

**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

MINUTES OF OPEN SESSION MEETING

February 22, 2024

The Board of Directors of the State Compensation Insurance Fund met on February 22, 2024 at the State Fund Sacramento Office, 2860 Gateway Oaks Drive (Parks Conference Rooms, 2nd floor), Sacramento, California.

AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL

The meeting was called to order on February 22, 2024 at 8:02 a.m. Board Chair David Lanier welcomed everyone joining the meeting.

Mr. Lanier requested Ms. Padua to call roll. The following were present: David M. Lanier (Chair); Daniel M. Curtin; Regina V. Evans; Richard J. Guggenhime; Senator Michael J. Machado (Ret.); Alexis A. Podesta; Arthur H. Pulaski (joined during item 5); Angela D. Tate; Angela S. Wei; William M. Zachry; and Katrina S. Hagen, Ex-officio (joined during item 6).

Absent by prior arrangement: 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; and Board Liaison and Assistant Corporate Secretary Hilda B. Padua.

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 November 27-28, 2023 Open Meeting Minutes
- 3b. Board Member Educational Opportunities and Approval of Planned Board Member Education and Expense Reimbursement
- 3c. Approval of Retirement Resolutions
- 3d. Approval of Investment Policy Statement Resolution No. 2509 and Approval of Investment Guidelines and Procedures Resolution No. 2510

Mr. Lanier asked whether any Board member had comments on the items on the Consent Calendar, of which there were none.

Mr. Lanier called for a Motion.

MOTION: Mr. Zachry

SECOND: Mr. Guggenhime

To approve the Consent Calendar as presented.

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

YES: 9

NO: 0

Abstain: 0

Motion carried.

AGENDA ITEM 4: STAFFING UPDATE

Mr. Lanier noted that this item is “Read only, unless there are questions”. He asked Executive Vice President and Chief Administrative Officer Andreas Acker if there was any new information from the time the report was published. Mr. Acker noted that the Staffing report was current and there were no changes.

Mr. Acker reported that there were 307 separations representing an overall separation rate of 8.0%, which is in line with pre-COVID years. Of the 307 separations, there were 69 resignations or State Fund employees transferring to other state agencies; 204 retirements; and 34 separations were the result of dismissals, rejections, disability retirements or death. Mr. Acker noted that the new hires exceeded the number of separations.

Mr. Acker noted that, included in the Board materials, was a report on age and state service as of December 31, 2023. The report showed that 777 Employees (19.99%) are over 55 and have 20 or more years of service and 1048 Employees (26.96%) are over 55 and have 10 or more years of service. Mr. Acker noted that in 2026-2028, he expects there will be an uptick of retirements based upon the average age at retirement of 60 years old.

Mr. Acker also noted that included in the board materials, was a report on “Leave over the 650 cap”. Mr. Acker reported that the Leave Reduction Plan requirement was suspended in 2020 due to changes caused by the COVID-19 pandemic and the 2020 Personal Leave Program (2020 PLP). On November 18, 2021, the suspension was lifted and Leave Reduction Plans are once again required. As of 4Q 2023, 36 employees were in the 832 cap group. As of January 1, 2024, Bargaining Unit 2 reverted back from 832 to a cap of 640 and will be reflected in 1Q 2024 report, totaling 32 employees). Bargaining Unit 9 will remain with the 832 cap until July 2025, totaling 4 employees. The canceling of the leave buyback program by the State will impact this number moving forward. Mr. Acker noted that his staff monitors the leave hours over the 640 cap. State Fund required employees with hours over the cap to have a plan to reduce their leave hours. This is a liability, which is important to State Fund to monitor.

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

AGENDA ITEM 5: FINANCIAL AND PRESIDENT’S REPORT: 4Q 2023

Mr. Lanier noted that this item is “Read only, unless there are questions”. He asked President and CEO Vernon Steiner if there was any new information from the time the report was published. Mr. Steiner noted that the Financial report was current and there were no changes. Mr. Steiner provided the following updates:

Financial Report

Mr. Steiner discussed the statutory financial results for the year ended December 31, 2023 as presented in the Board materials. The results reflected the intended outcome of State Fund’s pricing changes and have led to a decrease in premiums earned; improvement to its accident year loss and loss adjustment expense (LAE) ratio; and an increase in policyholders’ surplus.

Operations Update

Mr. Steiner reported that late last year, Training Magazine notified State Fund that it was ranked among the top five organizations in the world for employee learning and development. The annual Training APEX Awards, the premier awards program in the learning industry, ranks organizations from across the globe and recognizes those with the most successful employee training and professional development programs. The awards gala takes place on February 26, 2024 and it is during this event that State Fund will learn its exact placement in the top five.

In addition, because State Fund has ranked in the top ten for the past four consecutive years, it now moved into the Training Hall of Fame. Since 2018, State Fund has consistently climbed the Top 100 list as follows:

- 2018 – ranked 87th
- 2019 – ranked 80th
- 2020 – ranked 32nd
- 2021 – ranked 6th overall and earned one of five awards in the Outstanding Training Initiative category for “*Case of the Missing Case*”, a multi-episode video training focusing on enterprise security issues.
- 2022 – ranked 3rd
- 2023 – ranked 4th

The Board congratulated the staff for job-well done.

AGENDA ITEM 6: REPORTS BY THE CHAIRS OF COMMITTEE ACTIVITIES

6a: GOVERNANCE COMMITTEE

Mr. Lanier noted that Mr. Thomas Rankin sends his regrets for missing the meeting. Governance Acting Chair Mr. Lanier reported that the Governance Committee met in-person on February 21, 2024. During the Open Session under Consent Calendar, the Committee reviewed and approved the following: November 27, 2023 Open session meeting minutes and Board Member upcoming speeches.

Under Governance, Compliance, and Privacy update, Mr. Lanier noted that the report included in the Boardbook for this agenda item, is the same information as that provided to the Governance Committee. Mr. Lanier reported on the highlights as follows:

- **2023 Conflict of Interest (COI) Code Approved** - The State Fund Conflict of Interest Code 2023 amendment has been approved by the Fair Political Practices Commission, the Office of Administrative Law, and the Secretary of State. The new regulations will take effect on February 19, 2024.
- **2023 Mandatory Compliance Training Results** - 100% compliance for employees and for contingent workers
- **2023 Own Risk and Solvency Assessment (ORSA) Report Submission** - State Fund annually conducts an ORSA to assess the adequacy of its risk management framework and current and estimated projected future solvency position. State Fund submitted its ORSA report timely to the California Department of Insurance on December 5, 2023.
- **2023 Q4 Bureau of Economic Analysis BE-125 Submission** - Reporting Requirements: Sales to foreign persons that exceeded \$6 million; or purchases from foreign persons that exceeded \$4 million in intellectual property or selected services. State Fund’s total purchases for intellectual

property or selected services for Q4 was \$11.3M from suppliers whose parent companies are located outside the United States. State Fund submitted the Q4 BE-125 report electronically to the Bureau of Economic Analysis on January 31, 2024.

- **2022 NAIC Climate Survey Submission** - The Climate Risk Disclosure Survey is a voluntary risk management tool for state insurance regulators to request from insurers on an annual basis a non-confidential disclosure of the insurers' assessment and management of their climate-related risks. State Fund submitted its 2022 Climate Survey to the California Department of Insurance on August 30, 2023.

During the Closed session, the Committee heard a report on Safety and Health Strategic plan; performance award, succession planning, exempt leadership compensation, long-term incentive plan; and board self-evaluation survey.

6b: AUDIT COMMITTEE

Audit Chair Mr. Zachry reported that the Audit Committee met in-person on February 21, 2024. During the Open session the Committee reviewed and approved the November 27, 2023 Open Meeting Minutes.

The Committee also heard a report on Completed Closed Audit and Whistleblower Hotline. The Internal Audit Department reported on eight completed projects during 3Q 2023 that was reported during the November 2023 Audit Committee closed session. All the completed project reports were deemed to be proprietary and are not being reported during open session.

As for Whistleblower Hotline, Human Resources and Internal Affairs investigate the majority of the matters referred through the internal Ethics Hotline, California Whistleblower Hotline, directly to Human Resources and its Case Management System. For the fourth quarter of 2023, there were 11 new allegations received, with seven still in progress. In addition, five investigations from prior quarters were closed. This report is available to the public and posted on State Fund's website. There were no other reports during the Open session.

During the Closed Session, the Committee heard a report from external auditor, EY and from staff on Personnel Investigations and Internal Audit report for 4Q 2023.

6c: INVESTMENT AND RISK COMMITTEE

Senator Machado provided a high-level report on Investment and Risk Committee activities.

Senator Machado reported that the Investment and Risk Committee met in-person on February 21, 2024. During the Open Session under Consent Calendar, the Committee reviewed and approved the following items: November 27, 2023 Open Meeting Minutes; Investment transactions and compliance reports for the period of October 1, 2023 to December 31, 2023, pursuant to its delegated authority; Investment Policy Statement Resolution No. 2509 and Investment Guidelines and Procedures Resolution No. 2510.

During the Closed session, the Investment and Risk Committee heard a report from investment managers; and from staff on portfolio performance; strategic asset allocation study; update on Enterprise Risk Management program; and update on State Fund's Information Security Program.

AGENDA ITEM 7: CHAIRPERSON’S REPORT

Mr. Lanier noted that he has nothing to report.

AGENDA ITEM 8: BOARD MEMBER REPORTS

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

AGENDA ITEM 9: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION FOR ITEMS 12 THROUGH 21

Mr. Lanier requested public comment on the appropriateness of Closed session agenda items 12 through 21, of which there was none.

AGENDA ITEM 10: PUBLIC COMMENT

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

ADJOURNMENT

There being no further business, Mr. Lanier adjourned the meeting at 8:20 a.m. to immediately reconvene in Closed session.

AGENDA ITEM 22: CALL TO ORDER AND ROLL CALL

The Open Session meeting reconvened at 2:20 p.m., following the conclusion of the Closed session and the following Members were present: David M. Lanier (Chair); Daniel M. Curtin; Regina V. Evans; Senator Michael J. Machado (Ret.); Alexis A. Podesta; Arthur H. Pulaski; Angela D. Tate; Angela S. Wei; William M. Zachry; and Katrina S. Hagen (Ex-officio).

Absent by prior arrangement: Richard J. Guggenhime; and Thomas 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; and Board Liaison and Assistant Corporate Secretary Hilda B. Padua.

AGENDA ITEM 23: APPOINTMENT OF SENIOR VICE PRESIDENT OF INSURANCE SERVICES

Mr. Lanier noted that this agenda item is to approve the appointment of Julie Jenkinson to Senior Vice President of Insurance Services.

Mr. Lanier noted that Resolution No. 2511 “Appointment of the Senior Vice President of Insurance Services” was displayed on the screen for public viewing.

Mr. Lanier requested a Motion and Second.

MOTION: Mr. Pulaski

SECOND: Mr. Zachry

To approve the appointment of Julie Jenkinson to Senior Vice President of Insurance Services, Resolution No. 2511, 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. 2511 is attached hereto.

AGENDA ITEM 24: PROPOSALS AND SUGGESTIONS FOR MAY 2024 AGENDA

Mr. Lanier requested suggestions for agenda items for the May 2024 Board meeting. Ms. Padua noted that all agenda items identified were for Closed session.

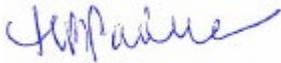
Mr. Lanier requested public comment, of which there was none.

Mr. Lanier noted that the next Board meeting is scheduled sometime the week of May 28-31, 2024, location to be determined, unless noticed for a new date and time.

ADJOURNMENT

Mr. Lanier adjourned the meeting at 2:22 p.m.

Respectfully submitted,



Hilda B. Padua
Board Liaison and Assistant Corporate Secretary



Resolution No. 2511

**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

**RESOLUTION OF THE BOARD OF DIRECTORS OF STATE COMPENSATION INSURANCE FUND
AUTHORIZING APPOINTMENT OF THE SENIOR VICE PRESIDENT OF INSURANCE SERVICES**

WHEREAS, Insurance Code section 11785(a) authorizes the Board of Directors of State Compensation Insurance Fund to appoint and set the salary for certain exempt officer positions including a Senior Vice President of Insurance Services; and

WHEREAS, the Board of Directors of the State Compensation Insurance Fund has delegated to the President of the State Compensation Insurance Fund, subject to conditions that the Board of Directors may from time to time prescribe, the powers, functions, and duties conferred by law on the Board of Directors in connection with the administration, management, and conduct of the business and affairs of the State Compensation Insurance Fund; and

WHEREAS, the President of State Fund seeks to appoint Julie Jenkinson to serve as the Senior Vice President of Insurance Services for the period from March 1, 2024 through December 31, 2025.

NOW, THEREFORE,

IT IS RESOLVED, that the Board of Directors hereby ratifies the appointment of Julie Jenkinson as the Senior Vice President of Insurance Services for a period from March 1, 2024 through December 31, 2025; and

IT IS FURTHER RESOLVED, that the President of State Fund has the authority to enter into an employment agreement with Julie Jenkinson and any amendments that may be necessary from time to time except that any change in compensation must be presented to the Board of Directors for approval; and

IT IS FURTHER RESOLVED, that the Board of Directors hereby ratifies and approves all actions taken by the President of the State Compensation Insurance Fund as were necessary to hire Julie Jenkinson to serve as the Senior Vice President of Insurance Services of the State Compensation Insurance Fund.

PASSED AND ADOPTED at the meeting of the Board of Directors of the State Compensation Insurance Fund held on the 22nd day of February, 2024 by the following vote:



Resolution No. 2511

<u>MEMBER</u>	<u>VOTE</u>
David M. Lanier, Chair	Yes
Daniel M. Curtin	Yes
Regina V. Evans	Yes
Richard J. Guggenhime	Not present during vote
Sen. Michael J. Machado (Ret.)	Yes
Alexis A. Podesta	Yes
Arthur H. Pulaski	Yes
Thomas E. Rankin	Absent
Angela D. Tate	Yes
Angie S. Wei	Yes
William M. Zachry	Yes

BOARD of DIRECTORS of the STATE COMPENSATION INSURANCE FUND

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 regular meeting held February 22, 2024.

Hilda B. Padua
Assistant Corporate Secretary

2/22/24

Date