

**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

MINUTES OF OPEN SESSION MEETING

August 13, 2024

The Board of Directors of the State Compensation Insurance Fund met on August 13, 2024 at the Harmon Guest House (Merritt Hall, 4th floor), 227 Healdsburg Avenue, Healdsburg, California.

AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL

The meeting was called to order on August 13, 2024 at 2:23 p.m.

Mr. Lanier requested Ms. Padua to call roll. The following were present: David M. Lanier (Chair); Christy Bouma; Daniel M. Curtin; Regina Evans (joined during item 4); Richard J. Guggenhime; Senator Michael J. Machado (Ret.); Arthur H. Pulaski; Thomas E. Rankin; Angela D. Tate; and Angela Wei.

Absent by prior arrangement: Alexis A. Podesta and Katrina S. Hagen (Ex-officio).

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.

Board Chair David Lanier welcomed everyone who joined the meeting.

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

- a. Approval of May 30, 2024 Open Meeting Minutes
- b. Board Member Educational Opportunities and Approval of Planned Board Member Education and Expense Reimbursement
- c. Approval of Board Committee Assignments
- d. Approval of Retirement Resolutions
- e. Authorization to Secure Renewal of the Expiring Insurance Programs at Terms Most Favorable to State Fund
- f. Approval of Investment Guidelines and Procedures Resolution #2524

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. Rankin

SECOND: Mr. Guggenhime

To approve the agenda items from 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, and asked Mr. Acker if there were new updates, of which there were none.

AGENDA ITEM 5: FINANCIAL AND PRESIDENT'S REPORT: 2Q 2024

Mr. Lanier noted that this item is read only, unless there are questions, and asked Mr. Steiner if there were new updates. Mr. Steiner highlighted that State Fund recognized an additional reserve release during 2Q 2024, over \$300M.

Mr. Steiner reported that in June, State Fund was named and ranked #9 as one of the 10 Best Places to Work in the Greater Bay Area for companies with 500 employees or more. The awards program is conducted annually by the Silicon Valley Business Journal and San Francisco Business Times. The awards are based on an organization's commitment to employee engagement and measures several research-validated workplace factors. The highest-ranking companies are those that cultivate a workplace where employees willingly go above and beyond in their work, advocate for the organization, and intend to stay into the future. State Fund has also been named as a finalist in the Sacramento area Best Places to Work program, sponsored by the Sacramento Business Journal. The final results will be announced in October.

AGENDA ITEM 6: REPORTS BY THE CHAIRS OF COMMITTEE ACTIVITIES

6a: GOVERNANCE COMMITTEE

Governance Chair Mr. Rankin reported that the Governance Committee met in-person on August 13, 2024. During the Open Session under Consent Calendar, the Committee reviewed and approved the following: May 29, 2024 Open Meeting Minutes; Board Members' Upcoming Speeches, Articles, or Webinars; and Board Committee Assignments for 2024-2025.

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

- **2024 CA Whistleblower Protection Act Annual Notification** - Attestation of the distribution was sent to the State Auditor and receipt was confirmed on July 9, 2024.
- **2024 Corporate Governance Annual Disclosure (CGAD)** - State Fund submitted its annual CGAD report, attested by the CEO and General Counsel/Corporate Secretary, to the California Department of Insurance on May 15, 2024, prior to the June 1st due date.

- **Bureau of Economic Analysis BE-125 Submission** - The Q1 BE-125 report was sent electronically to the Bureau of Economic Analysis on July 25, 2024.
- **2024 Biennial Insurer Diversity Survey** - State Fund timely submitted its Supplier Diversity Survey for 2022 and 2023 to the Department of Insurance on May 23, 2024, prior to the required due date of July 1st in even-numbered years for the prior two years.
- **Quarterly Ethics and Hotline Reporting** - Total ethics reports decreased by 33%, from eight in Q1 2024 to six in Q2 2024. All Q2 reports were in the HR, Diversity & Workplace Respect category. One report was received via the third-party Ethics and Privacy Hotline and the other five were reported directly to HR or management.

During the Closed session, the Committee heard a report on Performance Award, Executive and Exempt Leadership Compensation, and President Compensation.

6b: AUDIT COMMITTEE

Audit Chair Ms. Tate reported that the Audit Committee met in-person on August 13, 2024. During the Open Session, the Committee reviewed and approved the May 29, 2024 Open Meeting Minutes. Under Completed Closed Audits, the Internal Audit Department reported on 6 completed projects during 1Q 2024 that were reported during the May 2024 Audit Committee closed session. Internal Audit also reported on the other project during the February 2024 Audit Committee Meeting since Internal Audit completed all work for that project in Q4 2023. Internal Audit chose to report on the project prior to its report issuance to provide the Audit Committee with up-to-date information. All the completed project reports were deemed to be proprietary and are not being reported during open session.

Under the Whistleblower Hotline, Ms. Tate reported that 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 our Case Management System. For the second quarter of 2024, there were six new allegations received, one of which is still in progress. In addition, eleven investigations from prior quarters were closed. This report is available to the public and posted on State Fund's website.

During the Closed session, the Committee heard a report from staff on Personnel Investigations and Internal Audit report for 2Q 2024. The Committee also approved the revised 2024 Internal Audit plan.

6c: INVESTMENT AND RISK COMMITTEE

Investment and Risk Chair Senator Machado reported that the Investment and Risk Committee met in-person on August 19, 2024. During the Open Session, the Committee reviewed and approved under the Consent calendar the following items: May 29, 2024 Open Meeting Minutes; Investment transactions and compliance reports for the period of April 1, 2024 to June 30, 2024, pursuant to its delegated authority; Investment and Risk Committee Charter; Authorization to Secure Renewal of the Expiring Insurance Programs at Terms Most Favorable to State Fund; and Investment Guidelines and Procedures Resolution No. 2524.

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

AGENDA ITEM 7: CHAIRPERSON'S REPORT

Mr. Lanier noted that he does not have a report for this meeting.

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 17

Mr. Lanier requested public comment on the appropriateness of Closed session agenda items 12 through 17, 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 2:28 p.m. to immediately reconvene in Closed session.

AGENDA ITEM 18: CALL TO ORDER AND ROLL CALL

The Open Session meeting reconvened at 4:54 p.m., following the conclusion of the Closed session and the following Members were present: David M. Lanier (Chair); Christy Bouma; Daniel M. Curtin; Regina Evans; Richard J. Guggenhime; Senator Michael J. Machado (Ret.); Arthur H. Pulaski; Thomas E. Rankin; Angela D. Tate; and Angela Wei.

Absent by prior arrangement: Alexis A. Podesta and Katrina S. Hagen (Ex-officio).

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 19: APPROVAL OF PERFORMANCE AWARD

Mr. Lanier noted that the Board has approved awards, from time to time, for State Fund staff based upon enterprise performance and individual performance. The Board would like to reward the extraordinary effort of eligible State Fund employees who go above and beyond their regular job duties in carrying out State Fund's mission and core values and/or whose performance has a significant positive financial impact on State Fund through a North Star Award.

The Board approved a North Star award in May 2022 funded in the amount of \$25,000 and hereby replaces that fund with a new North Star award fund in the amount of \$100,000. The North Star award will range from \$500 to \$2,500 and be awarded to eligible State Fund employees who the Executive Committee determine have performed above and beyond their normal work duties and demonstrated extra ordinary conduct in carrying out State Fund’s values, and/or whose performance has a significant positive financial impact on State Fund. Senior leadership level employees are not eligible for the award. The President, or his delegate, is authorized to determine, in a reasonable manner, the basis, amount, and timing for the issuance of the payment to individual staff.

Mr. Lanier noted that Resolution No. 2529, which replaces Resolution No. 2390, was displayed on the screen for public viewing.

Mr. Lanier requested a Motion and Second.

MOTION: Mr. Rankin SECOND: Senator Machado

To approve the North Star Awards, Resolution No. 2529, as presented.

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

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

The certified Resolution No. 2529 is attached hereto.

AGENDA ITEM 20: APPOINTMENT OF INTERIM CHIEF INFORMATION OFFICER

Mr. Lanier noted that Marj Hutchings resigned from her position as Chief Information (CIO) Officer of State Fund, effective July 19, 2024. State Fund requires the services of an Interim CIO while conducting a search for a new Chief Information Officer. The Board has delegated the authority to the President to enter into an agreement and appoint an Interim CIO. The Board hereby ratifies and approves the agreement entered into between State Fund and Mr. Raymon Torino to act as Interim Chief Information Officer with base salary of \$196,032; a potential retention and recruitment (R&R) differential up to 20% of base annual salary; potential at-risk compensation differential up to 30% of combined base salary and R&R; and eligibility for a potential long-term incentive program award contingent on both State Fund and individual performance and subject to approval by the Board.

Mr. Lanier noted that Resolution No. 2530 “Appointment of Interim Chief Information Officer”, was displayed on the screen for public viewing.

Mr. Lanier requested a Motion and Second.

MOTION: Mr. Guggenhime SECOND: Ms. Evans

To approve the Appointment of Interim Chief Information Officer, Resolution No. 2530, as presented.

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

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

The certified Resolution No. 2530 is attached hereto.

AGENDA ITEM 21: PROPOSALS AND SUGGESTIONS FOR NOVEMBER 2024 AGENDA

Mr. Lanier requested suggestions for agenda items for the November 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. He noted that the next Board meeting is scheduled sometime the week of November 18-22, 2024, location to be determined, unless noticed for a new date and time.

ADJOURNMENT

Mr. Lanier adjourned the meeting at 4:58 p.m.

Respectfully submitted,



Hilda B. Padua
Board Liaison and Assistant Corporate Secretary



Resolution No. 2529
Approval of North Star Awards

**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

APPROVAL OF NORTH STAR AWARDS

WHEREAS, the Board of Directors (“Board”) of the State Compensation Insurance Fund (“State Fund”) has approved performance awards, from time to time, for State Fund staff based upon enterprise performance and individual performance; and

WHEREAS, State Fund’s four core values are: 1) Respect Everyone; 2) Be Innovative; 3) Do What’s Right; and 4) Show We Care; and

WHEREAS, there are instances where State Fund employees take action that are extraordinary and demonstrate a remarkable example of living one or more of the State Fund values; and

WHEREAS, there are also instances where a State Fund employee’s performance has a significant positive financial impact on State Fund; and

WHEREAS, the Board would like to recognize the actions that exemplify such remarkable behavior by allowing the Executive team to reward employees for achievements that deserve special recognition through a North Star award; and

WHEREAS, the Board approved a North Star award in May 2022 funded in the amount of Twenty-Five Thousand Dollars (\$25,000.00) and would now like to update and replace that fund with a new North Star award fund; and

WHEREAS, the Board and State Fund seeks to replace the 2022 North Star award fund with a new fund in the amount of One Hundred Thousand Dollars (\$100,000.00) that is to be used for North Star awards to staff who are determined by the Executive Committee to have acted in an extraordinary manner in carrying out their job duties and demonstrating State Fund’s values, or by performance that has a significant positive financial impact on State Fund. The North Star awards shall be in a range from Five Hundred Dollars (\$500.00) to Two Thousand Five Hundred Dollars (\$2,500.00). All State Fund employees are eligible for such North Star awards with the exception of employees at the Senior Leadership level.

NOW, THEREFORE,

BE IT RESOLVED that the Board would like to reward the extraordinary effort of eligible State Fund employees who go above and beyond their regular job duties in carrying out State Fund’s mission and core values and/or whose performance has a significant positive financial impact on State Fund; and

IT IS FURTHER RESOLVED that the Board hereby establishes a reserve fund of One Hundred Thousand Dollars (\$100,000.00) that may be awarded in a range from Five Hundred Dollars (\$500.00) to Two Thousand Five Hundred Dollars (\$2,500.00) for North Star awards to eligible State Fund employees who the Executive Committee determine



Resolution No. 2529

Approval of North Star Awards

have performed above and beyond their normal work duties and demonstrated extraordinary conduct in carrying out State Fund’s values, and/or whose performance has a significant positive financial impact on State Fund; and the President of State Fund, or his delegate, is authorized to determine, in a reasonable manner, the basis, amount, and timing for the issuance of the payment to individual staff.

BE IT FURTHER RESOLVED that this Resolution No. 2529 shall replace Resolution No. 2390 effective August 13, 2024.

PASSED AND ADOPTED at the meeting of the Board of Directors of the State Compensation Insurance Fund held on this 13th day of August, 2024 by the following vote:

<u>MEMBER</u>	<u>VOTE</u>
David M. Lanier, Chair	Yes
Daniel M. Curtin	Yes
Christy Bouma	Yes
Regina V. Evans	Yes
Richard J. Guggenhime	Yes
Sen. Michael J. Machado (Ret.)	Yes
Alexis A. Podesta	Absent
Arthur H. Pulaski	Yes
Thomas E. Rankin	Yes
Angela D. Tate	Yes
Angie S. Wei	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 August 13, 2024.

Hilda B. Padua
Assistant Corporate Secretary

8/13/24

Date



Resolution No. 2530

**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

**RESOLUTION of the BOARD of DIRECTORS of STATE COMPENSATION INSURANCE FUND RATIFYING
and APPROVING the ENGAGEMENT of INTERIM CHIEF INFORMATION OFFICER**

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 office positions including a Chief Information Officer; and

WHEREAS, the State Compensation Insurance Fund requires the services of an Interim Chief Information Officer while conducting a search for a permanent Chief Information Officer; 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, State Compensation Insurance Fund entered into an agreement with Raymon P. Torino to act as Interim Chief Information Officer while State Compensation Insurance Fund conducts a search for a permanent Chief Financial Officer, which agreement is to be effective as of July 22, 2024.

NOW, THEREFORE,

IT IS RESOLVED, that the Board of Directors hereby ratifies and approves the Interim Employment Agreement entered into between State Compensation Insurance Fund and Mr. Torino to act as Interim Chief Information Officer until such time as State Fund hires a permanent Chief Information Officer; that Executive's annual compensation shall include a base salary of One Hundred Ninety Six Thousand Thirty-Two Dollars (\$196,032.00); a potential retention and recruitment differential up to 20% of base annual salary; a potential at risk compensation differential up to 30% of combined Base Salary and Retention and Recruitment Differential; and eligibility for a potential long-term incentive program award, contingent on both State Fund and individual performance and subject to approval by the Board based upon factors, including but not limited to, the overall performance of State Fund as determined by the Board of Directors, and on the Interim CIO's achievement of specifically defined metrics and performance goals; 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 to enter into the agreement with Mr. Torino to act as the Interim Chief Information Officer of the State Compensation Insurance Fund; and



Resolution No. 2530

IT IS FURTHER RESOLVED, that the President of the State Compensation Insurance Fund is hereby granted the authority to enter into any amendments to the agreement with Mr. Torino necessary or deemed advisable to carry out his job duties, and that the Board of Directors hereby approves and ratifies any such amendment authorized by the President except any change in compensation must be presented to the Board of Directors for approval.

PASSED AND ADOPTED at the meeting of the Board of Directors of the State Compensation Insurance Fund held on the 13th day of August, 2024 by the following vote:

<u>MEMBER</u>	<u>VOTE</u>
David M. Lanier, Chair	Yes
Daniel M. Curtin	Yes
Christy Bouma	Yes
Regina V. Evans	Yes
Richard J. Guggenhime	Yes
Sen. Michael J. Machado (Ret.)	Yes
Alexis A. Podesta	Absent
Arthur H. Pulaski	Yes
Thomas E. Rankin	Yes
Angela D. Tate	Yes
Angie S. Wei	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 August 13, 2024.

Hilda B. Padua
Assistant Corporate Secretary

8/13/24

Date