

**STATE COMPENSATION INSURANCE FUND  
GOVERNANCE COMMITTEE**

**MINUTES OF OPEN SESSION MEETING**

**December 10, 2015**

The Governance Committee met on December 10, 2015 at the State Fund Corporate Office, 333 Bush Street, 7<sup>th</sup> floor, San Francisco, California.

**AGENDA ITEM 1: CALL to ORDER and ROLL CALL**

The meeting was called to order at 8:30 a.m. and the following Members were present: Lawrence E. Mulryan (Chair); Robin L. Baker; Sheryl A. Chalupa; Daniel M. Curtin; and Thomas E. Rankin.

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; Counsel and Assistant Corporate Secretary Judith D. Sapper; and Randall Keen of Manatt, Phelps & Phillips, LLP.

**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 August 18, 2015 Open Meeting Minutes**
- 3b. Board Member Upcoming Speeches, Articles or Webinars**
- 3c. Review and Approval of 2016 Board and Committee Meeting Schedule and Location**
- 3d. Review and Approval of 2016 Board and Committee Agenda Items**

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

In addition, Ms. Padua noted that on item 3d, "Review and Approval of 2016 Board and Committee Agenda Items," the Audit Committee during their meeting had an addendum to the 2016 Audit agenda to add "Approval of Engagement of External Auditor: Review contract, fees and role."

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. Baker

SECOND: Mr. Rankin

To approve the Consent Calendar as presented.

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

YES: 5

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:

##### **New Legislation (AB 553 – Daly) – Corporate Governance Annual Disclosure**

Ms. Simmons reported that AB 553 was signed as an urgency bill and is now in effect. The bill requires California insurers to annually summarize their corporate governance framework and align with the National Association of Insurance Commissioners' (NAIC) Model Regulation. The Annual Disclosure report requires certification by either the President and CEO or Corporate Secretary and is exempt from California Public Records Act. The first report is due on June 30, 2016. Reports submitted after the due date are subject to late fees.

##### **New Legislation (SB 570 – Jackson/AB 964 – Chau) – Privacy Data Breach**

Ms. Simmons reported that the above bill is effective January 1, 2016. The bill defines "encrypted" to mean information which is transformed to be indecipherable and unreadable to an unauthorized person. It also creates a model security breach notification form with specific titles and headings, which will be considered in compliance with the law.

##### **Revised Incompatible Activities Corporate Policy**

The Incompatible Activities Corporate Policy was revised to incorporate the Close Personal Relationships policy; and it clarifies engagement in certain activities contrary to the interests of State Fund does not affect employee rights under collective bargaining agreements.

MOTION: Mr. Rankin

SECOND: Ms. Chalupa

To approve the Revised Incompatible Activities Corporate Policy as presented.

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

YES: 5

NO: 0

Abstain: 0

Motion carried.

##### **Ethics and Privacy Reports**

Ms. Simmons reported a significant increase in internal referrals other than Management, including concerns raised through AskHR and Corporate HR Investigations, accounting for 42% of the referrals. HR-related matters account for 75% of all reported concerns, (Performance 38%; EEO/Conflicts of Interest 23%; Inappropriate Behavior 20%). Privacy incidents decreased. Sixteen percent of all concerns were reported via State Fund's independent hotlines.

**AGENDA ITEM 5: PUBLIC COMMENT ON THE APPROPRIATENESS OF CLOSED SESSION FOR ITEMS 8 THROUGH 12**

Mr. Mulryan requested public comment on the appropriateness of Closed Session for agenda items 8 through 12, 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 8:40 a.m.

**AGENDA ITEM 13: CALL TO ORDER and ROLL CALL**

The meeting was called to order at 11:35 a.m. and the following Members were present: Mr. Mulryan (Chair); Robin L. Baker; Sheryl A. Chalupa; Daniel M. Curtin and Thomas E. Rankin.

There was a quorum.

Also present: President and CEO Vernon L. Steiner; General Counsel and Corporate Secretary Margie R. Lariviere; Board Liaison and Assistant Corporate Secretary Hilda B. Padua; Counsel and Assistant Corporate Secretary Judith D. Sapper; and Randall Keen of Manatt, Phelps & Phillips, LLP.

**AGENDA ITEM 14: COMMITTEE MEMBER PRESENTATIONS**

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

**AGENDA ITEM 15: PROPOSALS AND SUGGESTIONS FOR FEBRUARY 18, 2016 AGENDA**

Mr. Mulryan requested other suggestions for agenda items for the February 18, 2016 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 February 18, 2016 at the State Fund Corporate Office, 333 Bush Street, San Francisco, California unless noticed for a new date and time.

**ADJOURNMENT**

There being no further business before the Governance Committee, the meeting adjourned at 11:40 a.m.

Respectfully submitted,

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Hilda B. Padua  
Board Liaison and Assistant Corporate Secretary