

**STATE COMPENSATION INSURANCE FUND
GOVERNANCE COMMITTEE**

MINUTES OF OPEN SESSION MEETING

August 15, 2018

The Governance Committee met on August 15, 2018 at the State Fund San Francisco Office, 333 Bush Street (Board room), San Francisco, California.

AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 9:35 a.m. and the following Members were present: Lawrence E. Mulryan (Chair); Robin L. Baker; Sheryl A. Chalupa; and Thomas E. Rankin.

Absent by prior arrangement: Daniel M. Curtin

There was a quorum.

Also present: President and CEO Vernon L. Steiner; General Counsel and Corporate Secretary 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 2: ANTITRUST ADMONITION

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

AGENDA ITEM 3: CONSENT CALENDAR

3a. Approval of May 24, 2018 Open Meeting Minutes

3b. Board Member Upcoming Speeches, Articles or Webinars

Mr. Mulryan noted that there is no approval of action for item 3b, "Board Member Upcoming Speeches, Articles or Webinars."

Mr. Mulryan asked whether any Committee member had any comments on the items on the Consent Calendar of which there were none.

Mr. Mulryan called for a Motion.

MOTION: Mr. Rankin

SECOND: Ms. Baker

To approve the Consent Calendar as presented.

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

YES: 4

NO: 0

Abstain: 0

Motion carried.

AGENDA ITEM 4: GOVERNANCE, COMPLIANCE AND PRIVACY UPDATE

Governance, Compliance & Privacy Assistant Manager Lilibeth Jaballas reported on the following:

New Legislation – AB 375 (Chau and Hertzberg) – California Consumer Privacy Act of 2018

Effective January 1, 2020, the bill provides consumers with additional privacy rights to access, delete, and make opt-in and opt-out choices about use of their personal information (PI). There is a limited private right of action against a business to recover damages from \$100 to \$750 per incident and seek injunctive, declaratory, or other relief for a data breach.

The bill requires businesses to inform consumers about its use of PI, disclose if it will be sold, and prohibit specific uses without consumer notice. It also prohibits businesses from discriminating against consumers for exercising their rights under the bill.

State Fund does not meet the definition of a business as outlined in the statute. State Fund may choose to comply with the requirements of the statute.

Discussion ensued about complying with the statute to avoid a statutory change to make nonprofit businesses subject to it.

2018 Corporate Governance Annual Disclosure (CGAD)

The confidential CGAD provides information about governance activities at State Fund. State Fund submitted its annual CGAD report, attested by the CEO and General Counsel/Corporate Secretary, to the California Department of Insurance on May 29, 2018. Reports are due annually by June 1.

2018 Biennial Insurer Supplier Diversity Survey

California admitted insurers with premiums in California of \$100 million or more must report biennially to the Department of Insurance about their efforts to obtain services from diverse suppliers. Insurer surveys are public information. State Fund submitted its *Supplier Diversity Survey* to the Department of Insurance on June 30, 2018 as required. State Fund's diverse spend was 12.24% during the reporting period, spread amongst 23 unique suppliers.

Discussion ensued on how State Fund compares with other carriers in the industry. Ms. Jaballas noted she will research and provide the requested information to the Governance Committee by the next Governance meeting. State Fund has won supplier diversity awards.

California Whistleblower Protection Act Annual Notification

The annual Whistleblower communication and brochure about the State Auditor's Whistleblower Program was sent by email to all employees on July 11, 2018. The 2018 whistleblower posters were displayed in State Fund locations where other employee notices are maintained. Attestation of distribution was sent to the State Auditor on July 13, 2018.

Ethics and Privacy Reported Issues

The total number of hotline reports increased by 27%, (22 Q2 vs. 16 Q1). There was a slight decline in hotline reporting in Q1 because of the new hotline vendor. In Q2, State Fund employees became more aware of the new hotline and reporting increased. Compared to first half of last year, the total number of hotline reports increased by 21% (242 in 2017 to 306 in 2018).

Human Resources related issues continue to be the most reported category. For Q2 2018, HR issues represent 65% of total incidents; 35% of incidents include privacy incidents, falsifying records, issues related to corporate policies and procedures, and claims, policy and legal practices.

AGENDA ITEM 5: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION FOR ITEMS 8 AND 9

Mr. Mulryan requested public comment on the appropriateness of Closed Session for agenda items 8 and 9, of which there was none.

AGENDA ITEM 6: PUBLIC COMMENT

Mr. Mulryan requested further public comment, of which there was none. The Governance Committee immediately convened into Closed Session at 9:45 a.m.

AGENDA ITEM 10: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 11:10 a.m. and the following Members were present: Mr. Mulryan (Chair); Robin L. Baker; Sheryl A. Chalupa; and Thomas E. Rankin.

Absent by prior arrangement: Daniel M. Curtin

There was a quorum.

Also present: President and CEO Vernon L. Steiner; General Counsel and Corporate Secretary 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 11: COMMITTEE MEMBER PRESENTATIONS

Mr. Mulryan requested presentations from the Committee members, of which there were none.

AGENDA ITEM 12: PROPOSALS AND SUGGESTIONS FOR NOVEMBER 15, 2018 AGENDA

Mr. Mulryan requested suggestions for agenda items for the November 15, 2018 Governance Committee meeting other than the standing agenda items, of which there were none.

Mr. Mulryan also requested public comment, of which there was none, and he noted that the next Governance Committee meeting is scheduled for November 15, 2018 at the State Fund Office, Pleasanton, California unless noticed for a new date and time.

ADJOURNMENT

There being no further business before the Governance Committee, the meeting adjourned at 11:15 a.m.

Respectfully submitted,

Hilda B. Padua
Board Liaison and Assistant Corporate Secretary