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Date: May 4, 2021

TO: MEMBERS, GOVERNANCE COMMITTEE

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| I. AGENDA ITEM # AND TITLE: | Open Agenda Item 3f – Consent Calendar: Annual Review and Approval of Board Delegated Authority and Approval Levels |
| II. NAME AND PROGRAM: | Hilda Padua, Board Liaison |
| III. ACTIVITY: | <input type="checkbox"/> Informational <input type="checkbox"/> Request for Direction <input checked="" type="checkbox"/> Action Proposed <input type="checkbox"/> Exploratory |
| IV. JUSTIFICATION: | <input checked="" type="checkbox"/> Standard/Required Item <input type="checkbox"/> Board Request – New Item <input type="checkbox"/> New Topic from Staff |

V. EXECUTIVE SUMMARY:

In November of 2009 the Board approved a Resolution of Delegated Authority to the President affirming delegation of certain powers, functions, and duties, and outlining the topics that require the President to obtain the advice and ratification of the Board. The Board also set approval levels for the exercise of the President’s powers, functions, and duties. The delegation of authority and approval levels is reviewed annually and recommendations are presented and approved at the May Governance Committee Open meeting, and thereafter recommended to the full Board for adoption.

VI. ANALYSIS:

This review is conducted in compliance with the annual review of the State Fund Board Delegated Authority and Approval Levels. In prior years, the Board adopted Resolutions affirming and revising the Delegated Authority and Approval Levels to allow delegation by the President to an executive designee; to clarify delegated authority for real estate transactions; and to conform to legislation authorizing additional exempt positions.

At the August 2019 meeting, the Board approved a revised Board Delegated Authority and Approval Levels to permit more flexibility in the timing of rate decisions and to clarify the procurement authority level. At the June 2020 meeting, the Board recommended no changes for 2020.

The Board Liaison, Legal Department, and/or Executive Committee have completed their annual review of the Board Delegated Authority and Approval Levels this year and have non-substantive changes to recommend for 2021.

VII. RECOMMENDATION:

To recommend to the Board approval of the attached Board Delegated Authority and Approval Levels as presented.

VIII. APPENDIX: Copy of Resolution No. 2221 Delegated Authority & Approval Levels and Chart Delegation



Resolution No. 2221

**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS
RESOLUTION OF DELEGATED AUTHORITY AND APPROVAL LEVELS**

Governance Committee: Resolution No. 2112 Approved May 18, 2017
Board of Directors: Resolution No. 2112 Approved May 18, 2017
Governance Committee: Resolution No. 2150 Approved May 24, 2018
Board of Directors: Resolution No. 2150 Approved May 24, 2018
Governance Committee: Resolution No. 2221 Approved May 23, 2019
Board of Directors: Resolution No. 2221 Approved August 22, 2019
Approved Without Changes: June 16, 2020
[Proposed for review and to be approved - no recommended changes for 2021]
Governance Committee: May 17, 2021
Board of Directors: May 20, 2021

RESOLUTION OF DELEGATED AUTHORITY AND APPROVAL LEVELS

WHEREAS, the Board of Directors has authorized and directed the President of State Compensation Insurance Fund ("State Fund") to take, or to cause to be taken, all such actions necessary or desirable in connection with the administration, management, and conduct of the business and affairs of State Fund;

NOW, THEREFORE, BE IT RESOLVED:

That the Board of Directors hereby affirms its delegation to the President of State Fund, subject to conditions that the Board may from time to time prescribe, the powers, functions, and duties conferred by law on the Board of Directors in connection with the administration, management, and conduct of the business and affairs of State Fund. This delegation includes the authority to execute real estate transactions up to \$35M and any procurement contracts valued up to \$25M in any three-year period. The President may exercise those powers and functions and perform those duties with the same force and effect as the Board of Directors.

BE IT FURTHER RESOLVED that, notwithstanding the foregoing, the President shall continue to obtain the consent of the Chair of the Board of Directors prior to entering into any real estate transaction;

BE IT FURTHER RESOLVED that the President may delegate to the Chief Financial Officer, Chief Operating Officer, or other executive designee, the exercise of those powers, functions, and duties delegated by the Board, during the absence or unavailability of the President; such power or authority to be administered consistent with the requirements of this Resolution. A copy of each such delegation made pursuant to this Resolution shall be delivered to the Corporate Secretary of State Fund to be retained as part of the official records. The Board Chair shall provide written consent to the exercise of the delegated power and authority.

BE IT FURTHER RESOLVED that the President shall continue to regularly advise the Board of Directors on the business and affairs of State Fund, including but not limited to the following topics:

- Key operational matters
- Financial status and issues
- Legal issues affecting State Fund, the Board of Directors or officers
- Legislative issues specific to or affecting State Fund
- Marketing plans
- Information Technology strategic plans
- Human resources issues
- Internal audits

BE IT FURTHER RESOLVED that, notwithstanding the foregoing, the President shall continue to obtain the advice of the Board of Directors, and present to the Board of Directors for its ratification of actions taken pursuant to the Board of Directors' delegated authority on the following topics:

- Appointment of the chief financial officer, chief operating officer, chief information technology officer, chief investment officer, chief risk officer, chief of internal affairs, chief of claims operations, chief actuary, medical director, general counsel, chief underwriting officer, senior vice president of insurance services, executive vice president of corporate claims, executive vice president of strategic planning, and pricing actuary, and the setting of their salaries
- Investment decisions
- Major corporate policy initiatives
- Rate decisions

BE IT FURTHER RESOLVED that, notwithstanding the foregoing, the Board of Directors shall make all final decisions on the following topics, unless otherwise specifically delegated by the Board of Directors:

- Selection and appointment of the President/Chief Executive Officer*
- Approval of the strategic plan
- Selection of State Fund's public accountants**
- Approval of the annual budget
- Adoption and amendment of investment and cash management policies (currently delegated to the Investment and Risk Committee)
- Dividend declarations*
- Acquisition and sale of real estate, and major lease transactions, in excess of \$35M
- Selection of an external auditor (currently delegated to the Audit Committee)
- Approval of audit engagement fees (currently delegated to the Audit Committee)
- Approval of the annual audit plan, major changes to the plan, and the annual update of the biennial audit plan (currently delegated to the Audit Committee)
- Adoption of, and approval of changes to, State Fund's By-Laws, Conflict of Interest Code,*** Enterprise Risk Management Plan, Code of Ethics, Code of Conduct, charters of the committees of the Board of Directors, and/or other compliance policies and guidelines required by law** (currently delegated to the Governance Committee)
- Selection of appointed actuary**
- Selection of investment advisors (currently delegated to the Investment and Risk Committee)

- Procurement contracts with value in excess of \$25M in any three-year period (currently delegated to the Governance Committee); contracts with a lesser value may still require the advice and consent of the Board of Directors pursuant to any of the other topics listed herein
- Banking management

* Required by laws specific to State Fund

** Required by laws applicable to insurance companies generally in California

*** Required by laws applicable to state agencies in California

BOARD of DIRECTORS of the STATE COMPENSATION INSURANCE FUND