

**STATE COMPENSATION INSURANCE FUND
AUDIT COMMITTEE**

MINUTES OF OPEN SESSION MEETING

September 9, 2010

The Audit Committee met on September 9, 2010 in the Benicia Room of the Milton Marks Conference Center, State Building, 455 Golden Gate Ave, San Francisco, California.

AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 8:00 a.m. and the following members were present: Francis (Frank) E. Quinlan, Chair, William Zachry , Steven Rank and Alternate James Richardson.

There was a quorum.

Also present: President and CEO, Tom Rowe; Chief Risk Officer, Doug Stewart; Chief Financial Officer, Jay Stewart; General Counsel and Corporate Secretary, Carol Newman; Senior Vice President of Internal Affairs, Lisa Middleton; Internal Audit Program Manager and Assistant Corporate Secretary, Marie Wardell and KPMG Lead Audit Partner, Leigh Wilson by telephone.

**AGENDA ITEM 2: PUBLIC COMMENT ON APPROPRIATENESS OF
CLOSED SESSION ITEMS 3 THROUGH 8**

Kathleen B. Collins, Vice President of Bargaining, SEIU stated a concern that employee benefits were the subject of Agenda Item 8 and was being discussed in Closed Session instead of Open.

Chair Quinlan noted the objection for the record. Ms. Newman advised that as a point of order, there was no requirement to respond to the objection. However, Ms. Newman explained that Agenda Item 8 will be a review of accounting requirements for post retirement benefits which is an off balance sheet item governed by GASB Rule 45. Ms. Collins withdrew her objection.

The Committee immediately convened into Closed Session.

AGENDA ITEM 9: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 9:55 a.m. and the following members were present: Francis (Frank) E. Quinlan, Chair, William Zachry, Steven Rank and Alternate James Richardson.

There was a quorum.

Also present: President and CEO, Tom Rowe; Chief Risk Officer, Doug Stewart; Chief Financial Officer, Jay Stewart; General Counsel and Corporate Secretary, Carol Newman; Senior Vice President of Internal Affairs Lisa Middleton; Internal Audit Program Manager and Assistant Corporate Secretary, Marie Wardell and KPMG Lead Audit Partner, Leigh Wilson by telephone.

AGENDA ITEM 10: APPROVAL OF July 8, 2010 OPEN MEETING MINUTES

Mr. Quinlan requested public comment of which there was none.

MOTION: Mr. William Zachry Second: Mr. Steven Rank

To approve the minutes of the July 8, 2010 Open meeting of the Audit Committee as presented.

AYES: 3 NOES: 0 Motion carried.

AGENDA ITEM 11: COMMITTEE MEMBER PRESENTATIONS

Mr. Quinlan reported that there were no closed audits to report.

Mr. Quinlan requested public comment of which there was none.

AGENDA ITEM 12: PROPOSALS AND SUGGESTIONS FOR November 2010 AGENDA

Mr. Quinlan requested a discussion of financial vulnerability assessment be added to the Audit Committee agenda. Mr. Rank requested the topic of subrogation be added to the agenda with an emphasis on the role of legal counsel and loss control.

There were no additional proposals or suggestions for the September 2010 agenda. Mr. Quinlan requested a review of the risk of comprising State Fund's fiscal data universe.

Mr. Quinlan requested public comment of which there was none.

AGENDA ITEM 13: PUBLIC COMMENT

Mr. Quinlan requested public comment of which there was none.

He confirmed that Agenda Item 8 was discussed and advised that the essence of the discussion could be found in the footnotes of State Fund's 2009 Annual Financial Statement.

The next Audit Committee meeting is scheduled for November 18, 2010 in San Francisco, California.

ADJOURNMENT

There being no further business before the Audit Committee, the meeting adjourned at 10:00 am.

Respectfully submitted,

Marie W. Wardell
Assistant Corporate Secretary