paid in settlement, in each case to the extent actually and reasonably incurred by Indemnitee in connection with the defense or settlement of the proceeding if Indemnitee acted in good faith and in a manner

Indemnatee believed to be in or not opposed to the best interests of State Fund, except that no indemnification shall be made with respect to any claim, issue or matter to which Indemnatee shall have been adjudged to have been liable to State Fund in the performance of Indemnatee's duty to State Fund, unless and only to the extent that the court in which such proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, Indemnatee is fairly and reasonably entitled to indemnity for expenses and then only to the extent that the court shall determine.

(c) Successful Defense on Merits. To the extent that Indemnatee without limitation has been successful on the merits in defense of any proceeding referred to in Sections 31(a) or 31(b) above or in defense of any claim, issue or matter therein, State Fund shall indemnify Indemnatee against expenses (including attorneys' fees) actually and reasonably incurred by Indemnatee in connection therewith.

(d) Certain Terms Defined. For purposes of this Section 31, references to "proceeding" shall include any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative.

(e) Advancement of Expenses. State Fund shall advance all actual and reasonable expenses incurred by Indemnatee in connection with the investigation, defense, settlement (excluding amounts actually paid in settlement of any action, suit or proceeding) or appeal of any civil or criminal action, suit or proceeding referenced in Sections 31(a) and (b) hereof. Indemnatee hereby undertakes to repay such amounts advanced only if, and to the extent that, it shall be determined ultimately that Indemnatee is not entitled to be indemnified by State Fund as authorized hereby. The advances to be made hereunder shall be paid by State Fund to Indemnatee within twenty (20) days following delivery of a written request therefor by Indemnatee to State Fund.

(f) Notice of Claim. Indemnatee shall, as a condition precedent to his or her right to be indemnified under this Section 31, give State Fund notice in writing as soon as practicable of any claim made against Indemnatee for which indemnification will or could be sought under this Section 31. Notice to State Fund shall be directed to the Secretary at the principal office of State Fund (or such other address as State Fund shall designate in writing to Indemnatee). In addition, Indemnatee shall give State Fund such information and cooperation as it may reasonably require and as shall be within Indemnatee's power.

(g) Enforcement Rights. Any indemnification provided for in Sections 31(a), 31(b) or 31(c) shall be made no later than sixty (60) days after receipt of the written request of Indemnatee. If a claim or request under this Section 31 or under any statute providing for indemnification is not paid by State Fund, or on its behalf, within sixty (60) days after written request for payment thereof has been received by State Fund, Indemnatee may, but need not, at any time thereafter bring suit against State Fund to recover the unpaid amount of the claim or request, and subject to Section 31(q), Indemnatee shall also be entitled to be paid for the expenses (including actual and reasonable attorneys' fees) of bringing such action. It shall be a defense to any such

action (other than an action brought to enforce a claim for expenses incurred in connection with any action, suit or proceeding in advance of its final disposition) that Indemnitee has not met the standards of conduct which make it permissible under applicable law for State Fund to indemnify Indemnitee for the amount claimed, but the burden of proving such defense shall be on State Fund, and Indemnitee shall be entitled to receive interim payments of expenses pursuant to Section 31(e) unless and until such defense may be finally adjudicated by court order or judgment for which no further right of appeal exists. The parties hereto intend that if State Fund contests Indemnitee's right to indemnification, the question of Indemnitee's right to indemnification shall be a decision for the court, and no presumption regarding whether the applicable standard has been met will arise based on any determination or lack of determination of such by State Fund (including its Board or independent legal counsel).

(h) Assumption of Defense. In the event State Fund is obligated to pay the expenses of any proceeding against Indemnitee, State Fund shall be entitled to assume the defense of such proceeding with counsel approved by Indemnitee, which approval shall not be unreasonably withheld, upon delivery to Indemnitee of written notice of its election to do so. After delivery of such notice, approval of such counsel by Indemnitee and the retention of counsel by State Fund, State Fund will not be liable to Indemnitee under this Section 31 for any fees of counsel subsequently incurred by Indemnitee with respect to the same proceeding, unless (i) the employment of counsel by Indemnitee has been previously authorized by State Fund, (ii) Indemnitee shall have reasonably concluded, based on written advice of counsel, that there may be a conflict of interest of such counsel retained by State Fund between State Fund and Indemnitee in the conduct of such defense, or (iii) State Fund ceases or terminates the employment of such counsel with respect to the defense of such proceeding, in any of which events the fees and expenses of Indemnitee's counsel shall be at the expense of State Fund. At all times, Indemnitee shall have the right to employ other counsel in any such proceeding at Indemnitee's expense.

(i) Approval of Expenses. No expenses for which indemnity shall be sought under this Section 31, other than those in respect of judgments and verdicts actually rendered, shall be incurred without the prior consent of State Fund, which consent shall not be unreasonably withheld.

(j) Subrogation. In the event of payment under this Section 31, State Fund shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall do all things that may be necessary to secure such rights, including the execution of such documents necessary to enable State Fund effectively to bring suit to enforce such rights.

(k) Exceptions. Notwithstanding any other provision herein to the contrary, State Fund shall not be obligated pursuant to this Section 31:

(i) Excluded Acts. To indemnify Indemnitee (a) as to circumstances in which indemnity is expressly prohibited pursuant to California

or Federal law, or (b) for any acts or omissions or transactions from which a person may not be relieved of liability pursuant to California or Federal law; or

(ii) Claims Initiated by Indemnitee. To indemnify or advance expenses to Indemnitee with respect to proceedings or claims initiated or brought voluntarily by Indemnitee and not by way of defense, except with respect to proceedings brought to establish or enforce a right to indemnification under this Section 31 or any other statute or law but such indemnification or advancement of expenses may be provided by State Fund in specific cases if the Board has approved the initiation or bringing of such suit; or

(iii) Lack of Good Faith. To indemnify Indemnitee for any expenses incurred by the Indemnitee with respect to any proceeding instituted by Indemnitee to enforce or interpret this Section 31, if a court of competent jurisdiction determines that such proceeding was not made in good faith or was frivolous; or

(iv) Insured Claims. To indemnify Indemnitee for expenses or liabilities of any type whatsoever (including, but not limited to, judgments, fines, or penalties, and amounts paid in settlement) which have been paid directly to Indemnitee by an insurance carrier under a policy of liability insurance maintained by State Fund.

(l) Partial Indemnification. If Indemnitee is entitled under any provision of this Section 31 to indemnification by State Fund for some or a portion of the expenses, judgments, fines or penalties actually or reasonably incurred by the Indemnitee in the investigation, defense, appeal or settlement of any civil or criminal action, suit or proceeding, but not, however, for the total amount thereof, State Fund shall nevertheless indemnify Indemnitee for the portion of such expenses, judgments, fines or penalties to which Indemnitee is entitled.

(m) Coverage. This Section 31 shall, to the extent permitted by law, apply to acts or omissions of Indemnitee which occurred prior to the adoption of this Section 31 if Indemnitee was a member, officer or Board Appointee of State Fund at the time such act or omission occurred. All rights to indemnification under this Section 31 shall be deemed to be provided by a contract between State Fund and the Indemnitee in which State Fund hereby agrees to indemnify Indemnitee to the fullest extent permitted by law, notwithstanding that such indemnification is not specifically authorized by these By-laws or by statute. Any repeal or modification of these By-laws or any applicable law shall not affect any rights or obligations then existing under this Section 31. The provisions of this Section 31 shall continue as to Indemnitee for any action taken or not taken while serving in an indemnified capacity even though the Indemnitee may have ceased to serve in such capacity at the time of any action, suit or other covered proceeding. This Section 31 shall be binding upon State Fund and its successors and assigns and shall inure to the benefit of Indemnitee and Indemnitee's estate, heirs, legal representatives and assigns.

(n) Non-Exclusivity. Nothing herein shall be deemed to diminish or otherwise restrict any rights to which Indemnatee may be entitled under these By-laws, any agreement or under the laws of the State of California.

(o) Severability. Nothing in this Section 31 is intended to require or shall be construed as requiring State Fund to do or fail to do any act in violation of applicable law. If this Section 31 or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then State Fund shall nevertheless indemnify Indemnatee to the fullest extent permitted by any applicable portion of this Section 31 that shall not have been invalidated.

(p) Attorneys' Fees. In the event that any action is instituted by Indemnatee under this Section 31 to enforce or interpret any of the terms hereof, Indemnatee shall be entitled to be paid all court costs and expenses, including actual and reasonable attorneys' fees, incurred by Indemnatee with respect to such action, unless as a part of such action, the court of competent jurisdiction determines that the action was not instituted in good faith or was frivolous. In the event of an action instituted by or in the name of State Fund under this Section 31, or to enforce or interpret any of the terms of this Section 31, Indemnatee shall be entitled to be paid all court costs and expenses, including actual and reasonable attorneys' fees, incurred by Indemnatee in defense of such action (including with respect to Indemnatee's counterclaims and cross-claims made in such action), unless as a part of such action the court determines that Indemnatee's defenses to such action were not made in good faith or were frivolous.

(q) Notice. All notices, requests, demands and other communications under this Section 31 shall be in writing and shall be deemed duly given (i) if delivered by hand and receipted for by the addressee, on the date of such receipt, (ii) if sent by electronic transmission by State Fund, at the time sent, or (iii) if mailed by domestic certified mail, with postage prepaid, return receipt requested, on the third business day after the date postmarked.

32. Amendment to By-Laws. The Voting Members shall have the authority to repeal, alter or amend these By-laws or adopt new By-laws at any regular meeting by the affirmative vote of a majority of the appointed number of Voting Members, provided that the Voting Members shall not make or alter any By-law fixing Board membership, term of office or qualification for Board membership, unless such amendment thereof is necessary to make these By-Law provisions consistent with the law of California.

Exhibit C – Oath of Office

OATH OF OFFICE

The appointing power may provide the new member with an Oath of Office and advise that it be taken before the member begins his or her duties. It may differ from the Oath of Office State of California STD. 688. This Oath is sworn or affirmed by the new member before State Fund President and CEO Janet D. Frank. The original signed Oath is then submitted to the Secretary of State, Executive Office with the request that the Oath be filed.

=====
OATH OF OFFICE

of

.....
Member, Board of Directors
State Compensation Insurance Fund
.....

OATH

for the Office of Member, Board of Directors
State Compensation Insurance Fund

I, _____, do solemnly swear
(or affirm) that I will support and defend the Constitution
of the United States and the Constitution of the State of
California against all enemies, foreign and domestic; that I
will bear true faith and allegiance to the Constitution of the
United States and the Constitution of the State of California;
that I take this obligation freely, without any mental reservation
or purpose of evasion: and that I will well and faithfully dis-
charge the duties upon which I am about to enter.

Member

Subscribed and sworn to before me,
this _____ day of _____
A. D.

President and CEO
State Compensation Insurance Fund

Exhibit D – Code of Conduct

Redacted pursuant to California Government Code section 6254(ad)(3) and (5).

Exhibit E – Incompatible Activities

Redacted pursuant to California Government Code section 6254(ad)(3) and (5).

Exhibit F – Unethical Activities

Redacted pursuant to California Government Code section 6254(ad)(3) and (5).

Exhibit G – Conflict of Interest / Statement of Economic Interest Form (700)

Portion redacted pursuant to California Government Code section 6254(ad)(3) and (5).

Conflict of Interest

EXECUTIVE OFFICES

These are several of State Fund's conflict of interest programs, trainings, and policies to ensure awareness, commitment, and compliance. Of immediate importance are the Ethics Orientation and the filing of Statement of Economic Interests according to the Summaries below and the information attached. State Fund Worksite: Copyright 2000-2008 State Compensation Insurance Fund

California's WHISTLEBLOWER Complaint Program

You can blow the whistle on State Fund employee fraud and waste. As of January 1, 2007, the Bureau of State Audits (BSA) is the point of contact to report suspected improper activities of State Fund or State Fund employees. The California Whistleblower Protection Act protects against reprisal for reporting improper activities. The Act also protects the identity of a reporting individual unless disclosure to a law enforcement agency conducting a criminal investigation is required.

Ethics Orientation for State Officials

The Ethics Orientation for State Officials is training mandated by the State of California for all employees required to file Statements of Economic Interests (SEI). For State Fund that means any employee filing either Fair Political Practices Commission Form 700 or 700A. All State Fund SEI filers must complete the initial Ethics Orientation within six months of appointment to a position that requires SEI filing, and must complete a re-orientation every odd calendar year thereafter.

Integrity in Action

State Fund has established a program called Integrity in Action. With the implementation of this program, we all can have confidence in State Fund's commitment to uphold the highest ethical standards. The program features a hotline on which you can relay any ethical concerns about State Fund to the Board of Directors.

State Fund Corporate Guidelines Manual

Corporate Guidelines are an up-to-date resource, giving meaningful direction to all State Fund managers and employees. State Fund's Corporate Guidelines identify objectives and make them explicit. They are intended to guide managers and employees in responding to changing circumstances. Where the choice of alternatives is limited, Corporate Guidelines will shape the manner in which State Fund operates.

State Fund Systems - User Information Notice

This User Information Notice provides employee guidance for the proper use of the electronic information systems of State Compensation Insurance Fund. The electronic systems covered by this document include computer equipment, Internet access, computer software, data, databases, electronic files, telephones, voice mail, fax machines, wireless devices, and any other similar information technologies that State Fund currently uses or may use in the future.

Statement of Economic Interests

Designated personnel are required to file a Statement of Economic Interests (SEI) upon assuming a position for the first time that requires filing, annually, and when leaving a designated position where one does not transfer or promote to another designated position. State Fund has adopted a Conflict of Interest Code which specifies the particular types of disclosures required by the Political Reform Act. In general, the types of interests which are subject to disclosure under the Political Reform Act are certain investments, interests in real property, sources of income, and business positions.

**CH. 35 CONFLICT OF INTEREST CODE FOR THE
STATE COMPENSATION INSURANCE FUND**

52400 General Provisions

The Political Reform Act, Government Code Sections 81000, *et seq.*, requires state and local government agencies to adopt and promulgate Conflict of Interest Codes. The Fair Political Practices Commission has adopted a regulation, 2 Cal. Code of Regs. Section 18730, which contains the terms of a standard Conflict of Interest Code, which can be incorporated by reference, and which may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act after public notice and hearings. Therefore, the terms of 2 Cal. Code of Regs. Section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference and, along with the attached Appendix in which officials and employees are designated and disclosure categories are set forth, constitute the Conflict of Interest Code of the State Compensation Insurance Fund.

Pursuant to Section 4 (A) of the standard code, designated employees shall file statements of economic interests with their agency. Upon receipt of the statements of the Board of Directors, the agency shall make and retain a copy and forward the original of these statements to the Fair Political Practices Commission.

Note: The Political Reform Act consists of Sections 81000 through 91014 of the Government Code. The Political Reform Act was an initiative approved by the people on June 4, 1974 which became effective on January 7, 1975. The provisions of Section 18730 of Title 2 of the California Code of Regulations, together with the two pages attached hereto, constitute the Conflict of Interest Code of the State Compensation Insurance Fund and provide the specific procedures to be followed in complying with the Political Reform Act.

APPENDIX

DESIGNATED EMPLOYEES

<u>EMPLOYEE (S)</u>	<u>DISCLOSURE CATEGORIES</u>
Members of Board of Directors	1, 2, 3, 4
President	1, 2, 3, 4
Executive Vice-President	1, 2, 3, 4
Vice-President	1, 2, 3, 4
Chief Counsel	1, 2, 3, 4, 6
All Other Counsel	4, 6
District Manager	5, 7
Claims Manager	7
Assistant Claims Manager	7

APPENDIX CONT.

DESIGNATED EMPLOYEES

<u>EMPLOYEE (S)</u>	<u>DISCLOSURE CATEGORIES</u>
Claims Adjuster	7
Business Services Manager	4
Purchasing Manager	4
Buyer	5
Real Property Manager	1, 5
Fiscal & Investment Services Manager	3
Corporate Planning Officer	2
Group Insurance Manager	5, 7

DISCLOSURE CATEGORIES

Category 1

Interest in real property within two (2) miles of any real property owned or leased by State Compensation Insurance Fund.

Category 2

Investments in, income from, and positions held with business entities providing workers' compensation insurance coverage under the California Workers' Compensation Laws.

Category 3

Investments in, income from, and positions held with financial institutions or business entities of the type with which the State Compensation Insurance Fund has deposits or in which it makes investments.

Category 4

Investments in, income from, and positions held with business entities of the type which, within the past two years, have contracted with the State Compensation Insurance Fund to provide services, supplies, materials, machinery, or equipment. (As an aid to designated employees, the State Compensation Insurance Fund shall provide a list of vendors with whom it has transacted business during the twelve-month period preceding the disclosure statement filing date.)

Category 5

Investments in, income from, and positions held with business entities of the type which, within the past two years, have contracted with the State Compensation Insurance Fund to provide services, supplies, materials, machinery, or equipment which the filer has responsibility for purchasing. (As an aid to designated employees, the State Compensation Insurance Fund shall provide a list of vendors with whom it has transacted business during the twelve-month period preceding the disclosure statement filing date.)

Category 6

Investments in, income from, and positions held with business entities and persons who have, during the reporting period, been the subject of legal work performed by the filer in his/her capacity as an attorney for the State Compensation Insurance Fund.

Category 7

Investments in, income from, and positions held with business entities and persons whose claims have been adjusted by the filer during the reporting period. If the employee has not participated in an adjustment assignment during the course of the reporting period in which he or she has a financial interest, then the employee shall sign a statement to that effect under penalty of perjury. Such statement shall be filed and processed as though it were the disclosure statement required by Section 4 (A) the Standard Code. The employee who participated in an adjustment assignment in which he or she has a financial interest shall disclose that interest as described above, but such statement shall be delivered to the filing officer who will file the statement as a public record.

MODIFICATION TO STANDARD CONFLICT OF INTEREST CODE

Section 8 is modified by adding a paragraph following the last paragraph, to read as follows:

Four members of the Board of Directors of State Compensation Insurance Fund are required by law to be selected from its policyholders (Ins. C. S11770). For purposes of dividend decisions, these policy holders are deemed to constitute the public generally within the meaning of 2 Cal. Code of Regs. S18703 (d).

Your Duty To File

**A Basic Overview
of State Economic Disclosure Law
And Reporting Requirements
For Public Officials**



**Fair Political Practices Commission
428 J Street, Suite 620
Sacramento, CA 95814
Toll-free advice line: 1 (866) ASK-FPPC
Web site: www.fppc.ca.gov**

A Basic Overview of State Economic Disclosure Law And Reporting Requirements

Chart 1

Introduction

The Political Reform Act of 1974 (Gov. Code sections 81000-91014) requires many state and local public officials and employees to disclose certain personal financial holdings. The Act, which frequently has been amended, began as a ballot initiative approved by over 70 percent of California voters in the wake of the Watergate political scandals.

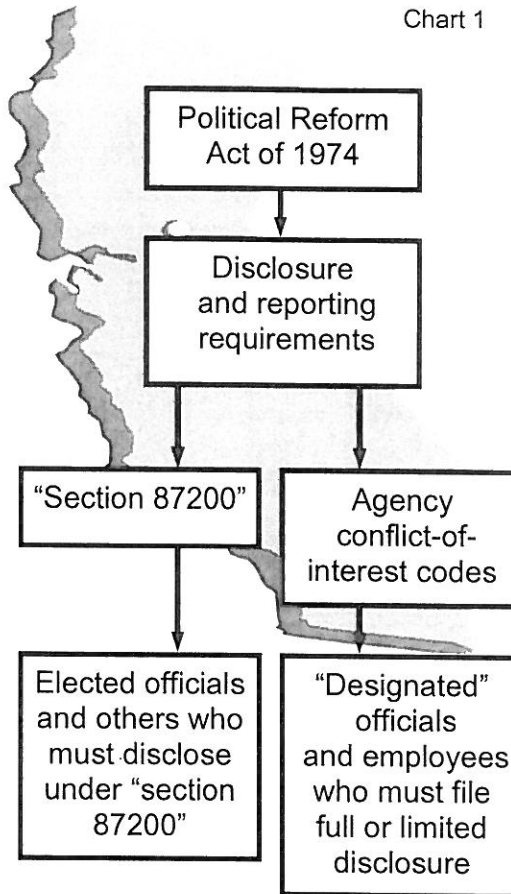
One of the Act's stated purposes declares:

Assets and income of public officials which may be materially affected by their official actions should be disclosed and in appropriate circumstances the officials should be disqualified from acting in order that conflicts of interest may be avoided. (Cal. Gov't. Code section 81002(c).)

In its findings and declarations, the Act adds:

Public officials, whether elected or appointed, should perform their duties in an impartial manner, free from bias caused by their own financial interests or the financial interests of persons who have supported them. (Cal. Gov't. Code section 81001(b).)

The Act and its practical implementation have a broad reach across California



government. Many tens of thousands of public workers, ranging from the governor to local department heads to board and commission members, are required to file public, personal financial disclosure reports known as "statements of economic interests."

The Act establishes a complex, *decentralized* system of managing this disclosure in which each state and local government agency is required to adopt and implement a separate conflict-of-interest code. The administration of this decentralized system is divided between the Fair Political Practices Commission and re-

sponsible officials at more than 7,000 state and local agencies.

Employees and officeholders at virtually all state and local agencies, as well as candidates for public office, use the Fair Political Practices Commission's *form 700* to file their statements of economic interests. The statements are sometimes informally referred to as "SEIs," "700s" or "conflict-of-interest statements." The form is available from your agency or in an interactive version on the FPPC web site. Form 700 amendment schedules, also available from your agency and the web site, are used to file amendments to a previously filed statement.

Most of these forms are not filed directly with the FPPC. Rather, they are filed with the agency's filing officer or filing official, or, in the case of candidates, with election offices or local clerk offices. In some cases, the agency will forward the original form to the FPPC while retaining a copy.

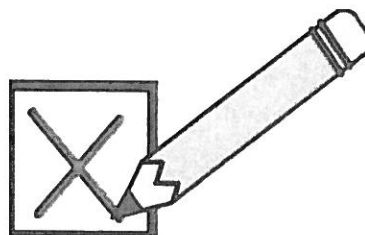
Filers must sign the form 700 under penalty of perjury (see section 81004 of the Act). Once filed, the form is a public document and must be made available to the public on request (section 81008). Public officials are generally not required to list their home addresses or home telephone numbers on the form.

The forms alert public officials about their own economic interests and potential areas of conflict in relation to their duties, and provide information to members of the public who may monitor official actions for any conflicts.

While sometimes popularly called "conflict-of-interest statements," the forms list only personal financial interests and don't in themselves disclose any conflicts of interests. Any conflict of interest under the Political Reform Act can only come about if a public official makes or participates in making a government decision that has a reasonably foreseeable material financial effect on the official's personal financial interests. Also, the law does not require all relevant personal financial interests (such as ownership of a personal residence in most cases) to be disclosed on the statement of economic interests.

The form 700 includes extensive instructions on how to fill it out. Your agency or the FPPC can provide individual help if you have further questions about the form, or where and when to file it.

The FPPC and agencies have the authority to levy penalties when a statement of economic interests is not filed on time. The FPPC also has the authority to levy administrative fines of up to \$5,000 per violation of the Political Reform Act, or to seek civil penalties in the courts. The FPPC does not have the power to bring criminal charges but may refer cases to another law enforcement authority such as a district attorney.



Who must disclose?

The Act establishes two categories of public officials and employees who must disclose their personal financial interests. See Chart 1 on Page 1 for a basic diagram of how the law works.

I. Officials required to disclose under section 87200 of the Government Code

Section 87200 contains a specific list of officials, including high-ranking elected officeholders, who are subject to the most extensive disclosure requirements under the Act. These officials are listed in Chart 2, found in the right column of this page.

Officials specified in section 87200, and candidates for the elective offices specified in section 87200, must file form 700 periodically to disclose certain investments, interests in real property, sources of income, gifts, loans and business positions. These officials are sometimes informally referred to as "87200 filers."

II. Officials and employees required to disclose under section 87300

Every state and local government agency is required to adopt a "conflict-of-interest code" under the Act (see Cal. Gov't. Code section 87300). The Act lists the provisions required for such codes (section 87302) and requires that each code be approved by a "code reviewing body" (section 87303).

Chart 2 — Officials required to file disclosure statements under section 87200 of the Cal. Gov't. Code

State Offices:

Governor
Lieutenant governor
Attorney general
Controller
Insurance commissioner
Secretary of state
Treasurer
Members of the state legislature
Superintendent of public instruction
State Board of Equalization members
Public utilities commissioners
State energy resources conservation and development commissioners
State coastal commissioners
Elected CalPERS board members
Fair Political Practices Commission members
State public officials who manage public investments

Judicial Offices:

Supreme, appellate and superior court judges
Court commissioners
Retired and pro-tem judges, part-time court commissioners

County and city offices:

Members of boards of supervisors
Mayors and members of city councils
Chief administrative officers
District attorneys
County counsels
City attorneys
City managers
Planning commissioners
County and city treasurers
County and city public officials who manage public investments

The law requires this decentralized system. Section 87301 states:

It is the policy of this act that Conflict of Interest Codes shall be formulated at the most decentralized level possible, but without precluding intra-departmental review. Any question of the level of a department which should be deemed an "agency" for purposes of Section 87300 shall be resolved by the code reviewing body.

When an agency adopts or amends its conflict-of-interest code, how does it determine which agency positions are covered under the code and which are not?

Each agency conflict-of-interest code must designate, or include, the employee positions within that agency "*which involve the making or participation in the making of decisions which may foreseeably have a material effect on any financial interest of the employee (section 87302(a)).*

These officials and employees must file form 700 periodically and disclose certain investments, interests in real property, sources of income, gifts, loans and business positions. These filers are sometimes informally referred to as "designated employees" or "code filers."

In some cases, consultants to government agencies are required to file statements of economic interests under agency conflict-of-interest codes. Generally speaking, consultants who perform the duties of a

government employee over a significant period of time, or who make or participate — without significant intervening review — in the making of government decisions, may be required to file (See FPPC Regulation 18701).

Every state and local government official, employee and consultant must refrain from making or participating in a government decision that has a reasonably foreseeable material financial effect on his or her personal financial interests, regardless of whether the individual is required to file a statement of economic interests.

Unlike the officials who must disclose under section 87200 of the Act, certain employees designated under agency conflict-of-interest codes may have to make only limited disclosures of their financial interests. The amount of disclosure will depend upon their duties. In general, those employees in positions with broader decision-making authority will have to provide broader disclosure of their personal financial interests.

Agencies must amend their conflict-of-interest codes when necessary to add or delete designated positions and disclosure categories. Conflict-of-interest codes are reviewed every two years. If an employee believes the amount of disclosure required for his or her position should be revised, those concerns can be addressed by the agency, including during the review process.

The FPPC reviews conflict-of-interest codes for all state agencies and all multi-

county agencies – approximately 1,000 codes. Codes adopted by other local agencies are reviewed by the appropriate county board of supervisors or city council, depending upon the jurisdiction of the agency (see section 82011).

The FPPC has adopted regulations to assist agencies in adopting conflict-of-interest codes. All state agencies and most local agencies now use a regulation (FPPC Regulation 18730) as the body of their indi-

vidual conflict-of-interest codes, with each agency adding its individual list of designated employees and the types of disclosure required of different employee positions. This regulation can be found on the FPPC web site, www.fppc.ca.gov. FPPC staff members also provide assistance or training on conflict-of-interest codes to local and state agencies and code-reviewing bodies. Check the FPPC web site or call 1-866-ASK-FPPC for a schedule of upcoming training seminars.

Chart 3 — Examples of where form 700 is filed:

- City Councilperson Rodriguez must disclose under section 87200 of the Political Reform Act. She files her form 700 with the city clerk (*filing official*), who retains a copy and forwards the original to the FPPC (*filing officer*). The city clerk also receives and retains forms filed by employees of city agencies who have been designated in the city's conflict-of-interest code. For the employees' forms, the city clerk is the *filing officer*.
- State Senator Smith is an official specified in Gov. Code section 87200. She files her form 700 with the secretary of the senate (*filing official*), who retains a copy and forwards the original to the FPPC (*filing officer*).
- The Department of Social Services is a state agency and has adopted a conflict-of-interest code designating those positions within the agency that must file form 700. The code requires the forms to be filed with the agency. However, the code also states that the personnel division will retain a copy of the form filed by the agency director and forward the original to the FPPC. The personnel division is the *filing officer* for forms filed by the employees and is the *filing official* for the director. The FPPC is the *filing officer* for the director.
- Chief Jones occupies a position designated by the conflict-of-interest code adopted by the Siskiyou County Fire Services District, a local government agency. The form 700s from Jones and the district's elected board members are filed with and retained by the county. As set out in the conflict-of-interest code, forms filed by all other designated employees are filed with and retained by the district.

An outline of the disclosure process — Chart 4

1. Two types of filers:

- “87200 filers” whose positions are listed in Gov. code section 87200
- “Designated officials” — state and local government agencies are required to adopt a conflict-of-interest code and designate decision makers who file disclosure statements

2. Types of statements filed on form 700:

- Assuming office/initial
- Annual
- Leaving Office
- Candidate
- Amended statements

3. Places to file the form:

- Section 87200 filers file with their state, city or county agency, which in most cases retains a copy and forwards the original to the FPPC
- “Designated officials” file their forms with their agency
 - 1) Most of these originals retained by agency
 - 2) Some originals forwarded to the FPPC (such as state department heads, board and commission members, selected multi-county agencies) with copies retained by the agency
 - 3) Senate and Assembly staff members file directly with the FPPC
- Candidate statements are filed with the appropriate election official, such as the local registrar of voters or clerk

4. Filing officers and filing officials

- Filing *officer* retains original statements
 - 1) Supplies forms, notifies filers
 - 2) Logs statements, notifies non-filers
 - 3) Reviews statements and requests amendments
 - 4) Imposes late filing penalties
 - 5) Provides public access
- Filing *official* retains copy and forwards original to filing officer
 - 1) Supplies forms, notifies filers
 - 2) Sends names of filers to filing officers
 - 3) Logs forms sent to filing officer
 - 4) Provides public access to copies of forms

Where do I file my form 700?

The Act mandates a decentralized system for filing, reviewing and retaining the form 700 statements of economic interests. This system is specified in section 87500 of the Government Code. Examples can be found in Chart 3 on Page 5, and the process is outlined in Chart 4 on Page 6.

Candidates file their statements of economic interests with their election official, such as their registrar of voters or city clerk.

The vast majority of public officials and employees file their form 700 with a filing *officer* at their own agency. This person reviews, logs and files the statement, provides public access to the form and performs other duties.

In most other cases, public officials and employees file their statement with a filing *official* at their agency, who acts as an intermediary and, after making a copy, forwards the original statement to the FPPC or to a county filing officer.

The FPPC receives – and is the filing officer for – approximately 20,000 statements of economic interest filed on an intermediary basis with other agencies. These statements include the officials specified in section 87200 as well as the following:

- designated employees of the state senate and state assembly
- members appointed to state boards and commissions
- state department heads (agency secre-

taries, directors and chief deputy directors of state agencies)

- employees of certain multi-county agencies

Regulation 18115 explains the respective roles of filing officers and filing officials. Briefly, filing officers assess fines for late-filed statements, review all statements for facial compliance, perform an in-depth review of some statements, and refer problems to the FPPC for potential enforcement actions. The FPPC now has an expedited and streamlined enforcement program for late-filed statements of economic interests.

Deadlines for filing statements of economic interests (form 700)

Candidates for certain elected positions must file a candidate statement prior to their election. Each type of statement has a specified “reporting period” (such as a calendar year) and is filed on the form 700 statement of economic interests.

Upon assuming his or her public office or job, an official first files an “assuming office” or “initial” statement of economic interests. After that, the official or employee files an annual statement each year until he or she leaves office, at which time a leaving office statement must be filed.

Candidate statements: Candidates for elective offices specified in section 87200 must file form 700 no later than the deadline for filing a declaration of candidacy to appear on a ballot. State and local elec-

tions occur throughout the year, and filing times vary. Some local conflict-of-interest codes may require candidates for other elective offices (such as school board or city clerk) to file candidate statements. Most do not have this requirement.

commissioners; members of state boards and commissions specified in section 87200: file on March 1.

➤ *elected CalPERS board members: file on April 1.*

➤ *all others: file on April 1. (Some local agency conflict-of-interest codes may specify a different date.)*

Assuming Office Statements:

➤ *elected officials: file 30 days after assuming office.*

➤ *appointed officials under section 87200: file 30 days after assuming office or 10 days after appointment or nomination if subject to state Senate or judicial confirmation.*



Leaving office statements: file within 30 days of leaving office.

Amendments: an amendment to a form 700 may be filed at any time—there is no deadline. A filer may submit more than one amendment.

➤ *other appointed officials: file 30 days after assuming office or 30 days after appointment or nomination if subject to state Senate confirmation.*

Expanded Statements: many officials hold more than one position covered under the Act and may combine all of their filing obligations on one form, with a copy containing an original signature filed with each agency.

Initial statements (officials whose positions are added to a new or amended conflict of interest code): file 30 days after the effective date of the conflict-of-interest code or amendment to an existing code.

Exceptions:

There are several exceptions to the filing deadlines:

➤ Elected state officers (newly elected) may not be required to file assuming office statements. They file a candidate

Annual Statements:

➤ *elected state officers; judges and court*

statement, then the next annual statement.

- An official who completes a term of office and, within 30 days, begins a new term in the same office is not required to file a leaving or assuming office statement (such as when an elected official is reelected to the same office).
- An official who leaves an office and, within 30 days, assumes another position with the same agency, or in the same jurisdiction (such as when a city planning commissioner is elected mayor) is not required to file a leaving or assuming office statement.
- An official who assumes office between October 1 and December 31, and who properly files an assuming office statement, is not required to file the next annual statement, but will wait until the following year.
- A candidate who has filed an assuming office or an annual statement within 60 days prior to filing a declaration of candidacy is not required to file a candidate statement.
- Certain statements may be combined. For example, if an official who normally files an annual statement on March 1 leaves office between January 1 and February 28, he or she can combine the annual and leaving office statements, as long as the statement is filed by March 1.
- Retired judges who serve part-time, *pro*

tempore judges, and part-time court commissioners are required to file form 700 only if they serve 30 days or more in a calendar year.

- Any deadline that falls on a Saturday, Sunday or official state holiday is automatically moved to the next business day.

Important note

This Fair Political Practices Commission fact sheet discusses provisions of California's Political Reform Act relating to economic disclosure and reporting requirements for public officials. While we hope you find the information helpful, ***you should not rely on the fact sheet alone to ensure compliance with the Act.*** If you have any questions, consult the Act and FPPC regulations, your agency's filing official or legal counsel, or call the FPPC's toll-free help line at 1-866-ASK-FPPC (1-866-275-3772). This fact sheet, the Act, regulations and other important information are on our web site, www.fppc.ca.gov.



A good idea -

Call for toll-free advice at:

1-866-ASK-FPPC

(1-866-275-3772)

Exhibit H – Audit Committee Charter

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

Mission/Purpose

The Audit Committee (the "Committee") shall assist the Board of Directors (the "Board") of State Compensation Insurance Fund ("State Fund") in fulfilling its responsibility for oversight of (1) the quality and integrity of State Fund's accounting, auditing and financial reporting practices and the management of State Fund's financial risk; (2); the independent public accounting firm's qualifications, performance, and independence; (3) the performance of State Fund's internal audit function; and (4) State Fund's compliance with legal, ethical and regulatory requirements.

Organization

The Committee is a standing committee of the Board and shall be composed of not less than three (3) members. All members should have general knowledge of financial and auditing matters and the Board shall have, at all times, a member with an auditing background for the purposes of fulfilling the responsibility of the Chair of the audit committee pursuant to Insurance Code 11770(b)(1) as may be amended.

Meetings

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

- a. The Committee is expected to maintain free and open communications with the independent auditor, internal audit manager, internal finance staff and management in compliance with Bagley-Keene.
- b. The Committee may, at its discretion, invite members of management or other Board members 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.
- c. The Committee shall create an agenda for each meeting pursuant to the requirements of Bagley-Keene.
- d. Unless the Committee determines otherwise, the Committee shall hold separate closed sessions to meet with management, the internal auditors and independent auditors. 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.
- e. 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.
- f. Minutes shall be prepared at each meeting and shall be filed with the minutes of State Fund's Board.

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

- g. The Committee Chairperson or the Chairperson'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, the Committee shall:

1. Financial Reporting

- a. Review with management and the external auditor, State Fund's financial statements on a semi-annual basis and discuss State Fund's financial reports filed with the Department of Insurance and the California State Controller's Office and solicit the external auditor's opinion with respect to the financial statement in the reports.
- b. Review with management and the external auditor any significant changes or other issues regarding accounting principles, judgments and the quality of financial reporting.
- c. Review with management and the external auditor the accounting practices, policies and compliance with accounting standards.
- d. Review with management, external and internal auditors, the integrity of State Fund's financial reporting processes and controls, any significant financial risk exposures, and State Fund's policies, guidelines and steps management has taken to monitor, control and report such risk exposures.
- e. Review significant findings prepared by the independent auditors and the internal auditing department together with management's responses.
- f. Review and assess all matters related to audits, examinations, investigations or inquiries of the State Auditor and other appropriate State and Federal agencies.
- g. Review the report issued by the external auditor and discuss with the external auditor all accounting policies and practices to be used and alternative treatments of financial information within statutory accounting principles ("SAP") that have been discussed with management, ramifications of the use of alternative disclosures and treatments, the treatment preferred by the external auditor, and any other material written communications between the external auditor and State Fund's management.

2. External Audit

- a. Have responsibility for the appointment, retention, compensation, termination and oversight of the independent, external auditors' work, scope and terms including the coordination of the audit effort with internal audit. The Committee will recommend to the Board approval of all audit engagement fees. The Chairperson of the Committee or a Committee member will sign the engagement letter with the auditor. The external auditor reports directly to the Committee, and. The standards for selections of the independent auditors will comply with all State and Federal laws and regulations.
- b. Discuss with the external auditor any disclosed relationships or services that may impact the auditor's objectivity and independence.

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

- c. Review and confirm the independence of the external auditors by obtaining statements from the auditors of relationships between the auditors and State Fund including non-audit services.
- d. At least annually, the Committee will obtain and review a report by the external auditors describing the external auditor's internal quality control procedures; material issued raised by recent internal quality control reviews of the firm, and any investigations by governmental or professional authorities concerning independent audits conducted by the firm for the last five years.
- e. Monitor and ensure the external audit partner in charge is rotated as required by law or regulation.
- f. Review the scope and results of the audit and any disagreements the external audit partner may have had with management and any problems encountered by the external audit partner in performing the audit(s).
- g. Review any questions, comments or suggestions the auditor may have relative to the internal controls and accounting practices and procedures of State Fund.

3. Internal Audit Function

- a. Review with management and the internal audit manager the charter, budget, activities, staffing and organizational structure of the internal audit function and any recommendations with respect to the performance or strengthening of that function.
- b. Review and recommend approval of the annual audit plan, all major changes to the plan and the annual update of the biennial plan.
- c. Review with the manager of internal audit and management the adequacy and effectiveness of State Fund's internal controls, the reliability of its financial reporting as well as the external auditor's assessment of the adequacy of such controls and systems and management's response to any material weakness in State Fund's internal controls.
- d. Review and evaluate the performance of the internal audit function including a review of the performance of the manager of internal auditing and, if appropriate, recommend the selection of a new manager.
- e. Review with the internal auditor any difficulties including restriction on scope of work, access to required information, and any other issues the Committee deems appropriate.

4. Ethics and Legal Compliance

- a. Review with management, the finance staff, the external and internal auditors, on at least a quarterly basis, the adequacy and effectiveness of State Fund's systems and controls for monitoring and managing legal and regulatory compliance, including State Fund's disclosure procedures and controls.
- b. Establish procedures for the receipt, retention and treatment of complaints received from the California State Auditor regarding improper governmental activity, theft, conflict of interest, gross misconduct, inefficiencies or incompetence of State Fund's employees, accounting, internal accounting controls or auditing matters.

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

- c. Establish procedures for the confidential, anonymous submission of complaints and tips by State Fund's employees as mandated by the Board or by law.
- d. Establish procedures for the receipt, retention, and treatment of reports of investigations and audits conducted of State Fund by the California State Auditor.
- e. Formulate and recommend to the Board any changes to the Code of Ethics or Code of Conduct and/or other compliance policies and guidelines that relate to financial reporting, and monitor compliance with these Codes.
- f. Recommend to the Board, as appropriate, any other compliance policies and guidelines that the Committee deems appropriate to ensure compliance with applicable laws and regulations.
- g. Conduct a review of all related-party transactions, as necessary, and recommend to the Board, as appropriate, whether to approve such transactions.
- h. Approve State Fund's compliance plan, make and approve changes as needed and ensure that compliance functions are performed with independence and in accordance with professional standards.
- i. Obtain regular updates from State Fund's management and State Fund's legal counsel regarding compliance matters.

Powers

The Committee shall have the following powers:

- a. To form and delegate authority to subcommittees.
- b. To hire appropriate experts as it deems necessary to carry out its responsibilities and have other responsibilities and authority as designated from time to time by resolution of the Board.
- c. To amend or repeal the Charter or any provisions of the Charter as appropriate.
- d. To have unrestricted access to management, State Fund personnel, and the external auditors as is appropriate for the proper performance of its function.
- e. To oversee all contracted reviews, assessments and examinations required by the Board or requested by the Committee including, but not limited to, compliance with audit-related laws, rules, regulations, Board policies, internal controls, management operating procedures, and industry best practices.
- f. Such other powers as may be necessary and appropriate to fulfill the Committee's purposes.
- g. The Committee will evaluate its performance on an annual basis, either separately or in conjunction with an annual evaluation of the full Board.

Exhibit I – Investment Committee Charter

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

Mission/Purpose

The Investment Committee (the "Committee") shall assist the Board of Directors ("Board") of State Compensation Insurance Fund ("State Fund") in fulfilling its investment oversight responsibilities by (1) overseeing State Fund's capital and financial resources; (2) advising the Board on issues related to the State Fund's Investment Policy Statement ("Policy Statement") and Investment Guidelines ("Guidelines") particularly in light of changing business, legislative, regulatory, legal or other conditions; (3) recommending, granting approval, making necessary decisions, and providing direction on items related to the investments of State Fund; and (4) monitoring, reviewing and evaluating the work of State Funds' Chief Investment Officer and outside Investment Managers relating to the investments of the company.

Organization

The Committee is a standing committee of the Board and shall be composed of no less than three (3) members. All Committee members must possess an understanding of the detailed responsibilities of the Committee membership and of State Fund's business, operating and investment environment. The Committee members should maintain an effective relationship with the Board, State Fund's Chief Investment Officer, management, investment managers, and consultants.

Meetings

The Committee shall hold regular meetings, in accordance with the provisions of the Bagley-Keene Open Meeting Act ("Bagley-Keene") and no less than four (4) times a year. The Committee shall 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 equal or exceed a majority of the number of members of the Board.
- b. State Fund's Chief Investment Officer shall be present or available by phone during all regularly scheduled Committee meetings. The outside Investment Managers shall be present at Committee meetings as deemed appropriate by the Committee.
- 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.
- e. The Committee Chairperson or the Chairperson's designee shall give a full report of the Committee's actions at the earliest scheduled Board meeting.

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

Duties and Responsibilities

- 1. Oversee**
 - a. Oversee that State Fund operates in a legal, ethical, and socially responsible manner and complies with all applicable laws in the execution of State Fund's Investment Policy Statement and Guidelines.
 - b. Oversee approval of all transactions as required by law.

- 2. Recommend**
 - a. Work with State Fund's Chief Investment Officer to develop selection criteria and recommend to the Board an Investment Manager(s) to be nominated based on that criteria and/or recommend the discharge of an Investment Manager if necessary.
 - b. Recommend updates and/or changes to the Investment Policy Statement and Guidelines.

- 3. Advise**
 - a. Advise the Board on matters related to State Fund's Investment Guidelines.
 - b. Advise the Board of changing business, legislative, regulatory, legal or other conditions that may affect State Fund's investment strategy.

- 4. Evaluate**
 - a. Evaluate the composition and performance of the investment portfolio managed by each Investment Manager as well as fee structures, services and any other relevant factors on an annual basis and make recommendations based on the evaluation.
 - b. Evaluate the effectiveness of the system for monitoring compliance with State Fund's Policy Statement and Investment Guidelines.
 - c. Evaluate peer company investments on an annual basis.
 - d. Evaluate the current investment strategy to determine if it is consistent with meeting strategic goals.

Powers

The Committee shall have the following powers:

- a. To meet with senior management and other appropriate parties to receive information and discuss strategic investment strategy including but not limited to strategic allocations, strategic duration and/or a method of determining an appropriate duration, and benchmarks, as necessary, to measure relevant manager performance and overall company performance.
- b. To oversee and consult with State Fund's Chief Investment Officer on matters related to investment strategies and guidelines for State Fund's investment portfolio.

STATE COMPENSATION INSURANCE FUND
PROPOSED Investment Committee Charter
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- c. To hire appropriate experts and authorize management to hire appropriate experts to execute investment and oversight functions.
- d. To perform other investment functions as requested by the full Board of Directors.
- e. To form and delegate certain authority to subcommittees.
- f. To amend or repeal provisions contained within the Charter as appropriate.
- g. Such other powers as may be necessary and appropriate to fulfill the Committee's purposes.
- h. The Committee will evaluate its performance on an annual basis, either separately or in conjunction with an annual evaluation of the full Board.

Exhibit J – Investment Policy Resolution

Redacted pursuant to California Government Code section 6254(ad)(5).

Exhibit K – Travel Expense Claim Form

Exhibit L – Privately Owned Vehicle Insurance Certification

Exhibit M – State Fund Form 5493 Travel Expense Reimbursement Guide

actually and reasonably incurred. In the absence of a satisfactory explanation, the expense shall not be allowed.

Meals and Incidentals - No receipts required for actual meals/incidental expenses incurred in accordance with the maximum rates and time frame requirements.

Overtime Meal - Up to \$8.00 may be reimbursed for an overtime meal when an employee is required to work two hours contiguous to his/her regular work shift of at least eight hours. Receipts may be required by the approving authority.

ALWAYS KEEP YOUR RECEIPTS. If the provisions in the travel program do not require submission of a receipt for a given item of expense, it is the employee's responsibility to retain receipts and other records of the expense and have them available for audit, if necessary.

AIRLINE/RENTAL CARS

Employee airline travel arrangements are to be made through authorized SCIF travel agents only. YCAL travel reservations are the preferred method of airline travel and are to be used in all situations where flight schedules permit. YCAL reservations offer discount pricing and flexibility to change flights without penalty. In those situations where schedules do not permit the use of YCAL reservations, the travel agencies can make other airline reservations to accommodate the traveler.

Rental cars are to be reserved at the time travel arrangements are made through an authorized SCIF travel agent only, utilizing only our corporate accounts with Budget and Avis. At the time of rental car pick up, the person traveling must present the appropriate BUDGET or AVIS corporate credit card. These cards can be assigned to individual employees who travel frequently or in-frequent travelers may use the generic corporate credit cards available to each department. Do not obtain any additional insurance since the State Fund rates with Budget and Avis already include coverage.

Airline and Rental Car reservations made directly by traveling employees are no longer authorized and will not be reimbursed except for unexpected emergency travel situations. If this is the case, an Employee Request for Reimbursement by 594 must be made to Business Applications Unit in Fiscal & Investment Services. A written explanation of the need for personal emergency travel, a copy of the submitted Travel Expense Claim form and receipts must be submitted with the 594.

Gasoline purchases for rental cars, when not included in the rental car reservation, can be made by either a SCIF issued gasoline credit card or a personal credit card, in which case a request for reimbursement can be included on the Travel Expense Claim form

CONTRACT

Lodging and meals that are provided under contract cannot be claimed. However, expense incurred while traveling before and after the contract period will be allowed. If incidental expenses were incurred and not covered by the contract, they may be claimed for each 24-hour period. When submitting a Travel Expense Claim for expenses incurred while attending an event that was on contract, a statement must be included in the "Purpose of Travel" section of the claim form indicating that either meals, lodging or both were provided under contract.

Client-Related Business Meals

Reimbursements must be claimed through the Business Applications Unit in Fiscal & Investment Services using SCIF Form 325. Employees and all the other attendees of these meetings cannot claim the meal allowance for the same period on the Travel Expenses Claim form.

SUBMISSION OF TRAVEL EXPENSE CLAIMS:

All expenses incurred shall be itemized accompanied by the necessary receipts. When in doubt, always get a receipt. Receipts that are small in size and easily lost must be taped on a plain sheet of paper.

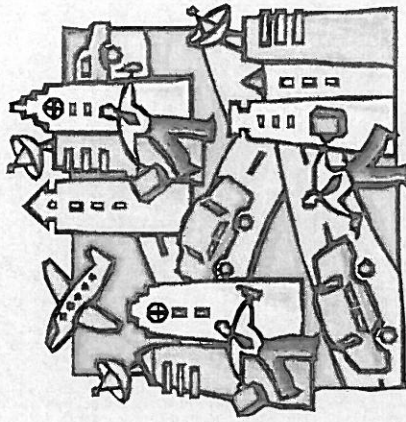
Always remember to completely and clearly fill out the "Purpose of Travel" and "Send Check To" sections.

Travel Expense Claims (with the exception of corporate relocation expense which is handled by Human Resources) should be submitted to Fiscal and Investment Services within a month after travel has been completed. Do not wait several months before submitting the claim, especially if there is a travel advance attached to the claim.

All travel expenses are to be incurred as a result of conducting State business, and are subject to review/verification by the approving authority. All items claimed are to be for the ACTUAL AMOUNT OF EXPENSE up to the maximum allowed. **BE SURE YOUR CLAIM FORM IS COMPLETE AND SUBMITTED TIMELY WITH ALL THE SUPPORTING DOCUMENTS.**

TRAVEL EXPENSE REIMBURSEMENT GUIDE

A SUMMARY OF THE STATE COMPENSATION INSURANCE FUND TRAVEL PROGRAM FOR REPRESENTED AND NON-REPRESENTED EMPLOYEES



The information contained in this pamphlet is in accordance with the Department of Personnel Administration rules and provisions for travel.

This pamphlet is intended as a guide and overview only. Additional details may be obtained by visiting the Payable/Receivable Unit under Fiscal and Investment Services' website.

Or

by contacting the following numbers:

(415) 565-1058 - if your last name starts from A-L

(415) 565-1660 - if your last name starts from M-Z

SCIF SHORT-TERM TRAVEL PROGRAM FOR REPRESENTED AND NON-REPRESENTED EMPLOYEES

SHORT-TERM TRAVEL - is defined as travel to one location for 30 consecutive days or less. If the travel extends beyond 30 consecutive days in one location, long-term rates will apply. There are two kinds of short-term travel; 24 Hours or More Travel and Less than 24 Hours.

50-MILE RULE - Employees must travel 50 miles from their residence and headquarters in order to claim lodging and meals. Executive Committee may grant an exception to the 50-Mile rule in cases where adherence to the 50 miles limitation creates an unusual and unavoidable hardship to the employee. The 50-Mile Rule is waived when lodging and meals are on contract. To determine whether distance traveled meets the 50-mile rule, go to <http://maps.yahoo.com/py/ddResults.py>

MEALS AND INCIDENTALS - EACH 24 HOUR PERIOD

- Breakfast: actual up to \$ 6.00
- Lunch: actual up to \$10.00
- Dinner: actual up to \$18.00
- Incidentals: actual up to \$ 6.00

Incidental expenses include, but are not limited to, expenses for laundering and pressing of clothing, tips for services such as shuttle, taxi, and baggage carriers, and personal phone calls.

TRAVEL TIME FRAMES

1. On the first day of travel at the BEGINNING OF A TRIP OF MORE THAN 24 HOURS:

- TO CLAIM:
 - Breakfast at or before 6:00 a.m.
 - Lunch at or before 11:00 a.m.
 - Dinner at or before 5:00 p.m.

2. On the last day of travel at the END OF A TRIP OF MORE THAN 24 HOURS:

- TO CLAIM:
 - Breakfast at or after 8:00 a.m.
 - Lunch at or after 2:00 p.m.
 - Dinner at or after 7:00 p.m.

3. FOR TRAVEL OF LESS THAN 24 HOURS:

- TO CLAIM:
 - Breakfast at or before 6 a.m. at or after 9 a.m.
 - Dinner at or before 4 p.m. at or after 7 p.m.

No lunch or incidentals for trips of less than 24 hours. If no lodging is claimed, all meals for "Travel of Less than 24 Hours" are taxable and reportable.

SHORT - TERM LODGING RATES:

- A. Statewide, except as in (B) and (C) below, actual receipted lodging up to \$84.00 plus tax.
- B. When required to conduct State Fund business and obtain lodging in the Counties of Los Angeles and San Diego, reimbursement will be for actual receipted lodging, up to a maximum of \$110.00 plus tax.
- C. When required to conduct State Fund business and obtain lodging in the Counties of Alameda, San Francisco, San Mateo, and Santa Clara, reimbursement will be for actual receipted lodging, up to a maximum of \$140.00 plus tax.

Employees must fill out SCIF Form 5053 (Request for Lodging Allowance in Excess of Statewide Rate) if the lodging rates do not meet any of the requirements stated in A, B, and C.

Employees must also fill out SCIF Form 5049 for all "Out of State Travel Request".

FORMS 5053 AND 5049 REQUIRE ADVANCE APPROVAL BY THE PROGRAM/DISTRICT MANAGER AND EXECUTIVE.

MILEAGE REIMBURSEMENT RATES

All privately-owned vehicle mileage driven on SCIF business is subject to advance approval by Program/District Manager through SCIF Form 16024 (Privately-Owned Vehicle Insurance Certification). The rate is based on the IRS published mileage rate. Please check Fiscal's website. The rate claimed shall be considered full reimbursement for all costs related to the operation and maintenance of vehicle, including both liability and comprehensive insurance. When the employee's use of a privately owned vehicle is authorized for travel to or from a common carrier terminal, and the employee's vehicle is not parked at the terminal during the period of absence, the employee may claim double the number of miles between the terminal and the employee's headquarters or residence, whichever is less, while the employee occupies the vehicle. Exception to "which-ever is less", if the employee begins travel one hour or more before he normally leaves his home, or on a regularly scheduled day off, mileage may be computed from his/her residence.

Liability Insurance
(If you are driving your privately-owned vehicle)

The following are the Minimum Standards for Insurance:

Personal Injury	\$100,000 per person \$300,000 per occurrence
Property Damage	\$50,000 per occurrence
Collision Deductible	\$500

RECEIPT REQUIREMENTS:

All receipts covered in this section shall be original receipts. Each receipt must show the date, cost, and nature of the expense.

Lodging - All lodging reimbursement requires a receipt from a commercial lodging establishment such as hotel, motel, bed and breakfast inn that caters to the general public. No lodging will be reimbursed without a valid receipt.

Receipts from Internet lodging Reservation services such as www.priceline.com and www.hotels.com which require prepayment to that service, are not lodging receipts, and are not reimbursable without a valid lodging receipt from a lodging establishment.

Transportation/Business - Receipts are required for every item of transportation and business expense incurred as a result of conducting State business except for actual expenses as follows:

1. Railroad and bus fares of less than \$25.00 when travel is within the State of California.
2. Street car, ferry fares, bridge and road tolls, local rapid transit system, taxi, shuttle or hotel bus fares, and parking fees of \$10.00 or less for each continuous period of parking or each separate transportation expense noted in this item.
3. Telephone, Fax or other business charges related to State business of \$5.00 or less.
4. In the absence of a receipt, reimbursement will be limited to the non-receipted amount above.
5. Reimbursement will be claimed only for the actual and necessary expenses noted above. Regardless of the above exception, additional certification and/or explanation may be required in order to determine that an expense was

**REQUEST FOR LODGING ALLOWANCE
IN EXCESS OF STATEWIDE RATE**

D.O./H.O. Dept./Legal _____ Location No.: _____

Name of Traveler(s): _____

Name & Address Of Establishment Where Expenses are to be Incurred: _____

Dates of Travel _____ No. Of Days Attending: _____

Amount of Actual Anticipated Lodging Cost: _____

Reason Necessary to Incur Lodging Cost in Excess of Statewide Rate: _____

Objective or Purpose of the Trip: _____

Name of Client, Association, etc. _____

Was this travel performed in previous year? Yes _____ No _____

If Yes, DATE _____ COST OF LODGING _____

If more than one traveler, reason why one employee cannot achieve objective of the trip? _____

*Approved By: _____ Date: _____
Program Manager

**Executive Approval: _____ Date: _____

*Program Manager approval for lodging from \$84.01 - \$110.00 (Please see Note below)

**Program Manager and Executive approval for lodging over \$110.00 (Please see Note below)

(Note: This form is not required for lodging allowance up to a maximum of \$110.00 plus tax, when required to conduct State Fund business and obtain lodging in the counties of Los Angeles and San Diego; and up to a maximum of \$140.00 plus tax when required to conduct State Fund business in the Counties of Alameda, San Francisco, San Mateo and Santa Clara.)

OUT OF STATE TRAVEL REQUEST

Dept/District _____ Loc. # _____
 Traveler _____ Position/Class _____
 Destination _____ Event/Client _____
 Dates of Travel _____ # days _____
 Cost/Benefit:

	<u>Estimate</u>	<u>Actual</u> (To be completed by traveler after trip. Submit this form with Travel Expense Claim)
Registration Fee	\$ _____	\$ _____
Air Fare	_____	_____
Lodging	_____	_____
Meals	_____	_____
Car Rental	_____	_____
Parking	_____	_____
Others (Specify)	_____	_____
TOTAL _____	\$ 0.00 _____	\$ _____

Purpose of trip, specific assignment of traveler & benefit to SCIF.

Approval: Supervisor _____ Date _____
 Prog. Mgr. _____ Date _____
 Executive _____ Date _____

**SCIF CLIENT-RELATED BUSINESS EXPENSE
REIMBURSEMENT CLAIM FORM**

FIRST NAME	MIDDLE INITIAL	LAST NAME	SOCIAL SECURITY NUMBER
DISTRICT/PROGRAM			TELEPHONE NUMBER

Date of Expense mm/dd/yy	Client Type: (Policyholder, insured association, prospect, broker-agent)	Nature of Expense: (Breakfast, lunch, etc.)	Client/Broker Name	Policy/Broker Access Number	Premium Size	Expense Amount
TOTAL REIMBURSEMENT						

Attendees: (Specify names and indicate policyholder, prospect, employee, etc.)

I hereby certify that the above is a true statement of expenses I incurred while conducting official business of the State Fund. I also certify that the expense reported on this claim will not be included on any other expense reimbursement or travel claim submitted to Business or Fiscal Services.

Signature of Claimant	Date of Claim
Claim Authorized By	Date of Authorization
Executive Approval (over \$100 or claim for Program Manager)	Date of Executive Authorization

PLEASE ENTER/PROVIDE EXPENSE ALLOCATION (No 594 Required)

Ledger Account	Location	Objective	Program	Allocation

Include certification that reimbursement is or will not be included on a travel expense claim or any other reimbursement claim submitted to either Business Services or Fiscal Services.

All SCIF Client-Related Business Expense Reimbursement Claims must include original receipts.

Exhibit N – Governance Committee Charter

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.