

**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

MINUTES OF OPEN SESSION MEETING

November 21-22, 2019

The Board of Directors of the State Compensation Insurance Fund met on November 21-22, 2019 at the State Fund Pleasanton Office, 5890 Owens Drive (Atlantic and Pacific conference rooms), Pleasanton, California.

November 21, 2019

AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL

The meeting was called to order on November 21, 2019 at 1:30 p.m.

Mr. Lanier requested Ms. Padua to call roll. The following were present: David M. Lanier (Chair); Robin L. Baker; Sen. Thomas C. Berryhill (Ret.); Daniel M. Curtin; Sen. Michael J. Machado (Ret.); Jack L. Neureuter; Arthur H. Pulaski; Thomas E. Rankin; Angela Tate; and William M. Zachry.

There was a quorum.

Also present: President and CEO Vernon L. Steiner; General Counsel and Corporate Secretary and Chief of Internal Affairs Margie R. Lariviere; Chief Financial Officer Peter Guastamachio; Board Liaison and Assistant Corporate Secretary Hilda B. Padua; and Counsel and Assistant Corporate Secretary Judith D. Sapper.

Mr. Lanier recognized outgoing Board member, Marvin Kropke for his contributions to the Investment and Risk Committee, Ad Hoc Safety Committee and to the Board in advancing the best interests of California employers and the people and programs of State Fund.

AGENDA ITEM 2: ANTITRUST ADMONITION

Mr. Lanier called attention to and requested confirmation that the Board members read State Fund's Antitrust Admonition, which is included in each Board member's meeting materials.

AGENDA ITEM 3: CONSENT CALENDAR

- 3a. Approval of August 20 and 22, 2019 Open Meeting Minutes**
- 3b. Board Member Educational Opportunities and Approval of Planned Board Member Education and Expense Reimbursement**
- 3c. Review and Approval of 2020 Board and Committee Meeting Schedule and Location**
- 3d. Review and Approval of 2020 Board and Committee Agenda Items**
- 3e. Approval of Interim Increase to 2019 Compensation of the Chief Investment Officer**
- 3f. Approval of Retirement Resolutions**

Mr. Lanier asked whether any Board member had any other comments on the items on the Consent Calendar of which there were none. Mr. Lanier called for a Motion.

MOTION: Mr. Zachry SECOND: Mr. Neureuter

To approve the Consent Calendar as presented.

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

YES: 10 NO: 0 Abstain: 0 Motion carried.

AGENDA ITEM 4: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION FOR ITEMS 7 THROUGH 18

Mr. Lanier requested public comment on the appropriateness of Closed Session for agenda items 7 through 18, of which there was none.

AGENDA ITEM 5: PUBLIC COMMENT

Mr. Lanier requested public comment, of which there was none.

ADJOURNMENT

There being no further business, Mr. Lanier adjourned the meeting at 1:35 p.m. to immediately reconvene in Closed Session.

November 22, 2019

AGENDA ITEM 19: CALL TO ORDER AND ROLL CALL

The meeting reconvened at 11:45 a.m. at the State Fund Pleasanton Office (Atlantic and Pacific conference rooms), Pleasanton, California and the following Members were present: David M. Lanier (Chair); Robin L. Baker; Daniel M. Curtin (joined during item 21); Sen. Michael J. Machado (Ret.); Jack L. Neureuter; Arthur H. Pulaski; Thomas E. Rankin; Angela Tate; and William M. Zachry.

Absent by prior arrangement: Sen. Thomas Berryhill (Ret.)

There was a quorum.

Also present: President and CEO Vernon L. Steiner; General Counsel and Corporate Secretary and Chief of Internal Affairs Margie R. Lariviere; Chief Financial Officer Peter Guastamachio; Board Liaison and Assistant Corporate Secretary Hilda B. Padua; and Counsel and Assistant Corporate Secretary Judith D. Sapper.

AGENDA ITEM 20: STAFFING UPDATE

Executive Vice President and Chief Administrative Officer Andreas Acker presented an update on staffing. Mr. Acker reported that State Fund ended 3Q 2019 with 4,271 employees, 228 separations, 235 new hires, and 329 promotions. Of the 228 separations, 124 or 54% were due to retirements, 56 were resignations, 29 were transfers to other agencies, and 19 were others (death or dismissals).

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Open Agenda Item 3a – Consent Calendar: Approval of November 21-22, 2019 Open Meeting Minutes

Mr. Acker noted that the new hires exceeded the number of separations. This is a normal trend and separations will increase by 4Q 2019. The overall separation rate was 5.3% and the primary driver was retirements.

Mr. Acker reported as of September 30, 2019 there was a decrease in the number of hours over the 640-hour cap and in the number of employees over the cap. Mr. Acker noted that this was consistent with prior years.

Mr. Lanier requested public comment, of which there was none.

AGENDA ITEM 21: FINANCIAL AND PRESIDENT'S REPORT

President and CEO Vernon Steiner provided the following updates:

Underwriting Results

Mr. Steiner noted that due to the nature of State Fund business, the underwriting results are significantly impacted by the dynamics that affect California business including economic conditions, market pricing as well as the effects of the underwriting cycle. State Fund net premiums earned of \$896M were 12.5% lower than the prior year which can be attributed to an ongoing competitive environment; State Fund's filed rate decrease of 10% effective January 2019, and lower audited premium compared to last year. The most significant factor is actually the lower audited premium as last year audit premium was unusually high due to delays in 2017 that arose from the implementation of AB 2883.

The State Fund's Loss and Loss Adjustment Expenses (LAE) ratio of 99.8% was 0.5 points higher than prior year. The underwriting expense ratio of 36.3% was 2.4 points higher than prior year due to lower net premiums written. Overall, the underwriting loss of \$324M was 3.6% lower than the prior year. The combined ratio of 136.1% was 3 points higher than prior year.

Investment and Other Non-underwriting Results

Mr. Steiner reported that the net investment income of \$476M was \$11M higher than prior year. The realized capital gains of \$91M were \$32M higher than prior year due to sales of stocks during favorable market conditions. Other expenses, mostly representing charge-offs of uncollectible premiums, were \$13M higher than prior year. This increase was also attributable to the unusually high audited premium in 2018. Overall State Fund ended 3Q 2019 with net income of \$193M, which was \$43M higher than prior year mainly due to increases in investment income and capital gains. State Fund declared dividends to policyholders of \$105M for policies that inceptioned January 1, 2019 through August 19, 2019. The policyholders' surplus grew by \$215M since December 31, 2018.

Operational Update

Mr. Steiner recognized two Executive Committee members, Executive Vice President of Public Affairs Jennifer Vargen and Executive Vice President of Innovation and Enterprise Project Services Darlyn Regan who are retiring at the end of the year.

Ms. Vargen began her career with State Fund as an HR Office Assistant 31 years ago. She worked in Sales, HR, Marketing and Communications, and eventually joined the Executive Committee in 2013 as Executive Vice President of Public Affairs. Mr. Steiner noted that it is due to Ms. Vargen's unique blend of operational knowledge and communication skills that State Fund is in great shape today.

Ms. Regan also began her career at State Fund 31 years ago. She started as a claims adjuster in the Santa Ana office and, after a variety of positions with increasing responsibility in areas such as Claims, Special Investigations and Field Ops, she was named to the Executive Committee in 2012. Ms. Regan has been a leadership lynchpin at State Fund, consistently pushing the organization to improve in a variety of areas. Ms. Regan launched State Fund's Innovation Design Center about six months ago and is excited about that team's potential to contribute to State Fund's long-term success.

Mr. Steiner thanked both Ms. Vargen and Ms. Regan for all their contributions to State Fund in more than 60 years of service combined. They will be missed.

Mr. Steiner also acknowledged Ms. Judith Sapper for her contributions at State Fund and for her work with the Board.

Mr. Lanier on behalf of the Board also thanked Ms. Vargen, Ms. Regan and Ms. Sapper for all their service and hard work and wished them well on their retirement.

Rate Reduction and Making It Easier To Do Business with State Fund:

Mr. Steiner noted that State Fund continues to look for ways to make it easier to do business with and to make State Fund a more competitive and relevant provider in the marketplace. Mr. Steiner reported that State Fund completed the rate filing process with CDI for policies with new and renewal dates of January 1, 2020 and later. The filing was designed to achieve an overall decrease of 10% in collectible premium. To better serve even more California businesses, the 2020 rate filing includes further decreased rates for 65 select class codes—all in which State Fund has less than 3% market share. The change for these select class codes averages a 38.5% reduction to the base rate, and is in line with industry data from the WCIRB. State Fund also eliminated deposit requirements for most new and renewal business to better align with standard industry practices. This reduces the amount of upfront money required to bind or maintain a policy and makes it easier for more California employers to obtain workers' compensation coverage.

Human Resources (HR) Summit

State Fund hosted a Human Resources summit at the State Fund Vacaville Learning Center on October 9-10, 2019 with over 100 attendees, including representatives from California state agencies as well as American Association of State Compensation Insurance Funds (AASCIF) members from South Carolina, North Dakota, Colorado, Washington, Idaho and Ohio. The goal of the summit was to share best practices, swap stories of successes and failures, learn from experts and build relationships with peers inside and outside of California.

The following four outside organizations presented on their different areas of expertise:

- Korn Ferry, on identifying and developing high potential talent
- Experience Point, on human-centered design and innovation
- Neuroleadership Institute, on the neuroscience of leadership
- Bonfire, on providing customer service with empathy

In addition, two groups comprised of AASCIF members presented on other topics:

- Ohio representatives presented on their Diversity and Inclusion efforts and the impact those efforts are having on talent recruitment.
- A panel of AASCIF representatives discussed succession planning in a state agency environment.

Overall, the summit was very successful and helped solidify State Fund's belief that culture is the key to its success, both now and in the future.

Nonprofit Partnerships

One of State Fund's new Core Values is "Show We Care" and State Fund has partnered with two nonprofits (the American Cancer Society and Kids' Chance of California, an organization that provides scholarships to the children of workers who have been fatally or seriously injured on the job) to live that value.

State Fund partnered with the American Cancer Society on an "Adopt-a-Clinic" project, the Tiburcio Vasquez Health Centers (TVHC) in Alameda County to offer colorectal screening to underserved and underinsured communities. The clinic's largely Latino patient population has relatively low rates of colorectal cancer screenings. Colorectal cancer is the second-leading cause of cancer deaths for both men and women in the United States with 1 in 20 people diagnosed annually. The goal of State Fund's support is to improve TVHC's rates of early colorectal screening by: 1) providing FIT (home screening) kits to eligible patients; 2) increasing FIT Kit return rates; and 3) referring patients with a positive or abnormal FIT for a colonoscopy.

Ms. Steiner noted that along with members of HR team, he recently visited one of TVHC's locations and was able to meet with their leadership and staff. Mr. Steiner was impressed with their passion and commitment to helping their patients. Mr. Steiner saw a lot of parallels to the dedication the State Fund employees demonstrate every day while helping its policyholders and injured workers.

In addition, State Fund recently increased its support of Kids' Chance by agreeing to match employees' "Our Promise" donations to Kids' Chance dollar for dollar in 2020. The Our Promise campaign ran through the month of October and State Fund received a lot positive employee feedback about this initiative.

Cybersecurity Mystery Video Series

Mr. Steiner reported that State Fund's cybersecurity video series, *The Case of the Missing Case*, won "Best in Show" at the DevLearn Conference and Expo's DemoFest in late October 2019. DevLearn is an annual conference hosted by the ELearning Guild—an eLearning professional association. At DemoFest, organizations from across the country share their best projects and participants vote for their favorites. *The Case of the Missing Case* is a five-part series that asked viewers to determine how the President's laptop bag, with his laptop and phone in it, disappeared from an executive committee meeting. The series helped viewers learn more about a number of enterprise security topics such as phishing, social engineering, piggybacking and more, and it was done in a fun, entertaining way.

Ms. Padua played the first video in the series.

Mr. Steiner congratulated the Learning and Development, Information Technology, and Enterprise Security teams for their great work on the project.

Mr. Lanier requested public comment, of which there was none.

AGENDA ITEM 22: REPORTS BY THE CHAIRS OF COMMITTEE ACTIVITIES

22a: GOVERNANCE COMMITTEE

22ai: GOVERNANCE, COMPLIANCE AND PRIVACY UPDATE

Governance Chair Mr. Rankin reported on the following:

State Fund's compliance activities are reported in accordance with the seven essential elements of an effective compliance program based on the US Sentencing Guidelines. The seven essential elements are:

1. Oversight, Accountability & Resources
2. Standards of Conduct, Policies & Procedures
3. Effective Training, Communication and Awareness
4. Consistent Monitoring, Evaluation & Reporting
5. Due Care in Delegating Authority
6. Consistent Promotion & Enforcement
7. Risk Assessment, Response, Continuous Improvement, & Auditing

US Department of Justice (DOJ) Compliance Program

The US Department of Justice (DOJ) restructured the guidance they provide to companies on how to evaluate their compliance program. The 2019 guidance was updated with 66 new questions. State Fund was in compliance with the 66 new questions with the exception of one, "Results of termination or disciplinary actions against employees for failure to comply with company's policies, procedures, and controls are not communicated to the organization". Human Resources is in the process of reviewing the recommendation.

Amended Conflict of Interest Code

State Fund's Conflict of Interest Code was amended and submitted to the Fair Political Practices Commission (FPPC). The FPPC approved the Conflict of Interest Code and it became effective on October 18, 2019. The major changes include State Fund organizational changes, updating the classifications following the Information Technology consolidation effort, and eliminating positions that do not meet the criteria for filing. Only those positions that participate in making or influencing financial decisions with a substantial impact on State Fund were included in the Code.

Mandatory Training – Ethics

State Fund achieved its mandatory compliance goal, with a completion rate of 99.5% for active employees and 100% for consultants for Ethics training.

Ethics and Privacy Reported Issues

The total number of ethics reported issues for 3Q 2019 declined by 25% compared to 2Q 2019.

Human Resources (HR) related issues (20 of 28) remain the most reported category:

- Inappropriate/offensive behavior (13 of 20)
- Equal Employment Opportunity issues (6 of 20)

2020 Code of Conduct

The 2020 Code of Conduct was revised. It has a “new look and feel”; added the new State Fund core values and five “How I” Statements; and updated the following sections: a) Avoiding Incompatible Activities; b) Prohibiting Harassment or Discriminatory Conduct; and c) Retaliation is Prohibited and Not Tolerated.

Mr. Lanier called for a Motion.

MOTION: Mr. Zachry

SECOND: Ms. Baker

To approve the revised 2020 Code of Conduct as presented

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

YES: 9

NO: 0

Abstain: 0

Motion carried.

22b: AUDIT COMMITTEE

22bi: UPDATE ON COMPLETED CLOSED AUDITS

Audit Chair Mr. Zachry reported on the following activities:

Completed Closed Audits

Mr. Zachry reported that five projects were reported in the 2Q 2019 in the Closed Session in August 2019. The Internal Audit Department continues to monitor Management’s progress in addressing these issues until Management implements an action plan to mitigate the risk identified.

All the completed project reports were deemed to be proprietary. There were no non-proprietary projects to report in Open Session.

Whistleblower Hotline

All Ethics Hotline reports are investigated. For the 3Q 2019, there were 28 new allegations received. Of the 28 new allegations, 5 did not require investigation and were referred to Manager Services and 23 were referred to the Internal Investigations Unit. Of the 23 allegations, 4 are currently still in progress and 2 have been closed as unsubstantiated. In addition, 28 investigations from prior quarters were closed.

This report is available to the public and posted on State Fund’s website.

22c: INVESTMENT and RISK COMMITTEE

22ci: BOND TRANSACTIONS AND COMPLIANCE REPORT

Investment & Risk Committee Chair Senator Machado (Ret.) reported on the following:

The investment transactions and compliance reports for the periods of July 1, 2019 to September 30, 2019 were approved by the Investment and Risk Committee pursuant to its delegated authority. The Investment and Risk Committee also reviewed and approved the 2020 Investment and Risk Committee Meeting schedule and location and 2020 Committee agenda items.

Sen. Machado also noted that the Committee during Closed session heard a report from staff on portfolio performance; investment benchmarks; update on State Fund Information Security Program; report from the Enterprise Risk Management (ERM) program and there were no significant changes in the overall risk position of State Fund over the 3Q 2019. The Committee was also advised that the 2019 Own Risk and Solvency Assessment (ORSA) will be filed with the Department of Insurance before December 31st, as required by Insurance Code section 935.8.

22d: AD HOC SAFETY AND LOSS PREVENTION COMMITTEE

Chair Robin Baker noted there was nothing new to report, the implementation of the Loss Prevention Strategic plan is on track, and the Committee expects to meet in January.

AGENDA ITEM 23: CHAIRPERSON'S'S REPORT

Mr. Lanier noted that upon the advice of the Board and Executive Committee members, he attended the October 2019 Business Review Meetings (BRM) held in Vacaville. Mr. Neureuter was also present. Mr. Lanier was impressed with the staff's presentation, discussion, and recommendation. The experience was valuable and he encouraged other Board members to attend.

AGENDA ITEM 24: BOARD MEMBER REPORTS

Mr. Lanier requested any Board member reports, of which there were none.

AGENDA ITEM 25: APPROVAL OF 2019 PERFORMANCE AWARDS

Mr. Lanier noted that in 2013 the Board introduced performance awards to strengthen State Fund's ability to successfully compete with the market for talent by creating a tool that recognizes and rewards performance. The performance awards are tied to enterprise results as well as individual performance/contribution and are an appropriate investment in building and sustaining a performance culture that delivers value to State Fund customers.

The Board resolution approves funding for the 2019 performance award pool and establishes that payouts occur in 2020 subject to State Fund's year-end performance achieving the goal targets within the range presented at the November Board 2019 meeting.

Mr. Lanier noted that due to effective investment management and overall improvement in claims outcomes, State Fund's financial condition has grown even stronger this year. At the end of the third quarter, net income before dividends was \$193M, which is \$43M higher than last year and reflects an increase in investment income and capital gains. In light of strong investment performance and the overall improvement in loss development, State Fund declared a fifteen percent dividend for 2019 policies incepting January 1st – August 19th. It is clear that State Fund's efforts over the past few years in launching an outcomes-based medical provider network, implementing an effective opioid reduction program and adopting a specialist approach to claims management, combined with the industry's overall cost trends, have made a positive impact on overall results – for policyholders and injured workers. Additionally, the overall enterprise performance in 2019 has been excellent and the organization is meeting and in some cases exceeding its goals for the year.

Contingent upon State Fund achieving its goal targets within the range presented at the November 2019 meeting, the Board decided to fund the 2019 performance award program with a pool not to exceed 6.5% of annual salary to be administered by management to staff, supervisors and managers, senior leaders, and non-exempt executives.

Mr. Lanier noted that copies of Resolution No. 2252 are available at the front table outside.

Mr. Lanier requested a Motion and Second.

MOTION: Mr. Neureuter SECOND: Mr. Zachry

To approve the 2019 Performance Awards Resolution No. 2252 as presented.

Mr. Lanier asked for public comment of which there was none. Mr. Lanier called for the vote.

YES: 9 NO: 0 Abstain: 0 Resolution carried.

The certified Resolution No. 2252 is attached hereto.

Mr. Lanier congratulated and thanked the staff for their hard work and for achieving such positive results.

AGENDA ITEM 26: APPROVAL OF EXEMPT LEADERSHIP 2019 AT-RISK COMPENSATION DIFFERENTIAL AND 2020 EXEMPT LEADERSHIP COMPENSATION

Mr. Lanier noted that agenda items 26 and 27 will be approved together.

Mr. Lanier reported that the Board of Directors has evaluated the performance of each executive and exempt employee for 2019. Mr. Lanier noted that the compensation packages for exempt members of State Fund's executive committee contain both fixed and variable components designed to produce high performance. Since the goal is to attract experienced executive-level talent, the Board has carefully benchmarked State Fund's executive compensation and designed it to be relevant to the competitive market place without being excessive. Mr. Lanier reported that in the same vein as the Performance Awards, the Board evaluated the performance of State Fund's exempt executives for 2019 to date to determine appropriate performance-based compensation contingent upon State Fund ending the year within the projected target ranges. If the agreed upon targets are met, the payments will be made in 2020.

Also, Mr. Lanier noted that in the performance based compensation determination process, the Board reviewed both the overall performance of the business and the value of each exempt leader's contribution.

Mr. Lanier noted that copies of Resolution No. 2253 are available at the front table outside.

Mr. Lanier requested a Motion and Second.

MOTION: Mr. Zachry SECOND: Mr. Neureuter

To approve the Exempt Leadership 2019 At-Risk Compensation Differential and 2020 Compensation for Exempt Leadership Resolution No. 2253 as presented.

Mr. Lanier asked for public comment of which there was none. Mr. Lanier called for the vote.

YES: 9 NO: 0 Abstain: 0 Resolution carried.

The certified Resolution No. 2253 is attached hereto.

AGENDA ITEM 27: APPROVAL OF PRESIDENT’S 2019 AT-RISK COMPENSATION DIFFERENTIAL, LONG-TERM INCENTIVE, AND 2020 COMPENSATION

Mr. Lanier noted that copies of Resolution No. 2254 are available at the front table outside.

Mr. Lanier requested a Motion and Second.

MOTION: Mr. Rankin

SECOND: Mr. Zachry

To approve the President’s 2019 At-Risk Compensation Differential, Long-Term Incentive, and 2020 Compensation.

Mr. Lanier asked for public comment of which there was none. Mr. Lanier called for the vote.

YES: 9 NO: 0 Abstain: 0 Resolution carried.

The certified Resolution No. 2254 is attached hereto.

AGENDA ITEM 28: APPROVAL OF 2019 EXEMPT EMPLOYEE AND CEA LONG-TERM INCENTIVE

Mr. Lanier noted that the Board decided to establish a Long-Term Incentive Plan (LTIP) to provide contingent financial incentives to executive and key management of State Fund who contribute to the company’s long-term strategic objectives. The objectives of the plan are to:

- Incentivize executive management towards achieving the company’s long-term strategic objectives
- Attract, retain and motivate leadership talent
- Provide competitive pay opportunities

The LTIP is a cash-based incentive plan with payout opportunities based on achievement of annual performance targets. The Board of Directors establishes performance measures and sets the targets every year. Individual target awards are based on a percentage of base pay.

Contingent upon State Fund achieving its goal targets within the range presented at the November 2019 meeting, the Board decided to fund the 2019 Long-Term Incentive with an award pool not to exceed 10% of annual salary spend to be administered by management and paid out over a three-year period in accordance with the terms of the LTIP plan and Award Notice, subject to State Fund continuing to meet established year-end targets.

Mr. Lanier noted that copies of Resolution No. 2255 are available at the front table outside.

Mr. Lanier requested a Motion and Second.

MOTION: Sen. Machado

SECOND: Mr. Zachry

To approve the 2019 Long-Term Incentive Plan Resolution No. 2255 as presented.

Mr. Lanier asked for public comment of which there was none. Mr. Lanier called for the vote.

YES: 9 NO: 0 Abstain: 0 Resolution carried.

The certified Resolution No. 2255 is attached hereto.

State Compensation Insurance Fund

Board of Directors – February 27, 2020

Open Agenda Item 3a – Consent Calendar: Approval of November 21-22, 2019 Open Meeting Minutes

AGENDA ITEM 29: PROPOSALS AND SUGGESTIONS FOR FEBRUARY 27-28, 2020 AGENDA

Mr. Lanier requested suggestions for agenda items for the February 27-28, 2020 Board meeting. Ms. Padua noted that the proposed agenda items are for Closed Session.

Mr. Lanier requested other agenda items, of which there were none.

Mr. Lanier requested public comment, of which there was none, and he noted that the next Board meeting is scheduled for February 27, 2020 at the State Compensation Insurance Fund Office, Pleasanton, California unless noticed for a new date and time

Mr. Lanier adjourned the meeting at 12:30 p.m.

Respectfully submitted,



Hilda B. Padua
Board Liaison and Assistant Corporate Secretary



**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

APPROVAL OF 2019 PERFORMANCE AWARDS

WHEREAS, the Board has approved a Performance Awards program for State Fund staff, supervisors and managers, senior leaders, and non-exempt executives, with the total size of the award pool subject to the Board's discretion, based on enterprise performance and individual performance; and

WHEREAS, commencing in 2018 the Board revised the annual Governance and Board agendas to move the review of the Performance Awards to the November Board meeting; and

WHEREAS, the Board has considered a 2019 potential award pool of approximately 6.5% of annual salary spend for each eligible employee; and

WHEREAS, the Board has considered State Fund's enterprise performance for 2019 which is projected to achieve its enterprise goals by year end; and

WHEREAS, the Board now seeks to establish and approve the total size of the 2019 performance award pool for State Fund staff, supervisors and managers, senior leaders, and non-exempt executives, subject to State Fund achieving its goal targets by year end within the range presented at the November Board meeting; and

WHEREAS, if State Fund fails to meet the targeted goals within the range presented at the November Board meeting, the Board may reconsider the potential for and size of a 2019 performance award pool.

NOW, THEREFORE,

IT IS RESOLVED that the Board hereby finds that State Fund's enterprise performance for 2019 continued to demonstrate significant progress in its multi-year business transformation to become a more efficient and agile insurance carrier; that 2019 performance specifically strengthened financial stability and State Fund's enterprise risk management position; that 2019 performance demonstrated improvement in customer service; that overall to date State Fund has achieved its goal targets within the range presented at the November Board meeting; and hereby approves a 2019 performance award pool to be administered by management of approximately 6.5% of annual salary spend for State Fund staff, supervisors and managers, senior leaders, and non-exempt executives, subject to State Fund achieving its enterprise goals by year end within the range presented at the November Board meeting; and

IT IS FURTHER RESOLVED that if State Fund fails to meet the targeted goals by year end within the range presented at the November meeting, the Board may reconsider the potential for and size of a 2019 performance award pool.

Resolution No. 2252

PASSED AND ADOPTED at the meeting of the Board of Directors of the State Compensation Insurance Fund held on this 22nd day of November, 2019 by the following vote:

<u>MEMBER</u>	<u>VOTE</u>
David M. Lanier, Chair	Yes
Robin L. Baker	Yes
Sen. Tom C. Berryhill (Ret.)	Absent
Daniel M. Curtin	Yes
Sen. Michael J. Machado (Ret.)	Yes
Jack L. Neureuter	Yes
Arthur H. Pulaski	Yes
Thomas E. Rankin	Yes
Angela D. Tate	Yes
William M. Zachry	Yes

Certification by the Assistant Corporate Secretary

I, Hilda B. Padua, Assistant Corporate Secretary for the State Compensation Insurance Fund Board of Directors, hereby certify that the foregoing resolution was adopted by the Board of Directors at their meeting held November 22, 2019.



Hilda B. Padua
Assistant Corporate Secretary

11/22/19

Date



**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

**APPROVAL OF EXEMPT LEADERSHIP 2019 AT-RISK COMPENSATION DIFFERENTIAL AND
2020 EXEMPT LEADERSHIP COMPENSATION**

WHEREAS, in 2018 the Board revised the annual Governance and Board agendas to move the annual review of the Exempt Leadership Compensation package to the November Board meeting; and

WHEREAS, the annual compensation package for the exempt employees appointed pursuant to California Insurance Code section 11785 (“exempt employees”) includes an annual base salary, an at-risk differential based upon an annual evaluation of enterprise and individual performance conducted by the Board of Directors (“Board”) and, for the Chief Financial Officer, Chief Information Officer, and Chief Risk Officer a retention differential (as identified in the attached Schedule of Exempt Leadership 2019 At-Risk Compensation Differential, 2020 Exempt Leadership Compensation, and 2019 Long-Term Incentive); and

WHEREAS, the Board has considered State Fund’s enterprise performance for 2019 which is projected to achieve its enterprise objectives by year end and based on that projection has completed its performance evaluations for the exempt employees for calendar year 2019; and

WHEREAS, for certain of the exempt employees the Board seeks to increase the base salary and approve the retention differentials for 2020 and approve the at-risk compensation for 2019 as identified in the attached Schedule of Exempt Leadership 2019 At-Risk Compensation Differential, 2020 Exempt Leadership Compensation, and 2019 Long-Term Incentive, subject to State Fund achieving its enterprise goals by year end within the range presented at the November Board meeting; and

WHEREAS, if State Fund fails to meet its enterprise goals within the range presented at the November Board meeting, the Board may reconsider the 2019 at-risk compensation.

NOW, THEREFORE,

IT IS RESOLVED that the Board hereby finds that State Fund’s enterprise performance for 2019 continued to demonstrate significant progress in its multi-year business transformation to become a more efficient and agile insurance carrier; that 2019 performance specifically strengthened financial stability and State Fund’s enterprise risk management position; that 2019 performance demonstrated improvement in customer service; that overall to date State Fund and the exempt employees achieved their goal targets; and hereby adopts and approves the increases in certain 2020 base salaries, the 2020 retention differentials, and the 2019 at-risk component of 2019 compensation as identified in the attached Schedule of Exempt Leadership 2019 At-Risk Compensation Differential, 2020 Exempt Leadership Compensation and 2019 Long-Term Incentive, subject to State Fund achieving its enterprise goals by year end within the range presented at the November Board meeting; and

Resolution No. 2253

IT IS FURTHER RESOLVED that if State Fund fails to meet the targeted goals by year end within the range presented at the November Board meeting, the Board may reconsider the 2019 at-risk compensation.

PASSED AND ADOPTED at the meeting of the Board of Directors of the State Compensation Insurance Fund held on this 22nd day of November, 2019 by the following vote:

<u>MEMBER</u>	<u>VOTE</u>
David M. Lanier, Chair	Yes
Robin L. Baker	Yes
Sen. Tom C. Berryhill (Ret.)	Absent
Daniel M. Curtin	Yes
Sen. Michael J. Machado (Ret.)	Yes
Jack L. Neureuter	Yes
Arthur H. Pulaski	Yes
Thomas E. Rankin	Yes
Angela D. Tate	Yes
William M. Zachry	Yes

Certification by the Assistant Corporate Secretary

I, Hilda B. Padua, Assistant Corporate Secretary for the State Compensation Insurance Fund Board of Directors, hereby certify that the foregoing resolution was adopted by the Board of Directors at their meeting held November 22, 2019.

Hilda B. Padua
Assistant Corporate Secretary

11/22/19

Date



BOARD OF DIRECTORS

Resolution No. 2253

SCHEDULE OF EXEMPT LEADERSHIP 2019 AT-RISK COMPENSATION DIFFERENTIAL AND 2020 EXEMPT LEADERSHIP COMPENSATION

Position	2019 Annual Base Salary*	Recommended 2020 Base Salary*	Recommended Annual Recruitment & Retention for 2020*	Recommended At-Risk Compensation Differential for 2019	2019 LTIP Program**
President & CEO (Vern Steiner)	\$508,250	\$544,450	\$45,000	\$177,623	\$53,825
Chief Financial Officer (Peter Guastamachio)	\$338,750	\$338,750	\$82,563	\$124,032	\$39,375
Chief Operating Officer (Richard Law)	\$415,983	\$455,500	Not applicable	\$137,274	\$41,598
Chief Claims Operations Officer (Steve Hunckler)	\$393,750	\$421,313	Not applicable	\$144,703	\$39,375
General Counsel (Margie Lariviere)	\$393,750	\$421,313	Not applicable	\$138,797	\$39,375
Chief of Internal Affairs (Dante W. Robinson)	\$325,815	\$350,000	Not applicable	\$106,439	\$33,790
Sr. VP of Insurance Services (Salary increase eff. 7/1/19)	\$350,000				
Chief Information Officer (Marj Hutchings)	\$375,625	\$375,625	\$70,391	\$137,741	\$43,727
Chief Risk Officer (Ken Van Laar)	\$328,600	\$328,600	\$66,000	\$116,109	\$36,860
EVP of Strategic Planning (Alvin K. Cheung)	\$284,073	\$300,000	Not applicable	\$59,655	\$28,407
Chief Investment Officer Stephanie Chan (Salary increase Eff. 8/20/19)	\$175,000 \$225,000	\$225,000	Not applicable	\$40,250	\$19,167



BOARD OF DIRECTORS

Resolution No. 2253

SCHEDULE OF EXEMPT LEADERSHIP 2019 AT-RISK COMPENSATION DIFFERENTIAL AND 2020 EXEMPT LEADERSHIP COMPENSATION

Position	2019 Annual Base Salary*	Recommended 2020 Base Salary*	Recommended Annual Retention for 2020*	Recommended At-Risk Compensation Differential for 2019	2019 LTIP Program**
Chief Medical Officer (Dinesh Govindarao)	\$385,875	\$409,028	Not applicable	\$81,034	\$38,588
Chief Actuary (Kate Smith)	\$294,000	\$314,580	Not applicable	\$61,740	\$29,400
EVP of Corporate Claims (Robert M. Hamilton)	\$300,000	\$318,000	Not applicable	\$63,000	\$30,000
Chief Underwriting Officer (John M. Gagan)	\$227,160	\$235,110	Not applicable	\$47,704	\$22,716
Pricing Actuary (Melissa Wang)	\$200,400	\$207,414	Not applicable	\$42,084	\$20,040

****2020 Annual Base Salary and Annual Retention is effective January 1, 2020.***

*****2019 LTIP Program is effective January 1, 2019 and paid out over 3 years.***

******For EVP of Strategic Planning, At-Risk 30% effective January 1, 2020.***



**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

APPROVAL OF PRESIDENT'S 2019 AT-RISK COMPENSATION DIFFERENTIAL, LONG TERM INCENTIVE, AND 2020 COMPENSATION

WHEREAS, in 2018 the Board revised the annual Governance and Board agendas to move the annual review of the President's Compensation package to the November Board meeting; and

WHEREAS, the annual compensation package for the President includes an annual base salary, an at-risk differential based upon an annual evaluation of enterprise and individual performance conducted by the Board of Directors ("Board"), a retention differential, and a long term incentive program ("LTIP") (as identified in the attached Schedule of Exempt Leadership 2019 At-Risk Compensation Differential, 2020 Exempt Leadership Compensation, and 2019 Long-Term Incentive); and

WHEREAS, the Board has considered State Fund's enterprise performance for 2019 which is projected to achieve its enterprise goals by year end and has completed its performance evaluation for the President for calendar year 2019; and

WHEREAS, the Board has considered State Fund's performance against the 2019 LTIP performance goals, which are projected to be achieved by year end; and

WHEREAS, the Board seeks to increase the President's base salary and retention differential for 2020 and approve the at-risk compensation, retention differential, and long term incentive for 2019 as identified in the attached Schedule of Exempt Leadership 2019 At-Risk Compensation Differential, 2020 Exempt Leadership Compensation, and 2019 Long-Term Incentive, subject to State Fund achieving its enterprise and LTIP performance goal targets by year end within the range presented at the November Board meeting; and

WHEREAS, if State Fund fails to meet the targeted goals within the range presented at the November Board meeting, the Board may reconsider the 2019 at-risk compensation and retention differential.

NOW, THEREFORE,

IT IS RESOLVED that the Board hereby finds that State Fund's enterprise performance for 2019 continued to demonstrate significant progress in its multi-year business transformation to become a more efficient and agile insurance carrier; that 2019 performance specifically strengthened financial stability and State Fund's enterprise risk management position; that 2019 performance demonstrated improvement in customer service; that overall to date State Fund and the President achieved the enterprise goals and the performance measures underlying the long term incentive within the range presented at the November meeting; and hereby adopts and approves the President's 2020 base salary and retention differential, and the at-risk component of 2019 compensation, and long term incentive as identified in the attached Schedule of Exempt Leadership 2019 At-Risk Compensation Differential, 2020 Exempt Leadership Compensation, and 2019 Long-Term Incentive, subject to State

Resolution No. 2254

Fund achieving its enterprise goals by year end within the range presented at the November Board meeting; and

IT IS FURTHER RESOLVED that if State Fund fails to meet the targeted enterprise or LTIP goals by year end within the range presented at the November Board meeting, the Board may reconsider the President's 2019 at-risk compensation and/or long term incentive.

PASSED AND ADOPTED at the meeting of the Board of Directors of the State Compensation Insurance Fund held on this 22nd day of November, 2019 by the following vote:

<u>MEMBER</u>	<u>VOTE</u>
David M. Lanier, Chair	Yes
Robin L. Baker	Yes
Sen. Tom C. Berryhill (Ret.)	Absent
Daniel M. Curtin	Yes
Sen. Michael J. Machado (Ret.)	Yes
Jack L. Neureuter	Yes
Arthur H. Pulaski	Yes
Thomas E. Rankin	Yes
Angela D. Tate	Yes
William M. Zachry	Yes

Certification by the Assistant Corporate Secretary

I, Hilda B. Padua, Assistant Corporate Secretary for the State Compensation Insurance Fund Board of Directors, hereby certify that the foregoing resolution was adopted by the Board of Directors at their meeting held November 22, 2019.



Hilda B. Padua
Assistant Corporate Secretary

11/22/19

Date



BOARD OF DIRECTORS

Resolution No. 2254

SCHEDULE OF EXEMPT LEADERSHIP 2019 AT-RISK COMPENSATION DIFFERENTIAL AND 2020 EXEMPT LEADERSHIP COMPENSATION

Position	2019 Annual Base Salary*	Recommended 2020 Base Salary*	Recommended Annual Recruitment & Retention for 2020*	Recommended At-Risk Compensation Differential for 2019	2019 LTIP Program**
President & CEO (Vern Steiner)	\$508,250	\$544,450	\$45,000	\$177,623	\$53,825
Chief Financial Officer (Peter Guastamachio)	\$338,750	\$338,750	\$82,563	\$124,032	\$39,375
Chief Operating Officer (Richard Law)	\$415,983	\$455,500	Not applicable	\$137,274	\$41,598
Chief Claims Operations Officer (Steve Hunckler)	\$393,750	\$421,313	Not applicable	\$144,703	\$39,375
General Counsel (Margie Lariviere)	\$393,750	\$421,313	Not applicable	\$138,797	\$39,375
Chief of Internal Affairs (Dante W. Robinson)	\$325,815	\$350,000	Not applicable	\$106,439	\$33,790
Sr. VP of Insurance Services (Salary increase eff. 7/1/19)	\$350,000				
Chief Information Officer (Marj Hutchings)	\$375,625	\$375,625	\$70,391	\$137,741	\$43,727
Chief Risk Officer (Ken Van Laar)	\$328,600	\$328,600	\$66,000	\$116,109	\$36,860
EVP of Strategic Planning (Alvin K. Cheung)	\$284,073	\$300,000	Not applicable	\$59,655	\$28,407
Chief Investment Officer Stephanie Chan (Salary increase Eff. 8/20/19)	\$175,000 \$225,000	\$225,000	Not applicable	\$40,250	\$19,167



BOARD OF DIRECTORS

Resolution No. 2254

**SCHEDULE OF EXEMPT LEADERSHIP 2019 AT-RISK COMPENSATION DIFFERENTIAL AND
2020 EXEMPT LEADERSHIP COMPENSATION**

Position	2019 Annual Base Salary*	Recommended 2020 Base Salary*	Recommended Annual Retention for 2020*	Recommended At-Risk Compensation Differential for 2019	2019 LTIP Program**
Chief Medical Officer (Dinesh Govindarao)	\$385,875	\$409,028	Not applicable	\$81,034	\$38,588
Chief Actuary (Kate Smith)	\$294,000	\$314,580	Not applicable	\$61,740	\$29,400
EVP of Corporate Claims (Robert M. Hamilton)	\$300,000	\$318,000	Not applicable	\$63,000	\$30,000
Chief Underwriting Officer (John M. Gagan)	\$227,160	\$235,110	Not applicable	\$47,704	\$22,716
Pricing Actuary (Melissa Wang)	\$200,400	\$207,414	Not applicable	\$42,084	\$20,040

****2020 Annual Base Salary and Annual Retention is effective January 1, 2020.***

*****2019 LTIP Program is effective January 1, 2019 and paid out over 3 years.***

******For EVP of Strategic Planning, At-Risk 30% effective January 1, 2020.***



**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

APPROVAL OF 2019 EXEMPT EMPLOYEE AND CEA LONG TERM INCENTIVE

WHEREAS, the Board has approved a Long Term Incentive program ("LTIP") for State Fund exempt employees appointed pursuant to California Insurance Code section 11785 ("exempt employees") and certain Career Executive Assignment positions, with the annual targets and total size of the annual award pool subject to the Board's discretion, based on enterprise LTIP performance; and

WHEREAS, commencing in 2018 the Board revised the annual Governance and Board agendas to move the annual review of the Exempt Employee and CEA Long-Term Incentive to the November Board meeting; and

WHEREAS, the Board has considered State Fund's performance against the 2019 LTIP goals, which are projected to be achieved by year end, and the performance evaluations for the exempt employees and certain Career Executive Assignment positions; and

WHEREAS, if State Fund fails to meet the targeted LTIP performance goals within the range presented at the November Board meeting, the Board may reconsider the 2019 LTIP target awards and annual award pool.

NOW, THEREFORE,

IT IS RESOLVED that the Board hereby finds that overall to date State Fund and the exempt employees and certain Career Executive Assignment positions achieved the LTIP enterprise objectives and/or the LTIP performance measures within the range presented at the November meeting; and hereby approves a 2019 Long Term Incentive award pool not to exceed 10% of annual salary spend to be administered by management and paid out over a three-year period in accordance with the terms of the LTIP Plan and Award Notice, subject to State Fund achieving its LTIP performance goals by year end within the range presented at the November Board meeting.

IT IS FURTHER RESOLVED that if State Fund fails to meet the targeted LTIP performance goals by year end based on the goal results presented at the November Board meeting, the Board may reconsider the 2019 annual LTIP award pool.

Resolution No. 2255

PASSED AND ADOPTED at the meeting of the Board of Directors of the State Compensation Insurance Fund held on this 22nd day of November, 2019 by the following vote:

<u>MEMBER</u>	<u>VOTE</u>
David M. Lanier, Chair	Yes
Robin L. Baker	Yes
Sen. Tom C. Berryhill (Ret.)	Absent
Daniel M. Curtin	Yes
Sen. Michael J. Machado (Ret.)	Yes
Jack L. Neureuter	Yes
Arthur H. Pulaski	Yes
Thomas E. Rankin	Yes
Angela D. Tate	Yes
William M. Zachry	Yes

Certification by the Assistant Corporate Secretary

I, Hilda B. Padua, Assistant Corporate Secretary for the State Compensation Insurance Fund Board of Directors, hereby certify that the foregoing resolution was adopted by the Board of Directors at their meeting held November 22, 2019.



Hilda B. Padua
Assistant Corporate Secretary

11/22/19

Date