

**STATE COMPENSATION INSURANCE FUND
GOVERNANCE COMMITTEE**

MINUTES OF OPEN SESSION MEETING

August 29, 2017

The Governance Committee met on August 29, 2017 at the Napa Valley Marriott Hotel, 3425 Solano Avenue (Carneros Room), Napa, California.

AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 9:55 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 A. 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 18, 2017 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: Ms. Chalupa

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 Program Manager Barbara Simmons reported on the following:

Regulatory Compliance and Reporting

The Corporate Governance Annual Disclosure (CGAD) was submitted to the California Department of Insurance (CDI) on May 17, 2017 and the 2017 Biennial Insurer Supplier Diversity Survey was submitted on June 30, 2017. State Fund's diverse spend was 9.5% during the reporting period, spread amongst 44 unique suppliers.

The annual Whistleblower communication and brochure about the State Auditor's Whistleblower Program was sent by email to all employees on July 5, 2017 and posters displayed in State Fund locations. Attestation of distribution was sent to the State Auditor on July 6, 2017.

Ethics and Privacy Reported Issues

In April 2017, a message about State Fund's hotline as a safe zone was published to the organization along with a brief four question survey. A total of 769 employees responded (18%) which is above the expected response of 10%. All four questions were rated higher than 70% for strongly agree or agree in the areas of reporting Code of Conduct violations, experience no retaliations from reporting, lost opportunities, and discipline for violators.

Hotline and internal reporting remained steady at 119 in 1Q and 123 in 2Q 2017. There were 39 hotline reports for the first half of the year. Human Resources related issues continue to be the most reported category nationwide in the first half of 2017, with time and behavior representing 81% in this category.

Revisions to Policy Supporting the Code of Conduct - Privacy and Confidentiality Corporate Policy EC&F 2.0

Material revisions include State Fund's workforce must protect personal information to prevent unauthorized disclosure and restrict data access; use personal or confidential information only for business purposes; and report suspected privacy breaches. The personal information definition and notice triggering disclosures aligned with recent changes in the Civil Code.

Mr. Mulryan called for a Motion.

MOTION: Mr. Rankin

SECOND: Ms. Baker

To recommend to the Board approval of the proposed changes to the Privacy and Confidentiality Corporate Policy EC&F 2.0 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.

2017 Code of Conduct Content Review Cycle

Ms. Simmons reported that State Fund's maturity level for the Code of Conduct and policy functions now exceeds the Corporate Executive Board's (CEB) peer benchmarking report. The

CEB recommends Code content review bi-annually for organizational and regulatory purposes. Ms. Simmons recommended moving from annual to biennial review to align with current best practices.

Mr. Mulryan called for a Motion.

MOTION: Mr. Rankin

SECOND: Ms. Baker

To recommend to the Board approval of the proposed changes to the Code of Conduct Content Review cycle 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.

A video was shown to the Governance Committee with Vern Steiner introducing the Code of Conduct. This is a change from previous years as this replaces the usual welcome letter from the President/CEO. Mr. Mulryan requested staff to provide the number of views of the video from date of release.

AGENDA ITEM 5: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION FOR ITEMS 8 THROUGH 10

Mr. Mulryan requested public comment on the appropriateness of Closed Session for agenda items 8 through 10, 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 10:10 a.m.

AGENDA ITEM 11: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 11:00 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; and Counsel and Assistant Corporate Secretary Judith D. Sapper.

AGENDA ITEM 12: COMMITTEE MEMBER PRESENTATIONS

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

AGENDA ITEM 13: PROPOSALS AND SUGGESTIONS FOR NOVEMBER 16, 2017 AGENDA

Mr. Mulryan requested suggestions for agenda items for the November 16, 2017 Governance Committee meeting other than the standing agenda items. Ms. Baker requested to add discussion of the role of the Governance Committee in guiding continuing education to the November 2017 agenda.

Mr. Mulryan also requested public comment, of which there was none, and he noted that the next Governance Committee meeting is scheduled for November 16, 2017 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 11:05 a.m.

Respectfully submitted,

Hilda B. Padua
Board Liaison and Assistant Corporate Secretary