

**STATE COMPENSATION INSURANCE FUND  
BOARD OF DIRECTORS**

**MINUTES OF OPEN SESSION MEETING**

**August 15-17, 2023**

The Board of Directors of the State Compensation Insurance Fund met on August 15-17, 2023 at the Omni Hotel, 675 L Street, (Salon D&E, 4<sup>th</sup> floor), San Diego, California.

**August 15, 2023**

**AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL**

The meeting was called to order on August 15, 2023 at 2:30 p.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 (joined during item 4); Regina V. Evans (joined during item 3); Richard J. Guggenhime; Senator Michael J. Machado (Ret.); Arthur H. Pulaski; Thomas E. Rankin; Angela D. Tate; Angela S. Wei; William M. Zachry; and Katrina S. Hagen (Ex-officio).

Absent by prior arrangement: Alexis A. Podesta

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 Field Operations Chief of Staff Lisa A. Sheldon.

**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**

Ms. Evans joined the meeting.

- 3a. Approval of May 18-19, 2023 Open Meeting Minutes
- 3b. Board Member Educational Opportunities and Approval of Planned Board Member Education and Expense Reimbursement
- 3c. Approval of Board Committee Assignments for 2023-2024
- 3d. Annual Review and Approval of Governance Committee Charter
- 3e. Approval of Retirement Resolutions

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3f. Authorization to Secure Renewal of the Expiring Insurance Programs at Terms Most Favorable to State Fund  
3g. Approval of Investment Policy Statement and Guidelines

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. Guggenhime

SECOND: Mr. Pulaski

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. Curtin joined the meeting.

Executive Vice President and Chief Administrative Officer Andreas Acker presented an update on staffing. Mr. Acker reported that State Fund ended 2Q 2023 with 3,193 employees, 114 separations, 202 new hires, and 142 promotions. Of the 114 separations, 36 or 32% are voluntary separations (resignations or transfers to other state agencies). The overall separation rate was 6% and the primary driver was retirements.

Mr. Acker noted that the Board materials included summary reports for employees over 816, 832 and 640 Hour Cap as of June 30, 2023. Mr. Acker noted there was great progress in reducing the leave hours over the 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.

Lastly, Mr. Acker reported that 1,176 employees participated in the Leave Buy Back & Cash-Out program, for a total of 95,782.75 hours and \$4,913,658.11 total gross pay.

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

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

##### **Pricing Strategy 2.0**

Mr. Steiner reported that on August 1, 2023 the California Department of Insurance approved State Fund's proposed pricing model with an effective date of March 15, 2024. This is great news for State Fund. Staff is currently working on technology and infrastructure requirements and evaluating the time and resources necessary for implementation. The goal is to have the new pricing structure in place for new and renewal

business with policy inception dates of March 15, 2024 and beyond. This new model gives State Fund greater flexibility and enables it to deliver more fair and accurate pricing for all California businesses. The model also allows a significantly higher spread of possible rating outcomes for the businesses State Fund quotes, depending on the risk characteristics of the employer. It enables a broader range in its pricing to serve more of the marketplace, portions of which have been historically unreachable for State Fund. This is the latest step in our efforts to evolve our pricing, a journey we have been on since the original launch of our tier rating system nearly 10 years ago.

### Dividend Distribution for 2022

Mr. Steiner reported that Dividend distribution for the 2022 policy year began on our around July 1, 2023 and will continue for the next year, until approximately June 30, 2024. Distribution begins 18 months after policy inception date. State Fund field marketing teams are working with brokers to hand deliver dividend checks as often as they can by coordinating with the broker and insured. There are two dividends for 2022:

1. The EAP Dividend is approximately \$54 million for the 2022 policy year. If policyholder meets eligibility requirements, dividend is calculated at 5% of their EAP at policy inception. This is the fourth consecutive year State Fund has declared an EAP dividend.
2. The Large Account Safety Dividend (LASD) is approximately \$4.5 million for 2022 policy year. For policies with standard premium of \$500,000 or more at policy inception. If policyholder meets eligibility requirements, dividend is calculated at 5% of their final billed premium. There are 134 large accounts for the 2022 policy year. As of July 1, 2023, State Fund has issued the LASD to 19 accounts, for a total of \$601,030 paid to date. The LASD was created in 2020. This is the third consecutive year State Fund has declared the LASD. Mr. Steiner commented that although it is difficult to quantify, marketing feedback indicates the LASD is having a positive impact on policy retention.

### Utilization Review (UR) Connected

State Fund improved UR Connected portal provides an electronic connection with medical providers to help expedite treatment requests and decrease the administrative burden of the UR process. On July 14, 2023, State Fund successfully connected its UR rules engine to its first medical provider, TOMI Medical Center in Los Angeles. TOMI Medical Center is a small provider that staff strategically selected so they can get provider feedback about the process without any major impact to Claims. Since connecting with TOMI on July 14, 2023, State Fund has successfully completed one Request for Authorization (RFA). The RFA was received, reviewed, and approved in 38 seconds. With the completion of this first major milestone, State Fund hope to see the following outcomes as more medical providers adopt UR Connected:

- Faster treatment delivery due to shorter RFA processing time
- Reduced customer inquiries concerning RFA status
- Decreased volume of RFAs requiring Claims to review

### Mid-year Employee Appreciation Events

State Fund hosted a total 17 events across the state, starting May 18, 2023 in Oxnard and ending with the San Diego event on July 28, 2023. Activities and events varied, ranging from park picnics, recreation centers, family fun centers, TopGolf, restaurant lunches, zoos, and more. A total 1,888 employees attended, bringing with them a total 1,622 family members.

### Expansion of Alternate Work Schedules

Starting in 4Q 2022, State Fund Leadership increased efforts to make sure State Fund employees are aware of its Alternate Work Schedule (AWS) program. This program allows employees to request a work schedule that suits their personal needs without interfering with or disrupting State Fund business needs. It includes options such as a 9/80 (nine days over the course of two weeks) or 4/10/40 (four 10-hour days over the course of one week). Since October 2022, we have seen steady growth in the number of employees participating in the program:

- October 2022: 1,077 participants
- May 23, 2023: 1,133 participants
- July 28, 2023: 1,266 participants

Throughout the first half of 2023, Human Resources team examined its policies and procedures for the program, met with leaders to ensure they present the option to their team members, and presented them with the tools necessary to implement AWS schedules in their programs.

During the month of May, seven programs added team members where they previously had no participants. We are seeing continuing to see growth, with a number of employees scheduled to begin an AWS schedule starting September 1.

### ACS Fit2Be Spring Walking Challenge

State Fund spring walking challenge for the American Cancer Society took place April 27 – May 18, 2023. A total of 1,634 State Fund employees walked 104,002 miles, putting State Fund just over its goal of 100,000 miles. State Fund earned second place across the nation; 10 State Fund employees ranked within the top 70 walkers nationwide. State Fund donated \$100,000 to ACS partner organizations across California to help provide transportation for patients who otherwise may not be able to travel to and from their cancer treatments. The following organizations each receive a \$20,000 transportation grant:

- City of Hope (Orange County)
- Dignity Health Cancer Institute (Sacramento)
- Dominican Hospital (Santa Cruz)
- John Muir Health (Contra Costa)
- SHARP (San Diego)

Last year, State Fund grants provided nearly 24,000 rides for patients in ACS partner clinics across the state.

### Kids' Chance

This year, State Fund is introducing a new fall walking challenge to benefit Kids' Chance. Kids' Chance provides scholarships to children of workers who have suffered catastrophic or fatal injuries while on the job. The Walk will take place November 1 – 30, 2023. Leadership is encouraging all employees to walk. The goal is to walk a collective 50,000 miles. State Fund will donate \$1 for every mile walked, up to 50,000 miles. The walk falls during the annual "Our Promise" campaign. State Fund will use the walk as an opportunity to encourage additional donations through this campaign. Kids' Chance Awareness Week takes place November 6 – 10, 2023. State Fund will invite and encourage attendance from State Fund friends, partners, and brokers, in addition to past scholarship recipients. Board members are encouraged to join this challenge. Invitations will follow soon.

## **GENDA 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 15, 2023. During the Open Session under Consent Calendar, the Committee reviewed and approved the following: May 18, 2023 Open session meeting minutes; Board Member upcoming speeches, articles or webinars; and Board Committee Assignments for 2023-2024.

During the Closed session, the Committee heard a report on Enterprise Procurement and Board Effectiveness.

### **6b: AUDIT COMMITTEE**

Audit Chair Mr. Zachry reported that the Audit Committee met in-person on August 15, 2023. During the Open session under the Consent Calendar, the Committee reviewed and approved the following: May 17, 2023 Open Meeting Minutes and Board Committee Assignments for 2023-2024.

The Committee also heard a report on Completed Closed Audit and Whistleblower Hotline. The Internal Audit Department reported on five completed projects during 1Q 2023 that were reported during the May 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 second quarter of 2023, there were six new allegations received, all six were still in progress. In addition, ten 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 staff on Personnel Investigations and Internal Audit activities for 2Q 2023. The Committee also approved the revised 2023 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 15, 2023. During the Open Session under Consent Calendar, the Committee reviewed and approved the following items: May 18, 2023 Open Meeting Minutes; Investment transactions and compliance reports for the period of April 1, 2023 to June 30, 2023, pursuant to its delegated authority; Investment Policy Statement and Guidelines; and Authorization to Secure Renewal of the Expiring Insurance Programs at Terms Most Favorable to State Fund.

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

### **AGENDA ITEM 7: CHAIRPERSON'S REPORT**

Mr. Lanier congratulated the staff for the approval of Pricing 2.0 and thanked everyone involved on this project for their hard work and efforts in getting this pricing model approved by California Department of Insurance. Mr. Lanier is looking forward to seeing the results of Pricing 2.0

### **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 18**

Mr. Lanier requested public comment on the appropriateness of Closed session agenda items 12 through 18, 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 2:56 p.m. to immediately reconvene in Closed session.

**August 17, 2023**

### **AGENDA ITEM 19: CALL TO ORDER AND ROLL CALL**

Due to absence of Board Chair David Lanier, Mr. Rankin served as Acting Board Chair.

The Open Session meeting reconvened on August 17, 2023 at 11:00 a.m., following the conclusion of the Closed session and the following Members were present: Daniel M. Curtin; Regina V. Evans; Richard J. Guggenhime; Senator Michael J. Machado (Ret.); Arthur H. Pulaski; Thomas E. Rankin (Acting Chair); Angela D. Tate; Angela Wei; William M. Zachry; and Katrina S. Hagen (Ex-officio).

Absent by prior arrangement: David M. Lanier (Chair) and Alexis A. Podesta;

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 Field Operations Chief of Staff Lisa A. Sheldon.

### **AGENDA ITEM 20: PROPOSALS AND SUGGESTIONS FOR NOVEMBER 27-28, 2023 AGENDA**

Mr. Rankin requested suggestions for agenda items for the November 27-28, 2023 Board meeting. Ms. Padua noted that all agenda items identified were for Closed session.

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

Mr. Rankin noted that the next Board meeting is scheduled November 27-28, 2023, location to be determined, unless noticed for a new date and time.

**ADJOURNMENT**

Mr. Rankin adjourned the meeting at 11:02 a.m.

Respectfully submitted,



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Hilda B. Padua  
Board Liaison and Assistant Corporate Secretary