

**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

MINUTES OF OPEN SESSION MEETING

November 18, 2021

The Board of Directors of the State Compensation Insurance Fund met on November 18, 2021 via telephone/video conference using Zoom webinar.

November 18, 2021

AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL

Board Liaison Hilda Padua welcomed everyone who joined the meeting via telephone/video conference. Ms. Padua went over the Housekeeping rules for the meeting, including how to submit Public Comments by sending an email to BoardofDirectors@scif.com. Ms. Padua noted that the information was also posted on the State Fund website.

The meeting was called to order on November 18, 2021 at 9:06 a.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.); Jack L. Neureuter; Alexis A. Podesta; Arthur H. Pulaski; Thomas E. Rankin; Angela D. Tate; William M. Zachry; and Katrina S. Hagen (Ex-officio).

Absent by prior arrangement: Daniel M. Curtin

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 via telephone/video conference.

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 August 25, 2021 Open Meeting Minutes
- 3b. Board Member Educational Opportunities and Approval of Planned Board Member Education and Expense Reimbursement
- 3c. Review and Approval of Board and Committee Meeting Schedule for 2022

- 3d. Review and Approval of Board and Committee Agenda Items for 2022
- 3e. Governance, Compliance, and Privacy Update
- 3f. Approval of Investment Policy Statement and Guidelines Resolution
- 3g. Approval of Retirement Resolutions

Mr. Lanier requested to pull out from Consent Calendar item 3f “Review and Approval of Investment Policy Statement and Guidelines Resolution”. Mr. Lanier noted that the Investment and Risk Committee recommended changes from their meeting on November 17, 2021. The State Fund website and Diligent Board book have been updated with the revised Investment Policy Statement and Guidelines Resolution.

Investment and Risk Committee Chair Senator Machado discussed the following changes highlighted in red:

Under Section Q: Alternative Portfolio Characteristics and Limitations, sub item #2b “For all unrated securities, the investment manager must provide an assessment of issuer credit worthiness *and must obtain written approval from the Chief Investment Officer* prior to investment”.

Under same section, sub item #11, “If any of the above mentioned rules are breached, the investment manager need not dispose of all or part of the investment immediately. The investment manager will, however, inform the Chief Investment Officer immediately and make a proposal on the best way to bring the portfolio back into compliance with the limits. *Implementation of the proposal shall be approved by the Chief Investment Officer*”.

Mr. Lanier requested discussion of which there was none.

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

Mr. Lanier called for a Motion.

MOTION: Mr. Rankin

SECOND: Mr. Zachry

To approve the Consent Calendar as amended, with changes to the Investment Policy Statement and Guidelines Resolution.

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: FINANCIAL AND PRESIDENT’S REPORT: 3Q 2021

Mr. Lanier noted that this item is read only, unless there are questions, of which there were none.

AGENDA ITEM 5: REPORTS BY THE CHAIRS OF COMMITTEE ACTIVITIES

5a: GOVERNANCE COMMITTEE

Governance Chair Mr. Rankin reported that the Governance Committee met on November 15, 2021 through Zoom online meeting. During the Open Session under Consent Calendar, the Committee reviewed and approved the following: August 23, 2021 Open Meeting Minutes; Board Members’ Upcoming Speeches,

Articles, or Webinars; Board and Committee Meeting Schedule for 2022; Board and Committee Agenda Items for 2022; and Governance, Compliance, and Privacy Update.

During the Closed session, the Committee heard a report on update on Safety and Loss Prevention Strategic Plan, Performance Awards, Exempts and Executive Leadership Performance against Plan, Long-Term Incentive Plan (LTIP), and executive and exempt compensation. The Committee also had a strategic discussion on Board effectiveness survey results and board committee assignments.

5b: AUDIT COMMITTEE

Mr. Zachry reported that the Audit Committee met on November 16, 2021 through Zoom online meeting. During the Open Session, the Committee reviewed and approved the August 24, 2021 Open Meeting Minutes, 2022 Board and Committee Meeting Schedule, and 2022 Audit Committee Agenda Items. During the Closed Session, the Committee heard an update from outside auditor EY, and an update from staff on Personnel Investigations, Internal Audit activities, and Vendor Management. The Committee approved the 2022 Internal Audit Plan.

5c: INVESTMENT and RISK COMMITTEE

Investment and Risk Committee Chair Senator Machado reported that the Investment and Risk Committee met on November 17, 2021 through Zoom online meeting. During the Open Session under the Consent calendar, the Investment and Risk Committee reviewed and approved the following: investment transactions and compliance reports, for the period of July 1, 2021 to September 30, 2021, pursuant to its delegated authority; August 24, 2021 Open meeting minutes; 2022 Board and Committee Meeting Schedule; 2022 Investment and Risk Committee Agenda Items; and Investment Policy Statement and Guidelines Resolution.

During the Closed Session, the Investment and Risk Committee heard reports from investment managers and from staff on portfolio performance; investment benchmarks; update on Enterprise Risk Management program; and update on State Fund's Information Security Program.

AGENDA ITEM 6: CHAIRPERSON'S REPORT

Mr. Lanier acknowledged Senior Vice President of Safety and Health Lauren Mayfield's upcoming retirement in December after more than 34 years with State Fund. Mr. Lanier thanked Ms. Mayfield for her contributions especially with her work with the Loss Prevention Strategic Plan. Ms. Mayfield has always understood the importance of State Fund's purpose and values, excelled in all her roles, and embraced new challenges. On behalf of the Board, Mr. Lanier wished Ms. Mayfield best wishes for a happy retirement and Board's appreciation for her dedication to duty in advancing the best interests of State Fund, its policyholders, and its employees.

Ms. Mayfield thanked the Board for their best wishes and support to Safety and Health and Loss Prevention throughout the years.

AGENDA ITEM 7: BOARD MEMBER REPORTS

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

AGENDA ITEM 8: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION FOR ITEMS 11 THROUGH 19

Mr. Lanier requested public comment on the appropriateness of Closed session agenda items 11 through 19, of which there was none.

AGENDA ITEM 9: PUBLIC COMMENT

Mr. Lanier confirmed that no public comment was received.

ADJOURNMENT

There being no further business, Mr. Lanier adjourned the meeting at 9:16 a.m. to immediately reconvene in Closed session.

November 18, 2021

AGENDA ITEM 20: CALL TO ORDER AND ROLL CALL

The Open Session meeting reconvened at 4:18 p.m. via telephone/video conference (Zoom webinar). Ms. Padua apologized for starting the meeting late due to technical difficulties.

The following Members were present: David M. Lanier (Chair); Richard J. Guggenlime (joined via telephone during item 22); Senator Michael J. Machado (Ret.); Jack L. Neureuter (joined via telephone during item 21); Alexis A. Podesta; Arthur H. Pulaski; Thomas E. Rankin; Angela D. Tate; and William M. Zachry.

Absent by prior arrangement: Daniel M. Curtin; 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 21: APPROVAL OF PERFORMANCE AWARDS

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 2021 performance award pool and establishes that the payouts are to occur in 2022, subject to State Fund's year-end performance of achieving the goal targets within the range presented at the November Board 2021 meeting.

Mr. Lanier noted that, in a year filled with unique challenges, the Board finds that State Fund's overall performance 2021 was strong. The 2021 performance continues to reflect financial stability and improvement

in State Fund’s enterprise risk management position. Overall to date, State has achieved the majority of its goal targets within the range presented at the November 2021 Board meeting.

Contingent upon State Fund achieving its goal targets within the range presented at the November 2021 meeting, the Board decided to fund the 2021 performance award program with a pool not to exceed 5% 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. 2361 was displayed on the screen for public viewing.

Mr. Lanier requested a Motion and Second.

MOTION: Mr. Rankin SECOND: Sen. Machado

To approve the 2021 Performance Awards, Resolution No. 2361, as presented.

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

YES: 8 NO: 0 Abstain: 0 Resolution carried.

The certified Resolution No. 2361 is attached hereto.

Mr. Lanier congratulated and thanked the staff for their hard work and for achieving such positive results.

AGENDA ITEM 22: APPROVAL OF EXEMPT LEADERSHIP 2021 AT-RISK COMPENSATION DIFFERENTIAL AND 2022 EXEMPT LEADERSHIP COMPENSATION

Mr. Lanier reported that the Board of Directors has evaluated the performance of each executive and exempt employee for 2021. 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 market place without being excessive. Mr. Lanier reported that, in the same vein as the Performance Awards, the Board evaluated the performance of State Fund’s exempt executives for 2021 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 2022.

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. 2362 was displayed on the screen for public viewing.

Mr. Lanier requested a Motion and Second.

MOTION: Mr. Rankin SECOND: Mr. Zachry

To approve the Exempt Leadership 2021 At-Risk Compensation Differential and 2022 Compensation for Exempt Leadership, Resolution No. 2362, 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. 2362 is attached hereto.

AGENDA ITEM 23: APPROVAL OF PRESIDENT'S 2021 AT-RISK COMPENSATION DIFFERENTIAL, LONG-TERM INCENTIVE, AND 2022 COMPENSATION

Mr. Lanier noted that Resolution No. 2363 was displayed on the screen for public viewing.

Mr. Lanier requested a Motion and Second.

MOTION: Mr. Rankin

SECOND: Mr. Zachry

To approve the President's 2021 At-Risk Compensation Differential, Long-Term Incentive, and 2022 Compensation.

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. 2363 is attached hereto.

AGENDA ITEM 24: APPROVAL OF 2021 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 2021 meeting, the Board decided to fund the 2021 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. (Note, the chair initially stated the award was 6.7%, however corrected to the 10% that was approved by the Board).

Mr. Lanier noted that Resolution No. 2364 was displayed on the screen for public viewing.

Mr. Lanier requested a Motion and Second.

MOTION: Mr. Guggenhime

SECOND: Mr. Zachry

To approve the 2021 Long-Term Incentive Plan Resolution No. 2364, 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. 2364 is attached hereto.

AGENDA ITEM 25: PROPOSALS AND SUGGESTIONS FOR FEBRUARY 22-25, 2022 AGENDA

Mr. Lanier requested suggestions for agenda items for the February 22-25, 2022 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 February 22-25, 2022, location to be determined, unless noticed for a new date and time.

ADJOURNMENT

Mr. Lanier adjourned the meeting at 4:26 p.m. and wished everyone a Happy Thanksgiving.

Respectfully submitted,

Hilda B. Padua
Board Liaison and Assistant Corporate Secretary



**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

APPROVAL OF 2021 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 2021 total award pool of approximately five percent (5.0%) of the annual salaries of all eligible employees; and

WHEREAS, the Board has considered State Fund's enterprise performance for 2021, which continued to be impacted by the COVID-19 pandemic; and

WHEREAS, the Board now seeks to establish and approve the total size of the 2021 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 2021 performance award pool.

NOW, THEREFORE,

IT IS RESOLVED that the Board hereby finds that State Fund's overall performance for 2021 was strong; that 2021 performance continues to reflect financial stability and improvement in State Fund's enterprise risk management position; that overall to date State Fund has achieved the majority of its goal targets within the range presented at the November Board meeting; and hereby approves a 2021 performance award pool to be administered by management of approximately five percent (5.0%) 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 2021 performance award pool.

Resolution No. 2361

Approval of 2021 Performance Awards

PASSED AND ADOPTED at the meeting of the Board of Directors of the State Compensation Insurance Fund held on this 18th day of November, 2021 by the following vote:

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

BOARD of DIRECTORS of the STATE COMPENSATION INSURANCE FUND

Certification by the Assistant Corporate Secretary

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 meeting held November 18, 2021



Hilda B. Padua, Assistant Corporate Secretary

11/18/21

Date

Resolution No. 2362

Approval of Exempt Leadership 2021 At-Risk Compensation Differential and 2022 Exempt Leadership Compensation



**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

**APPROVAL OF EXEMPT LEADERSHIP 2021 AT-RISK COMPENSATION DIFFERENTIAL AND
2022 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, for the Chief Financial Officer, Chief Information Officer, Chief Investment Officer, and Chief Risk Officer a retention differential (as identified in the attached Schedule of Exempt Leadership 2021 At-Risk Compensation Differential and 2021 Long-Term Incentive); and

WHEREAS, the Board has considered State Fund’s enterprise performance for 2021 which is projected to materially achieve its enterprise objectives by year end, and based on that projection has completed its performance evaluations for the exempt employees for calendar year 2021; and

WHEREAS, the Board seeks to approve the at-risk compensation for 2021 as identified in the attached Schedule of Exempt Leadership 2021 At-Risk Compensation Differential and 2021 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 2021 at-risk compensation.

NOW, THEREFORE,

IT IS RESOLVED that the Board hereby finds that State Fund’s enterprise performance met expectations, demonstrated innovation and a focus on helping California businesses and injured workers; that 2021 performance continues to reflect financial stability and improvement in State Fund’s enterprise risk management position; that overall to date State Fund and the exempt employees materially achieved their goal targets; and hereby adopts and approves the 2021 at-risk component of 2021 compensation as identified in the attached

Resolution No. 2362

Approval of Exempt Leadership 2021 At-Risk Compensation Differential and 2022 Exempt Leadership Compensation

Schedule of Exempt Leadership 2021 At-Risk Compensation Differential and 2021 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 2021 at-risk compensation.

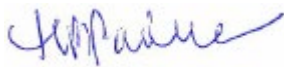
PASSED AND ADOPTED at the meeting of the Board of Directors of the State Compensation Insurance Fund held on this 18th day of November, 2021 by the following vote:

<u>MEMBER</u>	<u>VOTE</u>
David M. Lanier, Chair	Yes
Daniel M. Curtin	Absent
Richard J. Guggenhime	Yes
Sen. Michael J. Machado (Ret.)	Yes
Jack L. Neureuter	Yes
Alexis A. Podesta	Yes
Arthur H. Pulaski	Yes
Thomas E. Rankin	Yes
Angela D. Tate	Yes
William M. Zachry	Yes

BOARD of DIRECTORS of the STATE COMPENSATION INSURANCE FUND

Certification by the Assistant Corporate Secretary

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 meeting held November 18, 2021



Hilda B. Padua, Assistant Corporate Secretary

11/18/21

Date



**SCHEDULE OF EXEMPT LEADERSHIP 2021 AT-RISK COMPENSATION DIFFERENTIAL
AND 2022 EXEMPT LEADERSHIP COMPENSATION**

Position	2021 Annual Base Salary	Recommended 2021 At-Risk Compensation Differential	2021 LTIP Program**	Recommended 2022 Base Salary*	Recommended 2022 Annual Recruitment & Retention*
President & CEO (Vern Steiner)	\$544,450	\$181,256	\$58,945	\$544,450	\$78,893
Chief Financial Officer (Peter Guastamachio)	\$338,750	\$126,394	\$42,131	\$338,750	\$103,630
Chief Operating Officer (Richard Law)	\$455,500	\$136,650	\$45,550	\$478,275	Not applicable
Chief Claims Operations Officer (Steve Hunckler)	\$421,313	\$126,394	\$42,131	\$442,379	Not applicable
General Counsel (Margie Lariviere)	\$421,313	\$129,554	\$42,131	\$442,379	Not applicable
Sr. VP of Insurance Services (Dante W. Robinson)	\$350,000	\$91,928	\$36,050	\$367,500	Not applicable
Chief Information Officer (Marj Hutchings)	\$375,625	\$137,150	\$44,602	\$375,625	\$92,692
Chief Risk Officer (Ken Van Laar)	\$328,600	\$118,380	\$39,460	\$328,600	\$85,730
EVP of Strategic Planning (Alvin K. Cheung)	\$300,000	\$90,000	\$30,000	\$315,000	Not applicable
Chief Investment Officer Stephanie Chan	\$250,000	\$50,000	\$25,000	\$250,000	\$25,000
Chief Medical Officer (Dinesh Govindarao)	\$409,028	\$102,257	\$40,903	\$409,028	Not applicable
Chief Actuary (Kate Smith)	\$314,580	\$78,645	\$31,458	\$314,580	Not applicable
EVP of Corporate Claims (Robert M. Hamilton)	\$318,000	\$63,600	\$31,800	\$333,900	Not applicable



**SCHEDULE OF EXEMPT LEADERSHIP 2021 AT-RISK COMPENSATION DIFFERENTIAL
AND 2022 EXEMPT LEADERSHIP COMPENSATION**

Position	2021 Annual Base Salary	Recommended 2021 At-Risk Compensation Differential	2021 LTIP Program**	Recommended 2022 Base Salary*	Recommended 2022 Annual Recruitment & Retention*
Chief Underwriting Officer (John M. Gagan)	\$235,110	\$47,022	\$23,511	\$246,866	Not applicable
Pricing Actuary (Melissa Wang)	\$207,414	\$51,854	\$20,741	\$207,414	Not applicable

**2022 Annual Base Salary and Annual Recruitment and Retention is effective January 1, 2022.*

***2021 LTIP Program is effective January 1, 2021 and paid out over 3 years.*

Resolution No. 2363

Approval of President's 2021 At-Risk Compensation Differential, 2021 Long-Term Incentive, and 2022 Compensation



**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

**APPROVAL OF PRESIDENT'S 2021 AT-RISK COMPENSATION DIFFERENTIAL, 2021 LONG TERM INCENTIVE,
AND 2022 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 2021 At-Risk Compensation Differential and 2021 Long-Term Incentive); and

WHEREAS, the Board has considered State Fund's enterprise performance for 2021 which is projected to materially achieve its enterprise goals by year end and has completed its performance evaluation for the President for calendar year 2021; and

WHEREAS, State Fund has performed well against the 2021 LTIP performance measures as considered by the Board; and

WHEREAS, the Board seeks to approve the at-risk compensation, retention differential, and long term incentive for 2021 as identified in the attached Schedule of Exempt Leadership 2021 At-Risk Compensation Differential and 2021 Long-Term Incentive, 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 2021 at-risk compensation and retention differential.

NOW, THEREFORE,

IT IS RESOLVED that the Board hereby finds that State Fund's enterprise performance for 2021 met expectations, demonstrated innovation and a focus on helping California businesses and injured workers; that 2021 performance continues to reflect financial stability and improvement in State Fund's enterprise risk management position; that overall to date State Fund and the President materially achieved the enterprise and LTIP goals; and hereby adopts and approves the President's at-risk compensation, retention differential, and long term incentive

Resolution No. 2363

Approval of President's 2021 At-Risk Compensation Differential, 2021 Long-Term Incentive, and 2022 Compensation

for 2021 as identified in the attached Schedule of Exempt Leadership 2021 At-Risk Compensation Differential and 2021 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 enterprise or LTIP goals by year end within the range presented at the November Board meeting, the Board may reconsider the President's 2021 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 18th day of November, 2021 by the following vote:

<u>MEMBER</u>	<u>VOTE</u>
David M. Lanier, Chair	Yes
Daniel M. Curtin	Absent
Richard J. Guggenhime	Yes
Sen. Michael J. Machado (Ret.)	Yes
Jack L. Neureuter	Yes
Alexis A. Podesta	Yes
Arthur H. Pulaski	Yes
Thomas E. Rankin	Yes
Angela D. Tate	Yes
William M. Zachry	Yes

BOARD of DIRECTORS of the STATE COMPENSATION INSURANCE FUND

Certification by the Assistant Corporate Secretary

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 meeting held November 18, 2021

Hilda B. Padua, Assistant Corporate Secretary

11/18/21

Date



**SCHEDULE OF EXEMPT LEADERSHIP 2021 AT-RISK COMPENSATION DIFFERENTIAL
AND 2022 EXEMPT LEADERSHIP COMPENSATION**

Position	2021 Annual Base Salary	Recommended 2021 At-Risk Compensation Differential	2021 LTIP Program**	Recommended 2022 Base Salary*	Recommended 2022 Annual Recruitment & Retention*
President & CEO (Vern Steiner)	\$544,450	\$181,256	\$58,945	\$544,450	\$78,893
Chief Financial Officer (Peter Guastamachio)	\$338,750	\$126,394	\$42,131	\$338,750	\$103,630
Chief Operating Officer (Richard Law)	\$455,500	\$136,650	\$45,550	\$478,275	Not applicable
Chief Claims Operations Officer (Steve Hunckler)	\$421,313	\$126,394	\$42,131	\$442,379	Not applicable
General Counsel (Margie Lariviere)	\$421,313	\$129,554	\$42,131	\$442,379	Not applicable
Sr. VP of Insurance Services (Dante W. Robinson)	\$350,000	\$91,928	\$36,050	\$367,500	Not applicable
Chief Information Officer (Marj Hutchings)	\$375,625	\$137,150	\$44,602	\$375,625	\$92,692
Chief Risk Officer (Ken Van Laar)	\$328,600	\$118,380	\$39,460	\$328,600	\$85,730
EVP of Strategic Planning (Alvin K. Cheung)	\$300,000	\$90,000	\$30,000	\$315,000	Not applicable
Chief Investment Officer Stephanie Chan	\$250,000	\$50,000	\$25,000	\$250,000	\$25,000
Chief Medical Officer (Dinesh Govindarao)	\$409,028	\$102,257	\$40,903	\$409,028	Not applicable
Chief Actuary (Kate Smith)	\$314,580	\$78,645	\$31,458	\$314,580	Not applicable
EVP of Corporate Claims (Robert M. Hamilton)	\$318,000	\$63,600	\$31,800	\$333,900	Not applicable



**SCHEDULE OF EXEMPT LEADERSHIP 2021 AT-RISK COMPENSATION DIFFERENTIAL
AND 2022 EXEMPT LEADERSHIP COMPENSATION**

Position	2021 Annual Base Salary	Recommended 2021 At-Risk Compensation Differential	2021 LTIP Program**	Recommended 2022 Base Salary*	Recommended 2022 Annual Recruitment & Retention*
Chief Underwriting Officer (John M. Gagan)	\$235,110	\$47,022	\$23,511	\$246,866	Not applicable
Pricing Actuary (Melissa Wang)	\$207,414	\$51,854	\$20,741	\$207,414	Not applicable

**2022 Annual Base Salary and Annual Recruitment and Retention is effective January 1, 2022.*

***2021 LTIP Program is effective January 1, 2021 and paid out over 3 years.*

Resolution No. 2364

Approval of 2021 Exempt Employee and
CEA Long-Term Incentive



**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

APPROVAL OF 2021 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 2021 LTIP goals, as well as considering the performance evaluations for the exempt employees and certain CEA positions; and

WHEREAS, if State Fund fails to maintain the LTIP performance goals within the range presented at the November Board meeting, the Board may reconsider the 2021 LTIP target awards and annual award pool.

NOW, THEREFORE,

IT IS RESOLVED that the Board hereby finds that State Fund and the exempt employees and certain CEA positions performed well on the LTIP enterprise performance measures; the Board hereby approves a 2021 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 maintaining its LTIP performance goals through year end within the range presented at the November Board meeting.

IT IS FURTHER RESOLVED that if State Fund fails to maintain the LTIP performance goals presented at the November Board meeting through year end, the Board may reconsider the 2021 annual LTIP award pool.

Resolution No. 2364

Approval of 2021 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 18th day of November, 2021 by the following vote:

<u>MEMBER</u>	<u>VOTE</u>
David M. Lanier, Chair	Yes
Daniel M. Curtin	Absent
Richard J. Guggenhime	Yes
Sen. Michael J. Machado (Ret.)	Yes
Jack L. Neureuter	Yes
Alexis A. Podesta	Yes
Arthur H. Pulaski	Yes
Thomas E. Rankin	Yes
Angela D. Tate	Yes
William M. Zachry	Yes

BOARD of DIRECTORS of the STATE COMPENSATION INSURANCE FUND

Certification by the Assistant Corporate Secretary

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 meeting held November 18, 2021



Hilda B. Padua, Assistant Corporate Secretary

11/18/21

Date