

**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

MINUTES OF OPEN SESSION MEETING

November 20-21, 2024

The Board of Directors of the State Compensation Insurance Fund met on November 20, 2024 at the State Fund Pleasanton Office, 5890 Owens Drive (Board room, 4th floor), Pleasanton, California.

AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL

The meeting was called to order on November 20, 2024 at 12:30 p.m.

Mr. Lanier requested Ms. Padua to call roll. The following were present: David M. Lanier (Chair); Richard J. Guggenhime; Senator Michael J. Machado (Ret.); Alexis A. Podesta; Arthur H. Pulaski; Thomas E. Rankin; Angela D. Tate; and Katrina S. Hagen (Ex-officio).

Absent by prior arrangement: Christy Bouma; Daniel M. Curtin; Regina V. Evans; and Angela Wei.

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 August 13, 2024 Open Meeting Minutes
- b. Approval of August 14-15, 2024 Strategic Planning Open Meeting Minutes
- c. Board Member Educational Opportunities and Approval of Planned Board Member Education and Expense Reimbursement
- d. Review and Approval of 2025 Board and Committee Agenda Items
- e. Review and Approval of 2025 Board and Committee Meeting Schedule
- f. Approval of Retirement Resolutions
- g. Review and Approval of the Revised Internal Audit Activity Charter and Compliance with Global Internal Audit Standards

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: 7

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: 3Q 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’s overall performance for 2024 was strong, that 2024 performance continues to reflect financial stability and will again recognize an additional reserve release during 3Q 2024, which is beneficial for policyholders.

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 November 20, 2024. During the Open Session under Consent Calendar, the Committee reviewed and approved the following: August 13, 2024 Open Meeting Minutes; Board Member Upcoming Speeches, Articles or Webinars; 2025 Board and Committee Agenda Items; and 2025 Board and Committee Meeting Schedule.

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:

- **Q3 2024 Corporate Policy Updates** - The Privacy and Confidentiality Corporate Policy (Ethics, Compliance, and Fraud 2.0) was updated to eliminate outdated references to the US/EU “Privacy Shield” and to add language related to protecting State Contracts data from offshoring risks.
- **2024 Biennial SB 272 Reporting and Posting** - SB 272 was passed in 2017 and authorized State Fund to appoint additional executive and management positions. It also required that the board set salaries and that State Fund submit its salary-setting criteria, including salary surveys, to the Department of Human Resources (CalHR). State Fund’s biennial Salary Survey was sent to CalHR and to the Legislature on August 29, 2024.
- **2024 Security Awareness Training Compliance** - The annual Security Awareness Training was released in Q2. Compliance Rate: 100% for employees; 100% for consultants.

- **Q3 2024 Bureau of Economic Analysis Reporting (BE-125)** - State Fund's total purchases for selected services or intellectual property for Q3 2024 was \$5.6M from suppliers whose parent companies are located outside the United States. The Q3 BE-125 report was submitted electronically to the Bureau of Economic Analysis on October 28, 2024.
- **Special Investigations Unit (SIU) Annual Compliance Report** - The California Department of Insurance requires all licensed insurers in California to submit an SIU compliance report annually. The report includes SIU staffing, Anti-Fraud training compliance, and program statistics, to comply with California SIU regulations. The report was due on September 15, 2024, and was submitted on September 9, 2024.
- **Quarterly Ethics Reporting** - Total reporting was flat for the quarter, increasing by one in Q3 (9) vs Q2 (8). All reports for Q3 2024 fell into the HR, Diversity & Workplace Respect category.

During the Closed session, the Committee heard a report on Safety and Health Strategic Plan Update, 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 November 19, 2024. During the Open Session, During the Open session the Committee reviewed and approved the August 13, 2024 Open Meeting Minutes; 2025 Audit Committee Agenda items; 2025 Audit Committee Meeting Schedule; and Revised Internal Audit Activity Charter and Compliance with Global Internal Audit Standards.

Under Completed Closed Audits, the Internal Audit Department reported on 9 completed projects during 2Q 2024 that were reported during the August 2024 Audit Committee closed session. Internal Audit Department has no non-proprietary projects that it is reporting in this 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 third quarter of 2024, there were nine (9) new allegations received, five (5) of which is still in progress. In addition, twelve (12) 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, report from external auditor, and Internal Audit report for 3Q 2024. The Committee also approved the original 2025 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 November 19, 2024. During the Open Session, the Committee reviewed and approved under the Consent calendar the following items: August 13, 2024 Open Meeting Minutes; Investment transactions and compliance reports for the period of July 1, 2024 to September 30, 2024, pursuant to its delegated authority; 2025 Investment and Risk Committee Agenda Items; and 2025 Investment and Risk Committee Meeting Schedule.

During the Closed session, the Investment and Risk Committee heard a report from staff on investment managers' investment strategy; portfolio performance; investment benchmarks; investment and risk

committee evaluation effectiveness; update on Enterprise Risk Management program; and update on State Fund's Information Security Program. Senator Machado highlighted that the presentation by Investment Managers, Voya was exceptionally informative and noted that it was the best report they had received to date compared to those from other investment managers.

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 20

Mr. Lanier requested public comment on the appropriateness of Closed session agenda items 12 through 20, 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 12:35 p.m. to immediately reconvene in Closed session.

AGENDA ITEM 21: CALL TO ORDER AND ROLL CALL

The Open Session meeting reconvened on November 21, 2024 at 9:35 a.m., following the conclusion of the Closed session and the following Members were present: David M. Lanier (Chair); Richard J. Guggenheimer; Senator Michael J. Machado (Ret.); Alexis A. Podesta; Arthur H. Pulaski; Thomas E. Rankin; Angela D. Tate; and Katrina S. Hagen (Ex-officio).

Absent by prior arrangement: Christy Bouma; Daniel M. Curtin; Regina V. Evans; and Angela Wei.

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 22: APPROVAL OF PERFORMANCE AWARD

Mr. Lanier noted that, in 2013, the Board introduced performance awards to strengthen State Fund's ability to successfully compete with the market for talent by creating a tool that recognizes and rewards performance. The performance awards are tied to enterprise results as well as individual performance/contribution and are an appropriate investment in building and sustaining a performance culture that delivers value to State Fund customers.

The Board resolution approves funding for the 2024 performance award pool and establishes that the payouts are to occur in 2025, subject to State Fund’s year-end performance of achieving the goal targets within the range presented at the November 2024 Board meeting.

Mr. Lanier noted that the Board finds that State Fund’s overall 2024 performance was strong. The 2024 performance continues to reflect financial stability; and that overall to date, State Fund has achieved its 2024 goals presented at the November 2024 Board meeting.

Contingent upon State Fund achieving its goal targets within the range presented at the November 2024 meeting, the Board decided to fund the 2024 performance award program with a pool not to exceed 9% of annual salary to be administered by management to staff, supervisors and managers, senior leaders, and non-exempt executives.

Mr. Lanier noted that Resolution No. 2540 “Approval of 2024 Performance Award” was displayed on the screen for public viewing.

Mr. Lanier requested a Motion and Second.

MOTION: Mr. Rankin

SECOND: Mr. Guggenhime

To approve the 2024 Performance Awards, Resolution No. 2540, as presented.

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

YES: 7

NO: 0

Abstain: 0

Resolution carried.

The certified Resolution No. 2540 is attached hereto.

Mr. Lanier congratulated and thanked the staff and leadership for their hard work and for achieving such positive results. It was an exceptional year, far exceeded the goals and appropriate level for performance award.

AGENDA ITEM 23: APPROVAL OF EXEMPT LEADERSHIP 2024 AT-RISK COMPENSATION DIFFERENTIAL AND 2025 EXEMPT LEADERSHIP COMPENSATION

Mr. Lanier reported that the Board of Directors has evaluated the performance of each executive and exempt employee for 2024. Mr. Lanier noted that the compensation packages for exempt members of State Fund’s executive committee contain both fixed and variable components designed to produce high performance. Since the goal is to attract experienced executive-level talent, the Board has carefully benchmarked State Fund’s executive compensation and designed it to be relevant to the competitive marketplace without being excessive. Mr. Lanier reported that, similar to the Performance Awards, the Board evaluated the performance of State Fund’s exempt executives for 2024 to-date to determine appropriate performance-based compensation contingent upon State Fund ending the year within the projected target ranges. If the agreed upon targets are met, the payments will be made in 2025. Also, Mr. Lanier noted that in the performance-based compensation determination process, the Board reviewed both the overall performance of the business and the value of each exempt leader’s contribution.

Mr. Lanier noted that Resolution No. 2541 was displayed on the screen for public viewing.

Mr. Lanier requested a Motion and Second.

MOTION: Senator Machado

SECOND: Mr. Guggenhime

To approve the Exempt Leadership 2024 At-Risk Compensation Differential and 2025 Compensation for Exempt Leadership, Resolution No. 2541, as presented.

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

YES: 7 NO: 0 Abstain: 0 Resolution carried.

The certified Resolution No. 2541 is attached hereto.

AGENDA ITEM 24: APPROVAL OF PRESIDENT'S 2024 AT-RISK COMPENSATION DIFFERENTIAL, LONG-TERM INCENTIVE, AND 2025 COMPENSATION

Mr. Lanier noted that Resolution No. 2542 was displayed on the screen for public viewing.

Mr. Lanier requested a Motion and Second.

MOTION: Mr. Pulaski

SECOND: Ms. Tate

To approve the President's 2024 At-Risk Compensation Differential, Long-Term Incentive, and 2025 Compensation Resolution No. 2542, as presented.

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

YES: 7 NO: 0 Abstain: 0 Resolution carried.

The certified Resolution No. 2542 is attached hereto.

AGENDA ITEM 25: APPROVAL OF 2024 EXEMPT LEADERSHIP AND CEA LONG-TERM INCENTIVE

Mr. Lanier noted that the Board decided to establish a Long-Term Incentive Plan (LTIP) to provide contingent financial incentives to executive and key management of State Fund who contribute to the company's long-term strategic objectives.

The objectives of the plan are to:

- Incentivize executive management towards achieving the company's long-term strategic objectives.
- Attract, retain, and motivate leadership talent.
- Provide competitive pay opportunities.

The LTIP is a cash-based incentive plan with payout opportunities based on achievement of annual performance targets. The Board of Directors establishes performance measures and sets the targets each year. Individual target awards are based on a percentage of base pay.

Contingent upon State Fund achieving its goal targets within the range presented at the November 2024 meeting, the Board decided to fund the 2024 Long-Term Incentive with an award pool not to exceed 10% of annual salary spend to be administered by management and paid out over a three-year period in accordance with the terms of the LTIP plan and Award Notice, subject to State Fund continuing to meet established year-end targets.

Mr. Lanier noted that Resolution No. 2543 was displayed on the screen for public viewing.

Mr. Lanier requested a Motion and Second.

MOTION: Mr. Guggenhime

SECOND: Mr. Pulaski

To approve the 2024 Long-Term Incentive Plan Resolution No. 2543, as presented.

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

YES: 7

NO: 0

Abstain: 0

Resolution carried.

The certified Resolution No. 2543 is attached hereto.

AGENDA ITEM 26: ELIMINATION OF SUPPLEMENTAL DEFERRED COMPENSATION BEENFIT AND APPROVAL OF SPLIT DOLLAR LIFE CAPITAL ACCUMULATION PLAN

Mr. Lanier noted that the Board previously approved an annual compensation package for President and Chief Executive Officer Vern Steiner including an annual base salary, a Long-Term Incentive Program, a deferred compensation program, and an at-risk differential based upon an annual evaluation of enterprise and individual performance conducted by the Board and a retention differential.

The Board has determined, subject to Mr. Steiner’s consent, to eliminate the approved deferred compensation benefit and replace that benefit with a split dollar life capital accumulation plan.

The Board hereby ratifies and approves an addendum to Mr. Steiner’s employment agreement eliminating the approved deferred compensation benefit and replacing that benefit with a split dollar life capital accumulation plan. The addendum will be effective once the split dollar life capital accumulation plan is finalized and the insurance policies are in place.

Mr. Lanier noted that Resolution No. 2544 was displayed on the screen for public viewing.

Mr. Lanier requested a Motion and Second.

MOTION: Mr. Rankin

SECOND: Senator Machado

To approve the Elimination of Supplemental Deferred Compensation Benefit and Approval of Split Dollar Life Capital Accumulation Plan Resolution No. 2544, as presented.

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

YES: 7

NO: 0

Abstain: 0

Resolution carried.

The certified Resolution No. 2544 is attached hereto.

AGENDA ITEM 27: APPROVAL OF MODIFICATION OF LONG-TERM INCENTIVE PLAN FOR EXEMPTS AND CAREER EXECUTIVE ASSIGNMENT POSITIONS

Mr. Lanier noted that the Board approved and adopted Resolution No. 2170 at the August 17, 2018 meeting establishing a Long-Term Incentive Program (LTIP) for the exempt employees appointed pursuant to California

Insurance Code section 11785 and certain Career Executive Assignment Positions, with an effective date of January 1, 2018.

The Board hereby approves a modification to the Long-Term Incentive Program for the Designated Employees to provide for a 40% target for Executive Committee members who report to CEO, a 30% target for Executive Committee members who do not report to CEO, and a 20% target for those Designated Employees who are not members of the Executive Committee. LTIP awards will be measured against performance on organizational strategic objectives, will not be adjusted in excess of the targets. The payment of LTIP awards for each year will be made in equal installments over three years, with no age based cashout, and that all payments scheduled to be made to a Designated Employee with respect to a calendar year shall be forfeited unless the Designated Employee is continuously employed by State Fund and is in good standing through the last day the LTIP award is finalized.

Mr. Lanier noted that Resolution No. 2545 was displayed on the screen for public viewing.

Mr. Lanier requested a Motion and Second.

MOTION: Mr. Rankin

SECOND: Mr. Guggenhime

To approve the Modification of Long-Term Incentive Plan for Exempts and CEA positions Resolution No. 2545, as presented.

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

YES: 7

NO: 0

Abstain: 0

Resolution carried.

The certified Resolution No. 2545 is attached hereto.

AGENDA ITEM 28: PROPOSALS AND SUGGESTIONS FOR FEBRUARY 2025 AGENDA

Mr. Lanier requested suggestions for agenda items for the February 2025 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 on February 26-27, 2025, location to be determined, unless noticed for a new date and time.

ADJOURNMENT

Mr. Lanier adjourned the meeting at 9:45 a.m.

Respectfully submitted,



Hilda B. Padua
Board Liaison and Assistant Corporate Secretary



**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

APPROVAL OF 2024 PERFORMANCE AWARDS

WHEREAS, the Board has approved a Performance Awards program for State Fund staff, supervisors and managers, senior leaders, and non-exempt executives, with the total size of the award pool subject to the Board's discretion, based on enterprise performance and individual performance; and

WHEREAS, commencing in 2018 the Board revised the annual Governance and Board agendas to move the review of the Performance Awards to the November Board meeting; and

WHEREAS, the Board has considered a 2024 total award pool of approximately nine percent (9.0%) of the annual salaries of all eligible employees; and

WHEREAS, the Board has considered State Fund's enterprise performance for 2024; and

WHEREAS, the Board now seeks to establish and approve the total size of the 2024 performance award pool for State Fund staff, supervisors and managers, senior leaders, and non-exempt executives, subject to State Fund achieving its goal targets by year end within the range presented at the November Board meeting; and

WHEREAS, if State Fund fails to meet the targeted goals within the range presented at the November Board meeting, the Board may reconsider the potential for and size of a 2024 performance award pool.

NOW, THEREFORE,

IT IS RESOLVED that the Board hereby finds that State Fund had a strong overall performance for 2024; that 2024 performance continues to reflect financial stability; that overall to date State Fund has achieved its goal targets within the range presented at the November Board meeting; and hereby approves a 2024 performance award pool to be administered by management of approximately nine percent (9.0%) of annual salary spend for State Fund staff, supervisors and managers, senior leaders, and non-exempt executives, subject to State Fund achieving its enterprise goals by year end within the range presented at the November Board meeting; and

IT IS FURTHER RESOLVED that if State Fund fails to meet the targeted goals by year end within the range presented at the November meeting, the Board may reconsider the potential for and size of a 2024 performance award pool.

Resolution No. 2540
Approval of 2024 Performance Awards

PASSED AND ADOPTED at the meeting of the Board of Directors of the State Compensation Insurance Fund held on this 21st day of November, 2024 by the following vote:

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

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 November 21, 2024.



Hilda B. Padua
Assistant Corporate Secretary

11/21/24

Date

Resolution No. 2541

Approval of Exempt Leadership 2024 At-Risk
Compensation Differential and 2025 Exempt
Leadership Compensation



**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

**APPROVAL OF EXEMPT LEADERSHIP 2024 AT-RISK COMPENSATION DIFFERENTIAL AND 2025 EXEMPT
LEADERSHIP COMPENSATION**

WHEREAS, the Board of Directors ("Board") has approved a Performance Awards program for State Fund staff, supervisors and managers, senior leaders, and Executives, with the total size of the award pool subject to the Board's discretion, based on enterprise performance and individual performance; and

WHEREAS, in 2018 the Board revised the annual Governance and Board agendas to move the annual review of the Exempt Leadership Compensation package to the November Board meeting; and

WHEREAS, the annual compensation package for the exempt employees appointed pursuant to California Insurance Code section 11785 ("exempt employees") includes an annual base salary, an at-risk differential based upon an annual evaluation of enterprise and individual performance conducted by the Board and, a retention differential for certain exempt positions (as identified in the attached Schedule of Exempt Leadership 2024 At-Risk Compensation Differential and 2025 Exempt Leadership Compensation), as well as a Long Term Incentive; and

WHEREAS, the Board has considered State Fund's enterprise performance for 2024 which is projected to achieve its enterprise objectives by year end and based on that projection has completed its performance evaluations for the exempt employees for calendar year 2024; and

WHEREAS, for certain of the exempt employees the Board seeks to increase the 2025 base salary, approve the 2025 retention differentials, approve the at-risk compensation for 2024 as identified in the attached Schedule of Exempt Leadership 2024 At-Risk Compensation Differential and 2025 Exempt Leadership Compensation, and approve 2024 Long Term Incentive, subject to State Fund achieving its enterprise goals by year end within the range presented at the November Board meeting; and

WHEREAS, if State Fund fails to meet its enterprise goals within the range presented at the November Board meeting, the Board may reconsider the 2024 at-risk compensation.

NOW, THEREFORE,

IT IS RESOLVED that the Board hereby finds that State Fund exceeded its performance goals; that State Fund's performance continues to reflect financial stability; that overall to date State Fund and the exempt employees exceeded their goal targets; and hereby adopts and approves the increases in certain 2025 base salaries, the 2025 retention differentials, and the at-risk component of 2024 compensation as identified in the attached Schedule of Exempt Leadership 2024 At-Risk Compensation Differential and 2025 Exempt

Resolution No. 2541
Approval of Exempt Leadership 2024 At-Risk
Compensation Differential and 2025 Exempt
Leadership Compensation

Leadership Compensation, and 2024 Long-Term Incentive, subject to State Fund achieving its enterprise goals by year end within the range presented at the November Board meeting; and

IT IS FURTHER RESOLVED that if State Fund fails to meet the targeted goals by year end within the range presented at the November Board meeting, the Board may reconsider the 2024 at-risk compensation.

PASSED AND ADOPTED at the meeting of the Board of Directors of the State Compensation Insurance Fund held on this 21st day of November, 2024 by the following vote:

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

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 November 21, 2024.



Hilda B. Padua
Assistant Corporate Secretary

11/21/24

Date



BOARD OF DIRECTORS

Resolution No. 2541 & 2542

**SCHEDULE OF EXEMPT LEADERSHIP 2024 AT-RISK COMPENSATION DIFFERENTIAL
AND 2025 EXEMPT LEADERSHIP COMPENSATION**

Position	2024 Annual Base Salary	Recommended 2024 At-Risk Compensation Differential	2024 LTIP Program**	Recommended 2025 Base Salary*	Recommended 2025 Annual Recruitment & Retention*
President & CEO (Vern Steiner)	\$577,176	\$381,006	\$69,274	\$597,958	\$115,563
Chief Financial Officer (Peter Guastamachio)	\$352,300	\$221,422	\$47,618	\$362,869	\$127,593
Chief Operating Officer (Richard Law)	\$514,815	\$241,963	\$51,482	\$530,259	Not applicable
Chief Claims Operations Officer (Steve Hunckler)	\$476,177	\$259,516	\$47,618	\$490,462	Not applicable
General Counsel (Margie Lariviere)	\$476,177	\$226,184	\$47,618	\$490,462	Not applicable
Chief of Internal Affairs (Dante W. Robinson)	\$380,363	\$163,556	\$38,036	\$391,774	Not applicable
Interim Chief Information Officer (Raymon P. Torino) (7/22/24 to 12/21/24)	\$196,032	\$107,033	\$23,524	\$196,032	\$49,206
Chief Risk Officer (Ken Van Laar)	\$343,682	\$206,800	\$44,957	\$357,429	\$110,118
EVP of Strategic Planning (Alvin K. Cheung)	\$347,288	\$156,280	\$34,729	\$400,076	Not applicable
EVP of Corporate Claims (Carla Anene)	\$265,200	\$139,865	\$37,674	\$265,200	\$126,610
SVP of Insurance Services (Julie Jenkinson) (Eff. 2/22/24)	\$250,000	\$66,000	\$30,000	\$250,000	\$62,000
Chief Investment Officer (Stephanie Chan)	\$257,500	\$71,243	\$30,975	\$257,500	\$67,750

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Board of Directors – November 21, 2024

Open Agenda Item 23 – Approval of Exempt Leadership 2024 At-Risk Compensation Differential and 2025 Exempt Leadership Compensation (Resolution No. 2541)

**BOARD OF DIRECTORS****Resolution No. 2541 & 2542****SCHEDULE OF EXEMPT LEADERSHIP 2024 AT-RISK COMPENSATION DIFFERENTIAL
AND 2025 EXEMPT LEADERSHIP COMPENSATION**

Position	2024 Annual Base Salary	Recommended 2024 At-Risk Compensation Differential	2024 LTIP Program**	Recommended 2025 Base Salary*	Recommended 2025 Annual Recruitment & Retention*
Chief Medical Officer (Dinesh Govindarao)	\$440,279	\$103,466	\$44,028	\$457,890	Not applicable
Chief Actuary (Kate Smith)	\$346,824	\$82,371	\$34,682	\$360,697	Not applicable
Chief Underwriting Officer (John M. Gagan)	\$269,578	\$66,047	\$26,958	\$280,361	Not applicable
Pricing Actuary (Melissa Wang)	\$228,674	\$54,310	\$22,867	\$237,821	Not applicable

****2025 Annual Base Salary and Annual Recruitment and Retention is effective January 1, 2025.********2024 LTIP Program is effective January 1, 2024 and paid out over 3 years.***

Resolution No. 2542

Approval of President's 2024 At-Risk
Compensation Differential, 2024
Long-Term Incentive, and 2025
Compensation



**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

**APPROVAL OF PRESIDENT'S 2024 AT-RISK COMPENSATION DIFFERENTIAL, 2024 LONG TERM INCENTIVE,
AND 2025 COMPENSATION**

WHEREAS, the Board of Directors ("Board") has approved a Performance Awards program for State Fund staff, supervisors and managers, senior leaders, and Executives, with the total size of the award pool subject to the Board's discretion, based on enterprise performance and individual performance; and

WHEREAS, in 2018 the Board revised the annual Governance and Board agendas to move the annual review of the President's Compensation package to the November Board meeting; and

WHEREAS, the annual compensation package for the President includes an annual base salary, an at-risk differential based upon an annual evaluation of enterprise and individual performance conducted by the Board, a retention differential, and a long term incentive program ("LTIP") (as identified in the attached Schedule of Exempt Leadership 2024 At-Risk Compensation Differential and 2025 Exempt Leadership Compensation); and

WHEREAS, the Board has considered State Fund's enterprise performance for 2024 which is projected to achieve its enterprise goals by year end and has completed its performance evaluation for the President for calendar year 2024; and

WHEREAS, the Board has considered State Fund's performance against the 2024 LTIP performance goals, which are projected to be achieved by year end; and

WHEREAS, the Board seeks to approve the at-risk compensation, retention differential, and long-term incentive for 2024 as identified in the attached Schedule of Exempt Leadership 2024 At-Risk Compensation Differential and 2025 Exempt Leadership Compensation, subject to State Fund achieving its enterprise and LTIP performance goal targets by year end within the range presented at the November Board meeting; and

WHEREAS, if State Fund fails to meet the targeted goals within the range presented at the November Board meeting, the Board may reconsider the 2024 at-risk compensation and retention differential.

NOW, THEREFORE,

IT IS RESOLVED that the Board hereby finds that State Fund met its performance goals and made significant progress in 2024 on its multi-year business transformation to become a more efficient and agile insurance carrier; that customer service improved in 2024; that State Fund's performance continues to reflect financial stability; that overall to date State Fund and the President achieved the enterprise goals and the performance

Resolution No. 2542

Approval of President's 2024 At-Risk
Compensation Differential, 2024
Long-Term Incentive, and 2025
Compensation

measures underlying the long term incentive within the range presented at the November meeting; and hereby adopts and approves the President's at-risk compensation, retention differential, and long term incentive for 2024 as identified in the attached Schedule of Exempt Leadership 2024 At-Risk Compensation Differential and 2025 Exempt Leadership Compensation, subject to State Fund achieving its enterprise goals by year end within the range presented at the November Board meeting; and

IT IS FURTHER RESOLVED that if State Fund fails to meet the targeted enterprise or LTIP goals by year end within the range presented at the November Board meeting, the Board may reconsider the President's 2024 at-risk compensation and/or long-term incentive.

PASSED AND ADOPTED at the meeting of the Board of Directors of the State Compensation Insurance Fund held on this 21st day of November 2024 by the following vote:

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

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 November 21, 2024.



Hilda B. Padua
Assistant Corporate Secretary

11/21/24

Date

**BOARD OF DIRECTORS****Resolution No. 2542****SCHEDULE OF EXEMPT LEADERSHIP 2024 AT-RISK COMPENSATION DIFFERENTIAL
AND 2025 EXEMPT LEADERSHIP COMPENSATION**

Position	2024 Annual Base Salary	Recommended 2024 At-Risk Compensation Differential	2024 LTIP Program**	Recommended 2025 Base Salary*	Recommended 2025 Annual Recruitment & Retention*
President & CEO (Vern Steiner)	\$577,176	\$381,006	\$69,274	\$597,958	\$115,563
Chief Financial Officer (Peter Guastamachio)	\$352,300	\$221,422	\$47,618	\$362,869	\$127,593
Chief Operating Officer (Richard Law)	\$514,815	\$241,963	\$51,482	\$530,259	Not applicable
Chief Claims Operations Officer (Steve Hunckler)	\$476,177	\$259,516	\$47,618	\$490,462	Not applicable
General Counsel (Margie Lariviere)	\$476,177	\$226,184	\$47,618	\$490,462	Not applicable
Chief of Internal Affairs (Dante W. Robinson)	\$380,363	\$163,556	\$38,036	\$391,774	Not applicable
Interim Chief Information Officer (Raymon P. Torino) (7/22/24 to 12/21/24)	\$196,032	\$107,033	\$23,524	\$196,032	\$49,206
Chief Risk Officer (Ken Van Laar)	\$343,682	\$206,800	\$44,957	\$357,429	\$110,118
EVP of Strategic Planning (Alvin K. Cheung)	\$347,288	\$156,280	\$34,729	\$400,076	Not applicable
EVP of Corporate Claims (Carla Anene)	\$265,200	\$139,865	\$37,674	\$265,200	\$126,610
SVP of Insurance Services (Julie Jenkinson) (Eff. 2/22/24)	\$250,000	\$66,000	\$30,000	\$250,000	\$62,000
Chief Investment Officer (Stephanie Chan)	\$257,500	\$71,243	\$30,975	\$257,500	\$67,750

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Board of Directors – November 21, 2024

Open Agenda Item 24 – Approval of President's 2024 At-Risk Compensation Differential, 2024 Long-Term Incentive, and 2025 Compensation
(Resolution No. 2542)

**BOARD OF DIRECTORS****Resolution No. 2542****SCHEDULE OF EXEMPT LEADERSHIP 2024 AT-RISK COMPENSATION DIFFERENTIAL
AND 2025 EXEMPT LEADERSHIP COMPENSATION**

Position	2024 Annual Base Salary	Recommended 2024 At-Risk Compensation Differential	2024 LTIP Program**	Recommended 2025 Base Salary*	Recommended 2025 Annual Recruitment & Retention*
Chief Investment Officer (Stephanie Chan)	\$257,500	\$71,243	\$30,975	\$257,500	\$67,750
Chief Medical Officer (Dinesh Govindarao)	\$440,279	\$103,466	\$44,028	\$457,890	Not applicable
Chief Actuary (Kate Smith)	\$346,824	\$82,371	\$34,682	\$360,697	Not applicable
Chief Underwriting Officer (John M. Gagan)	\$269,578	\$66,047	\$26,958	\$280,361	Not applicable
Pricing Actuary (Melissa Wang)	\$228,674	\$54,310	\$22,867	\$237,821	Not applicable

****2025 Annual Base Salary and Annual Recruitment and Retention is effective January 1, 2025.********2024 LTIP Program is effective January 1, 2024 and paid out over 3 years.***



**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

APPROVAL OF 2024 EXEMPT EMPLOYEE AND CEA LONG-TERM INCENTIVE

WHEREAS, the Board has approved a Long-Term Incentive program ("LTIP") for State Fund exempt employees appointed pursuant to California Insurance Code section 11785 ("exempt employees") and certain Career Executive Assignment ("CEA") positions; and

WHEREAS the annual targets and total size of the annual award pool are subject to the Board's discretion based on enterprise LTIP performance; and

WHEREAS, commencing in 2018 the Board revised the annual Governance and Board agendas to move the annual review of the LTIP program to the November Board meeting; and

WHEREAS, the Board has considered State Fund's performance against the 2024 LTIP goals, which are projected to be achieved by year end, and the performance evaluations for the exempt employees and certain CEA positions; and

WHEREAS, if State Fund fails to meet the targeted LTIP performance goals within the range presented at the November Board meeting, the Board may reconsider the 2024 LTIP target awards and annual award pool.

NOW, THEREFORE,

IT IS RESOLVED that the Board hereby finds that overall to date State Fund and the exempt employees and certain CEA positions achieved the LTIP enterprise objectives and/or the LTIP performance measures within the range presented at the November meeting; and hereby approves a 2024 Long Term Incentive award pool not to exceed 10% of annual salary spend to be administered by management and paid out over a three-year period in accordance with the terms of the LTIP Plan and Award Notice, subject to State Fund achieving its LTIP performance goals by year end within the range presented at the November Board meeting.

IT IS FURTHER RESOLVED that if State Fund fails to meet the targeted LTIP performance goals by year end based on the goal results presented at the November Board meeting, the Board may reconsider the 2024 annual LTIP award pool.

Resolution No. 2543

Approval of 2024 Exempt Employee and CEA
Long-Term Incentive

PASSED AND ADOPTED at the meeting of the Board of Directors of the State Compensation Insurance Fund held on this 21st day of November, 2024 by the following vote:

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

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 November 21, 2024.



Hilda B. Padua
Assistant Corporate Secretary

11/21/24

Date



**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

**ELIMINATION OF SUPPLEMENTAL DEFERRED COMPENSATION BENEFIT AND APPROVAL OF SPLIT DOLLAR
LIFE CAPITAL ACCUMULATION PLAN**

WHEREAS, the State Fund Board of Directors is vested with full power, authority and jurisdiction over State Fund and may perform all acts necessary or convenient in the exercise of any power, authority or jurisdiction over State Fund, as fully and completely as the governing body of a private insurance carrier; and

WHEREAS, the Board of State Fund is vested with the authority to appoint the President and set the salary for that position; and

WHEREAS, private insurance carriers utilize deferred compensation and other benefit programs to retain top talent by recognizing exceptional management and executive level contributions and achievements; and

WHEREAS, State Fund must be able to attract and retain top management and executive level employees with needed leadership, skills, experiences, and other superior qualifications, and reward those employees for attaining challenging goals in furtherance of State Fund's strategic plans and objectives; and

WHEREAS, the Board previously approved an annual compensation package for President & Chief Executive Officer Vernon Lee Steiner including an annual base salary, a Long Term Incentive Program, a deferred compensation program, and an at-risk differential based upon an annual evaluation of enterprise and individual performance conducted by the Board of Directors ("Board") and a retention differential; and

WHEREAS, the Board has determined, subject to Mr. Steiner's consent, to eliminate the approved deferred compensation benefit and replace that benefit with a split dollar life capital accumulation plan.

NOW, THEREFORE,

IT IS RESOLVED that the Board hereby ratifies and approves an addendum to Mr. Steiner's employment agreement eliminating the approved deferred compensation benefit and replacing that benefit with a split dollar life capital accumulation plan. The addendum will be effective once the split dollar life capital accumulation plan is finalized and the insurance policies are in place.

IT IS FURTHER RESOLVED that the Board of Directors hereby ratifies and approves all actions taken by the Chair of the Board of Directors of the State Compensation Insurance Fund as are necessary to effectuate the addendum to Mr. Steiner's employment agreement.

PASSED AND ADOPTED at the meeting of the Board of Directors of the State Compensation Insurance Fund held on this 21st day of November, 2024 by the following vote:

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

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 November 21, 2024.



Hilda B. Padua
Assistant Corporate Secretary

11/21/24

Date

Resolution No. 2545

Approval of Modification of Long-Term
Plan for Exempts and CEA Positions



**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

**APPROVAL OF MODIFICATION OF LONG-TERM INCENTIVE PLAN FOR EXEMPTS AND CAREER EXECUTIVE
ASSIGNMENT POSITIONS**

WHEREAS, the State Fund Board of Directors is vested with full power, authority and jurisdiction over State Fund and may perform all acts necessary or convenient in the exercise of any power, authority or jurisdiction over State Fund, as fully and completely as the governing body of a private insurance carrier; and

WHEREAS, private insurance carriers utilize long-term incentive programs to retain top talent by recognizing exceptional management and executive level contributions and achievements; and

WHEREAS, State Fund must be able to attract and retain top management and executive level employees with needed leadership, skills, experiences, and other superior qualifications, and reward those employees for attaining challenging goals in furtherance of State Fund's strategic plans and objectives; and

WHEREAS, the Board approved and adopted Resolution No. 2170 at the August 17, 2018 meeting establishing a Long-Term Incentive Program for the exempt employees appointed pursuant to California Insurance Code section 11785 and certain Career Executive Assignment Positions (collectively, "Designated Employees"), with an effective date of January 1, 2018.

NOW, THEREFORE,

IT IS RESOLVED that the Board hereby approves a modification to the Long-Term Incentive Program for the Designated Employees to provide for a 40% target for Executive Committee members who report to CEO, a 30% target for Executive Committee members who do not report to CEO, and a 20% target for those Designated Employees who are not members of the Executive Committee.

IT IS FURTHER RESOLVED, that LTIP awards will be measured against performance on organizational strategic objectives, will not be adjusted in excess of the targets.

IT IS FURTHER RESOLVED, that payment of LTIP awards for each year will be made in equal installments over three years, with no age based cashout, and that all payments scheduled to be made to a Designated Employee with respect to a calendar year shall be forfeited unless the Designated Employee is continuously employed by State Fund and is in good standing through the last day the LTIP award is finalized.

Resolution No. 2545

Approval of Modification of Long-Term
Plan for Exempts and CEA Positions

PASSED AND ADOPTED at the meeting of the Board of Directors of the State Compensation Insurance Fund held on this 21st day of November, 2024 by the following vote:

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

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 November 21, 2024.



Hilda B. Padua
Assistant Corporate Secretary

11/21/24

Date